09/10

MAGIX AG ANNUAL REPORT

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MAGIX at a Glance

MAGIX is a leading manufacturer of multimedia software with sites in Europe, America and Asia. MAGIX is an excellent choice for anyone, from beginner to professional user, who is passionate about music, photos, videos, and the web. No other provider offers a comparable product range that combines innovative software with extensive online services and professionally produced digital content.

We are committed to our more than 12 million registered users and endeavor to offer the right multimedia software for any budget and purpose. Our software, which is available in more than 20 languages, can be purchased worldwide in almost any retail store or directly via our Online Shop. 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, Taiwan, the UK, France, Italy, Spain, and the Netherlands.

The cornerstone was laid by company founders Jürgen Jaron, Dieter Rein and Erhard Rein together with developers Tilman Herberger and Titus Tost in 1993. This founding team continues to work together closely to this day and equally represents continuity and innovation at MAGIX.

Today, the MAGIX team is made up of more than 320 employees, more than half of which are developers, who ensure the continuous improvement of our products. Thanks to the largely uniform platform on which our software is based, our developers can easily transfer innovations from one product to another, allowing us to make innovations available before competitors can do so. More than 1,000 awards worldwide speak for themselves.

We also continuously set new trends in the field of web-based software. For a long time now, our online services have been available without installation, not only from the home PC but also from a PC at the office or on the go from a notebook computer or mobile phone. We are now taking the same path with mufin, one of the most advanced technologies for music recognition and recommendation worldwide: mufin organizes any music collection and makes it available online and on the go on mobile devices.

MAGIX – Passion for Innovation!

Key MAGIX Group Figures

Key MAGIX Group figures according to IFRS

	FY 2009/2010 kEUR	Change in %	FY 2008/2009 kEUR
Profit & Loss			
Sales revenue	37,127	+6.7%	34,780
Gross margin	31,537	+10.6%	28,507
as % of revenues	84.9%		82.0%
Earnings before interest and taxes (EBIT)	5,611	+83.4%	3,059
as % of revenues	15.1%		8.8%
Net income	4,429	+105.2%	2,158
as % of revenues	11.9%		6.2%
Earnings per share in EUR	0.42	+110.0%	0.20
Balance Sheet			
Balance sheet total	61,105	+11.2%	54,937
Current assets	46,527	+15.9%	40,135
of that amount in cash & cash equivalents	33,773	+26.3%	26,749
Non-current assets	14,578	-1.5%	14,802
Current liabilities	12,209	+19.6%	10,205
Non-current liabilities	738	-31.2%	1,072
Equity	48,158	+10.3%	43,660
Equity ratio	78.8%		79.5%
Cash Flow			
Cash flow from operating activities	9,745	+38.4%	7,039
Cash flow from investing activities	-2,909	-158.1%	5,011
Cash flow from financing activities	277	+128.6%	-970
Employees			
Total	325	+7.3%	303
Sales & Marketing	112	+10.9%	101
Research & Development	171	+5.6%	162
Administration & Production/Logistics	42	+5.0%	40
Key Ratios			
Number of registered users	12,005,121	+14.1%	10,519,934
Conversion rate	6.1%		6.1%
Average revenue per registered user	€1.38	+0.7%	€1.37
Average order price	€22.62	+1.3%	€22.33

Greetings from the Management Board

Tilman Herberger
Management Board Member

Jürgen Jaron
Chief Executive Officer

Dieter Rein
Management Board Member

Dear Shareholders,

We are delighted to inform you about an exceptionally successful financial year. The success proves that our strategy to offer the right multimedia software for any budget and purpose is the correct way to go. Thanks to its strong development performance in recent years, MAGIX, today more than ever, acts as an innovator.

Looking back on the 2009/2010 financial year, we can say that it paid off not to tighten our belt during the economically difficult years that lie behind us. In keeping with our plans, we invested systematically in research and development.

We established new services such as the MAGIX Academy, improved existing ones such as MAGIX Online Services, and, besides releasing brand new products, launched various new language versions of our established products. Furthermore, we managed to enter the so-called PC utilities market segment with the release of MAGIX Rescue Your Data and MAGIX PC Check & Tuning. As a result, MAGIX is more broadly positioned and in a better position to react to coming events and situations.

As a logic consequence, the Group revenue rose to a record level of EUR 37.1 million (+7%). We thus managed to clearly improve our position among the international competition. Due to the changed product mix that features more high-margin, professional products and less product packages with externally procured hardware, the gross margin rose from 82% to 85% or, in absolute figures, from EUR 28.5 million to EUR 31.5 million (+11%).

The Group's slim structure combined with the pronounced cost consciousness among all employees were other aspects that helped ensure a disproportionately large increase of earnings before interest and taxes to EUR 5.6 million (+83%). This clearly exceeded expectations for results, which had last been specified to be at EUR 4.0 to 4.5 million. The EBIT margin increased from 9% to 15%.

The Xara Group, which was acquired in 2007, experienced a very positive development in 2009/2010. After having completed the turnaround in the previous year and having contributed a six-figure sum to the company's EBIT, this result was clearly exceeded again due to continued strong growth. Undoubtedly, the acquisition of Xara has proven to be economically sensible.

Thanks to the positive development of results, the capital structure continued to be good with a solid equity rate of 79%. In the 2009/2010 financial year, the operative cash flow rose clearly to EUR 9.7 million (+38%). On the balance sheet call date, the balance sheet total of EUR 61.1 million included EUR 33.8 million cash and cash equivalents.

The MAGIX AG share also benefited from the positive development of revenue and results. Since the turn of the trend in October 2008, the share has followed an overall stable upwards trend. In the middle of September 2010, it reached a three-year high at EUR 5.54. At the end of the financial year on September 30, 2010, the share traded at EUR 5.10 on the Xetra exchange; the market capitalization was EUR 53.2 million. Compared to the previous year's closing price of EUR 4.40, the share price rose by 16%. In 2009/2010, our share thus performed better than DAX, TecDAX, and DAXsector software.

It is our goal to use this basis to promote sustained development of the Group. In doing so, our “360° multimedia” vision sets us on a clear course. We want both private and business clients to find innovative as well as comprehensive solutions for their digital content at MAGIX. We endeavor to offer a solution for any multimedia problem.

To this end, we have defined four tactical directions that pave the way for us in the future:

1. We want to strengthen our dominant position in Western European retail by developing innovative consumer products and generate growth with new language versions, especially in Eastern Europe and South America.
2. We want to clearly advance the B2B business by putting medium-sized and larger medium-sized businesses in a position to create their own digital content, allowing them to efficiently market their products and services on the Internet.
3. We want to expand our client base internationally by distributing our products globally in cooperation with well-known OEM partners.
4. We want to place our dynamically growing online business on a more sustained basis by expanding our online and cloud services and advancing our activities in the fields of search engine optimization and online marketing.

We continue to see great potential in marketing the music recognition and recommendation technology of our subsidiary mufin. In November 2010, we launched the new version of the world’s first audio player with sound-based music management, mufin player 2.0. The new mufin player links the music collection on the home PC with a cloud service, which makes the music available worldwide via Internet browsers or on mobile phones. We have thus clearly expanded the range of applications for mufin technology and advanced the company in terms of market maturity.
To advance the marketing of our software in general and of mufin technology in particular, we founded a subsidiary based in Taiwan, which we will use to form closer ties with potential OEM partners.

In light of the very positive business development, we are confident that we can break the just set revenue record in the current 2010/2011 financial year. We expect startup costs for advancing the B2B business and the internationalization of our product range, which will reflect negatively on the result. Provided that the economic situation remains stable, we, therefore, expect a moderate EBIT growth to approximately EUR 6.0 million.

In conclusion, we would like to assure you that we will do whatever we can to advance MAGIX internationally. We know that we possess the necessary potential and determination thanks to our employees and what is more, in light of the competitive situation, we consider conditions to be propitious for further growth. We would like to take this opportunity to thank you expressly for placing your confidence in the success of MAGIX!

Sincerely,

Tilman Herberger Management Board	Jürgen Jaron Chairman of the Management Board	Dieter Rein Management Board

MAGIX

PASSION FOR INNOVATION

MAGIX
Passion for Innovation

The business field, product range, organization, and strategic orientation

The business field:
Multimedia communication

Taking snapshots with a mobile phone, listening to music on the go on a tablet* PC via the Internet, creating high-resolution 3D footage with a camcorder, holding video conferences on the PC and enjoying slideshows on TV – thanks to new formats and increasingly fast network connections telephone, TV, computer, and Internet are becoming increasingly interconnected. Consequentially, the contents of our communication are no longer bound to a certain device or medium. Text, speech, music, photos, and videos can be combined and exchanged with each other, i.e. communicated, in almost any way possible.

The digital world turns passive consumers into active users who use new media in their day-to-day personal communication. As a consequence, there is a drastic increase in the amount of multimedia data. At the same time, the need for easy, yet high-quality solutions for creating, archiving, and presenting photos, videos, music, and the Internet is growing.

MAGIX offers suitable all-around solutions for everyone. No other provider offers a comparable product range that combines innovative software with extensive online services and professionally produced digital content.

Note:
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.

The product range:
All-around solutions for multimedia communication

Our product range is targeted at home as well as business users. We translate our software into more than 20 languages. In Germany alone, we currently offer approximately 60 products. The products are characterized as providing the user with a seamless connection between their PC, the Internet, and mobile telephone, 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 in the European retail market. Anyone can now do on their home PC what used to be the domain of professionals: Users can easily burn their 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 shows and slideshows that can be viewed on TV, PC, the Internet, mobile phones, or digital picture frames.

- **MAGIX Music Maker**
  is a program that is suitable for everyone, from users with no previous skills to ambitious musicians. Users can be creative and produce impressive music on the home PC!

We have expanded our range of products targeted at helping users find solutions for day-to-day multimedia problems. The name says it all:

- **Rescue your Videotapes**
  is an application suitable 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.

- **Rescue Your Data**
  is the first easy-to-use data backup solution that is tailored to the specific needs of notebook users.

- **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, to archive them on CD or DVD.

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

- **MAGIX Online Album**
  is an application which allows users to save and publish their digital photos, videos, and music online. This way, the 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 enhanced with photos, videos, and music from, for example, the MAGIX Online Album.

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 more than anything 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 matches any mood and adds a personal note to a multimedia show. It is for a reason that we stand for a "passion for innovation"!

The Group's organization

In accordance with its distribution channels, MAGIX is divided into Consumer, Professional, Portal and OEM business divisions.

Consumer division

Consumer, the business division with the highest sales, incorporates all retail sales (stationary and online). Domestically and internationally, we have a far-reaching distribution network with high-revenue retail partners such as Saturn/Media Markt, Amazon, Dixons, Fnac and BestBuy, as well as our own subsidiaries in North America and Europe. We sell our software for creating, designing, presenting, and archiving digital photos, graphics, videos, and music to private users via this classic distribution model and in doing so figure among the leading providers of multimedia applications worldwide.

Professional division

Although MAGIX is often perceived first through the Consumer division 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 division has addressed commercial users. This takes place either directly or through intermediary specialized retailers.

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

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

- **Samplitude**
  manages any professional audio task, from recording to mixing and mastering.

With Xara Designer Pro and Video Pro X, MAGIX now also offers software solutions tailored to commercial use in the areas of video and photo as well as graphic and web.

- **Xara Designer Pro**
  offers small and medium businesses an all-around solution for designing the full range of materials needed for professional business presentations.

- **Video Pro X**
  is a video editing solution geared towards the unique requirements of ambitious and professional users. With this program users can edit 3D footage and Multicam material just as easily as high-resolution videos and, thanks to the Samplitude high-end audio engine, the program even includes professional audio editing.

Although the Professional division yields a relatively small portion of revenue, it is of fundamental importance to us because it highlights our power of innovation, which is necessary for continuously meeting the highest standards.

Portal division

MAGIX offers its entire range of software solutions, 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, www.magix-online.com, as well as www.magix.info. The revenue received through this channel, which has steadily grown in the last several years, is assigned to the Portal business division.

In order to make customers switch to fee-based products and services, we offer some of our software and Internet services for free. In addition, MAGIX communicates with registered customers directly per email and offers them new products. The direct sales resulting from these activities bring the company repeat earnings.

In addition, the Portal division also includes services that we offer to business clients. PC products are combined with Internet services according to the wishes of business partners, creating comprehensive multimedia solutions which can be built into their Internet portals. If desired, our products can also be altered in their functionality and design to meet the wishes of clients. Clients such as Freenet and Orange telecommunications companies have come to appreciate services from MAGIX.

MAGIX bills its services to business clients as a system vendor. Revenue is generated from product adjustment as well as from licensing fees for individual application use. If business partners generate revenue from the Internet services provided by MAGIX, this revenue is shared by all parties. If MAGIX products are sold via these services, earnings are also split.

OEM division

Of course, we also license our software to OEM partners (Original Equipment Manufacturers), i.e. manufacturers of PCs, laptops, mobile phones, MP3 players, and 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 their customers an added value to their hardware and thus stand out from the competition.

MAGIX mostly receives fixed license fees from business partners for OEM versions which are then assigned to the OEM division. Due to the narrow margin of hardware manufacturers, we have switched our policy to demanding licensing fees only for products that are really used by end customers. For this, the user must activate the program before first use. If the user later purchases the product version with the full range of functions that matches the OEM version, the revenue from the sale is divided between the OEM partner and MAGIX.

Despite its comparatively low contribution to MAGIX Group's total revenue, the OEM division is an extremely important component of the Group's sales strategy. By offering its software in combination with business partners' hardware, the Group can reach users that do not of their own accord inform themselves about multimedia products via the Internet or specialized retailers. The OEM distribution thus contributes to expanding the customer base.

Our strategic orientation: *360° multimedia*

The 360° multimedia vision keeps MAGIX on a clear course: We endeavor to offer our users all-around solutions for their digital contents from one source. To this end, we will continue to pursue the following four major elements of our group strategy:

- **Expansion of MAGIX's leading role and stronger internationalization in the Consumer division**

In our attempt to continue to fulfill our role as a leading force in retail, we wish to increasingly appear as an innovator. We respond to constantly changing customer wishes by continuously improving existing products, as well as developing new ones. Moreover, we will be able to better access and address new markets, especially in Eastern Europe and South America, by launching localized language versions. We will take into account the consumer behavior and retail situation of different markets by taking a market-specific approach that implements differentiated product, distribution and service strategies.

- **Selective expansion of the product range in the Professional division**

Fueled by our professional products as flagships, we endeavor to position ourselves as an innovative leader. Increasingly, our aim is to establish our professional audio software solutions, which have been leading in the German market for years, internationally as well.

We will be able to win new commercial clients thanks to our integrated photo, graphics, and desktop publishing applications and video editing solutions. This allows mid-range as well as small businesses to create their own digital content, especially videos, and to post them online. Our clients are thus able to efficiently market their products and services on the Internet.

- **Sustainability in the fast-growing Portal division**

The Portal division will benefit from the planned expansion of our product portfolio because the complete range of MAGIX products is distributed via the Group's own website. At the same time, our website will be translated into additional languages and made more entertaining and informative by adding web videos. We want to win new customers via search engine optimization and increased online marketing. Our online and cloud* services focus on raising the conversion rate of free users to subscribers to fee-based premium services. This will allow us to place our dynamically growing online business on a more sustained basis.

- **Worldwide distribution through OEM distribution**

We will expand our client base internationally by distributing our products globally in cooperation with well-known OEM partners. In doing so, we will focus on marketing music and video products, whereby the music recognition and recommendation technology mufin will play an increasingly important role for the company. Our recently founded subsidiary in Taiwan will help us to intensify business relations with potential OEM partners.

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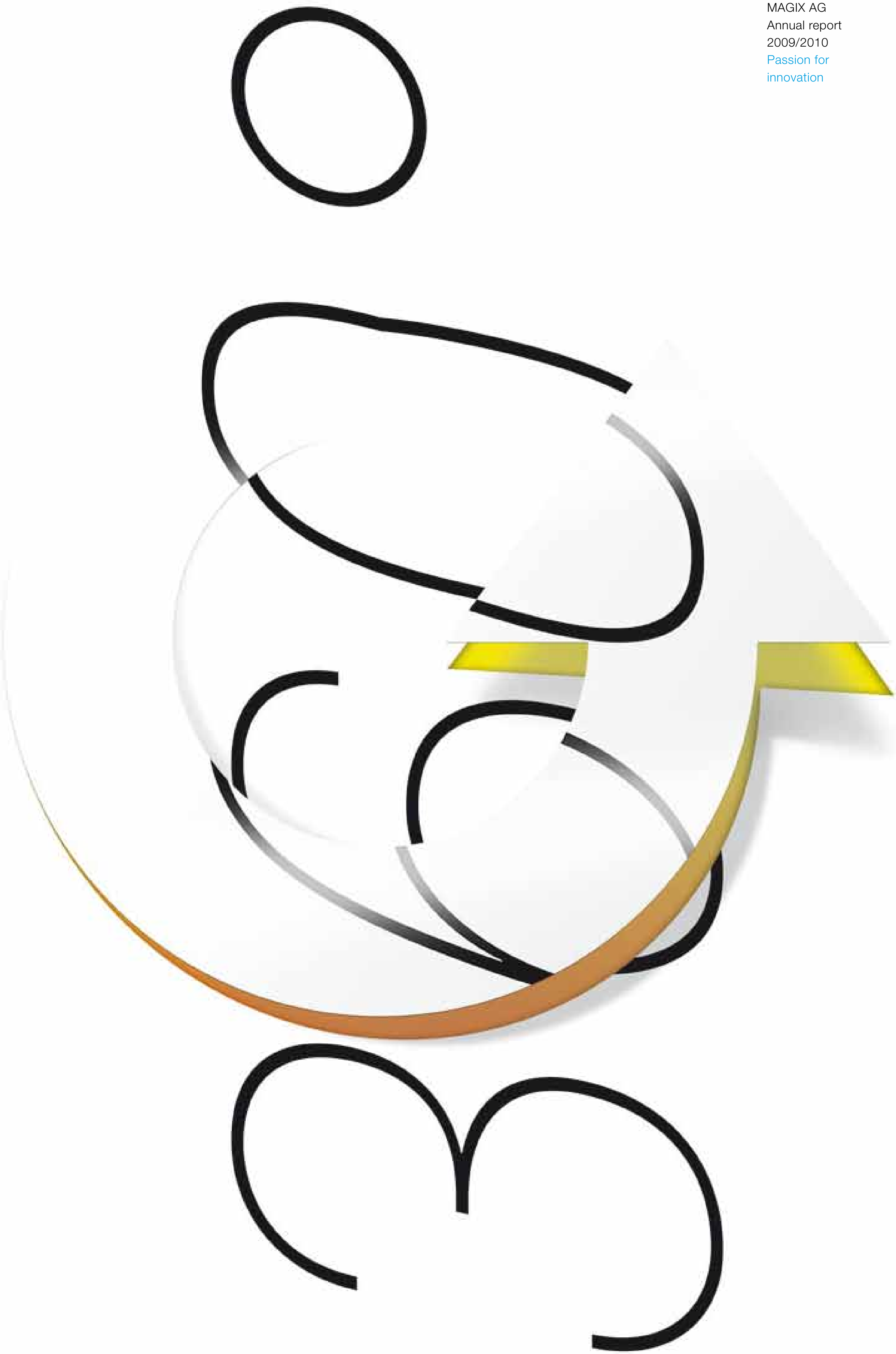


Supervisory Board Report

Dear Shareholders,

The past 2009/2010 financial year was exceptionally successful for MAGIX AG. A glance at the development of revenue and results immediately confirms this and is all the more pleasing considering the insecure business environment that MAGIX operated in.

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 general and industry-specific economic situation, the Supervisory Board has concerned itself comprehensively with the situation and perspectives of MAGIX Group and has advised and monitored the Management Board in accordance with the Corporate Governance Code. All decisions of 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 Group’s current state (including the risk situation, risk management, and internal audit), 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 2009/2010 financial year, five Supervisory Board meetings took place, two of which were conducted as telephone conferences. Furthermore, two resolutions of the Supervisory Board were agreed upon by email.

During each meeting, the Supervisory Board analyzed the current development of the business together with the Management

Board. These meetings regularly dealt with the current and long-term development of the individual business divisions and with the Group as a whole. In relation to the strategic Group orientation, development, product, distribution and marketing strategies were specifically discussed. The following topics were other main focuses of the meetings:

- The preliminary figures of the 2008/2009 financial year were the main focus of the meeting on October 29, 2009, which was conducted as a telephone conference. In addition, details were discussed with the Management Board regarding the planning for 2009/2010, which had been authorized in the preceding month.
- On January 8, 2010, the annual report and the group financial statement as of September 30, 2009 as well as the earnings allocation proposal of the Management Board were discussed. Furthermore, the current German Corporate Governance Code was discussed and a corresponding declaration of conformity agreed upon. The meeting also served to prepare the 2010 shareholders' meeting.
- At the meeting on January 26, 2010, which was also conducted as a telephone conference, the Supervisory Board agreed to the conclusion of the profit transfer agreement between MAGIX AG and MAGIX Development GmbH and approved the agenda for the 2010 shareholders' meeting.
- At the meeting on March 10, 2010, the discussion mainly followed up the shareholders' meeting that had taken place earlier the same day.
- On March 15, 2010 a resolution approving the profit transfer agreement between MAGIX AG and mufin GmbH was agreed upon by email.
- The conclusion of the agreement on the agenda for the extraordinary shareholders' meeting on May 5, 2010 also was agreed upon by email on March 18, 2010.
- At the meeting on May 27, 2010, the Supervisory Board dealt extensively with the topic of internal audit based on the report by the Management Board.

All members of the Supervisory Board were present at four of the five meetings. One meeting was conducted with one Supervisory Board member not present. Other informal conversations took place between the Management Board and the Supervisory Board outside of the Supervisory Board meetings. Especially the chairmen of the Management Board and the Supervisory Board were in regular contact and discussed all topics relevant to the company.

Neither the Supervisory Board nor the Management Board experienced changes in personnel. The terms of all Supervisory Board members end with the 2011 shareholders' meeting. Due to its size of three members, the Supervisory Board of MAGIX AG has created no committees this fiscal year, as in the last. During this reporting period, the members of the Supervisory Board were not subject to any conflicts of interest as defined by the German Corporate Governance Code.

The Supervisory Board occupied itself in depth with the topic of corporate governance and, in particular, with the German Corporate Governance Code. A decision concerning the common declaration of conformity by the Supervisory Board and Management Board was adopted in the meeting on January 8, 2010 of the previous financial year and the meeting on January 11, 2011 of the current financial year. Both bodies have taken the necessary steps to follow the recommendations of the Code as closely as possible. The current and older declarations of conformity as well as information regarding the amount and structure of compensation and shareholdings by the Management Board and the Supervisory Board may be viewed on the Group's website at http://www.magix.com/gb/magix-ag/investor-relations/corporate-governance/.

The annual report, the management report, the group financial statement, and the group management report for the 2009/2010 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, who has given explanations on the assets, finance and revenue situation of the Group and was available for additional information. The auditor also reported that the Management Board has implemented in a suitable manner the measures required according to §91 Section 2 (Stock Corporation Act), in particular regarding the installation of a monitoring system, and that the monitoring system is suitable to reveal at an early stage developments that may jeopardize the continuation of the Group.

The statements and reports have been carefully checked by the Supervisory Board. This includes the Managerial Board's earnings allocation proposal. No objections were raised to the final results of the audit of the the annual report, the group financial statement, the management reports as well as the earnings allocation proposal. The Supervisory Board seconds the results of the audit of the annual report, group financial statement as well as the management reports, and approves the results of the annual and group financial statements from the 2009/2010 fiscal year. With this, the Supervisory Board has approved the annual report set up by the Management Board during its meeting on January 11, 2011. Furthermore, the Supervisory Board discussed the earnings allocation proposal as well as the proposal for a special distribution with the Management Board and examined them against the background of the company's situation and financial and investment plans and agreed to both suggestions.

The Supervisory Board would like to extend its thanks to the Management Board as well as all of the Group's employees for their trustful and constructive work and continued personal dedication, which has contributed to a very positive development in the past fiscal year. In conclusion, we would like to thank the shareholders of MAGIX AG for the confidence placed in us.

The Supervisory Board

Karl Heinz Achinger
Chairman of the Supervisory Board

Berlin, January 2011

Corporate Governance Report

The Management Board and the Supervisory Board of MAGIX AG support the principle of proper and responsible company management as stated in the German Corporate Governance Code (short: the Code). Compliance with the national and international standards set out in the Code is crucial in strengthening the confidence of investors, employees, and customers, thus contributing to sustained economic success of the company.

Declaration of conformity

Since the last declaration of conformity from January 2010, 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 18, 2009, or since its validity in the amended version from May 26, 2010 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 achievement in measuring variable compensation of members of the Management Board (section 4.2.2 of the Code): Compensation of Management Board members is dependent on their individual achievements 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 interlock moderately, 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 settlement cap during signing of Management Board contracts in the event of premature termination of the Management Board duties (section 4.2.3, paragraph 4 and 5 of the Code): A regulation of the settlement payment in the event of premature termination of Management Board duties is deemed impractical. It would contradict the principle, 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 ex parte.
- Adequate inclusion of women in the composition of the Management Board and the Supervisory Board (section 5.1.2 and 5.4.1 of the Code): In accordance with requirements of stock corporation law, it is the opinion of the Supervisory Board of MAGIX AG that filling positions in the Management Board and the Supervisory Board of MAGIX AG should be guided by whether candidates possess the skills, expertise, and experience necessary for the Board's work. Although the Supervisory Board expressly endorses diversity, it considers criteria such as the candidate's sex secondary. For this reason, an adequate inclusion of women in the Management Board is not considered a priority. Similarly, the concrete goals set out by the Supervisory Board for its own composition do not provide for an adequate inclusion of women. This aim is not taken into consideration in candidate proposals the Supervisory Board makes to the shareholders' meeting.

- 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 (section 5.3 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 fulfil 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 annual results 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.

Stock held by board members

At the time of the report's publication in January 2011, the stock currently held by the members of the Management Board and the Supervisory Board was as follows:

** 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.

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	30,000	0.29
Dierk Borchert	30,000	0.29

Transactions by members of the MAGIX AG management subject to notification since September 30, 2009

The following transactions subject to notification have been conducted by members of MAGIX AG management:

2010-03-22	Dr. Peter Coym/Supervisory Board		
	Purchase	Xetra	10,000 shares
	4.70	EUR	47,000 EUR

2010-11-19	Dierk Borchert/Supervisory Board		
	Purchase	Xetra	10,000 shares
	5.7979	EUR	57,979 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. Irrespective of the success of the company the members of the Management Board receive a fixed salary 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 2009/2010 fiscal year comprised kEUR 1,090. Success-independent components totaled kEUR 450 (fixed salaries: kEUR 421, fringe benefits: kEUR 29). Bonuses totaling kEUR 640 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.

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 members of the Supervisory Board has been purchased at the expense of the company.

The remunerations were apportioned as follows (in kEUR):

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous Year
Success-independent earnings	167	169	114	450	450
Success-related earnings	235	235	170	640	704
Total	**402**	**404**	**284**	**1,090**	**1,154**

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
Success-independent earnings	40	30	20	90	90

Objectives of the Supervisory Board regarding its composition and implementation status

The by-laws of the Supervisory Board include, among other things, the Supervisory Board's objectives for its composition and refers to the MAGIX AG Articles of Association regarding composition, term of office, substitute memberships, and resignations of the Supervisory Board. Other concrete goals set out by the Supervisory Board for its composition are based mainly on the Corporate Governance Code. Candidate proposals made by the Supervisory Board for the appointment of Supervisory Board members by the Shareholders' Meeting should take these objectives into consideration.

In accordance with its by-laws, the Supervisory Board is guided by the following objectives regarding its composition:

a. members of the Supervisory Board should possess the knowledge, skills, and professional experience necessary for the proper accomplishment of the Board's duties. The individual skills, knowledge, and experience of the members can complement each other to obtain this objective;
b. the Supervisory Board should include at least one member who is particularly qualified for handling the company's international activities (for example, due to foreign nationality or relevant experience abroad);
c. the Supervisory Board should not include more than two former members of the Management Board;
d. members of the Supervisory Board should not exercise advisory functions or serve on the Board of major competitors of the company;
e. the Supervisory Board should include at least one member who does not have business or personal relations with the company or its Management Board that may create a conflict of interest;
f. the Supervisory Board should include at least one member who is independent and possesses expertise in accounting or financial statements (section 100, paragraph 5 of the Stock Corporation Act (AktG));
g. Supervisory Board members who serve on the Board of a listed stock corporation should not possess more than three seats on the Supervisory Board of listed companies that do not form part of the group's company on whose Board they serve, or in supervisory bodies of companies with comparable requirements;
h. members of the Supervisory Board should, as a rule, not be in office longer than until the end of the Shareholders' Meeting which follows their seventy-fifth birthday.

The Supervisory Board is of the opinion that the above-mentioned goals are fulfilled with its current composition.

Due to their long-standing careers with different backgrounds, the members of the Supervisory Board possess an exceptionally large amount of skills, knowledge, and professional experience useful in the proper performance of the Supervisory Board's duties, particularly by mutually complementing each other. With Mr. Dierk Borchert, public accountant, the Supervisory Board includes an independent expert in accounting and financial statements among its members. Additionally, all members of the Supervisory Board possess considerable experience abroad. Furthermore, the three members of the Supervisory Board meet the requirements set out in items c, d, e, g, and h.

Stock Option Plan

No stock options were granted to employees of MAGIX AG in the 2009/2010 fiscal year:

Berlin, January 2011

For the Supervisory Board	For the Management Board
Karl Heinz Achinger	Jürgen Jaron

The MAGIX Share

Key data on the MAGIX AG share

International Securities Identification Number (ISIN)	DE0007220782
Ticker symbol	MGX
IPO	April 6, 2006
Type	Nominal, no-par common shares
Stock exchange listing	Regulated market in Frankfurt Free trade: Berlin, Düsseldorf, Munich and Stuttgart
Transparency level of German stock exchange	Prime Standard
Sector and subsector of German stock exchange	DAXsector Software, DAXsubsector Software
Designated Sponsor	Close Brothers Seydler Bank AG

General market development

Compared to the turbulent previous years, activities on the international capital markets were relatively calm during the reporting period from October 2009 to September 2010. The so-called Greece or Euro crisis was not the only time when the market participants showed insecurity.

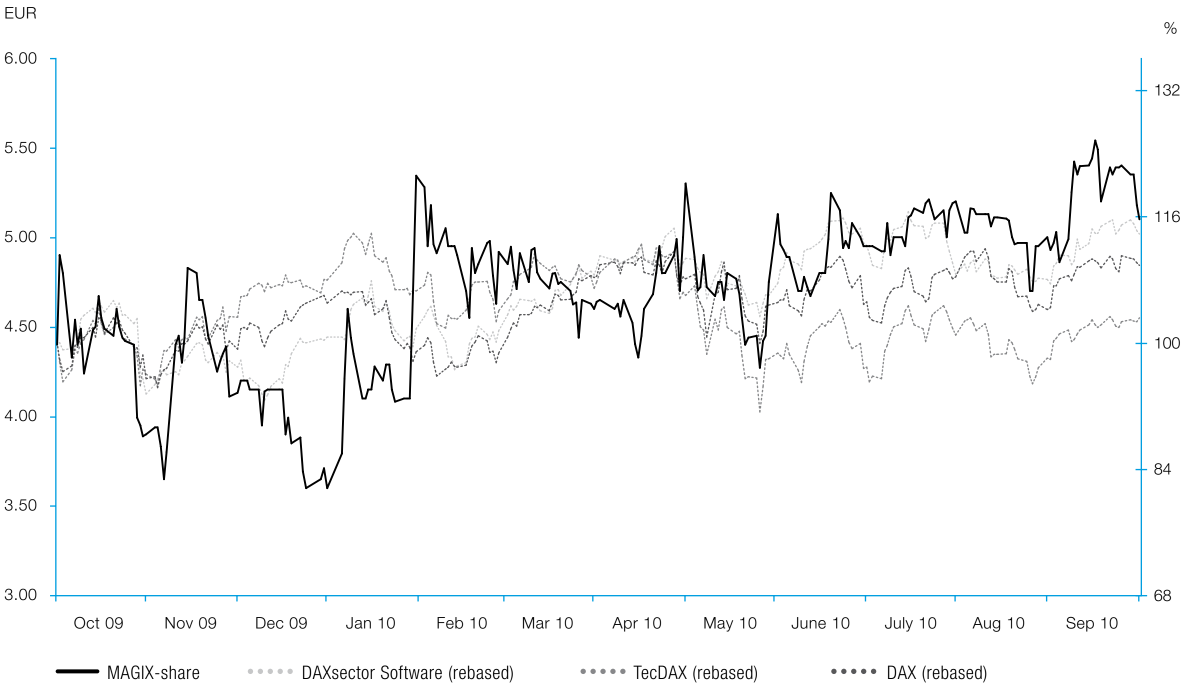
The positive business and economic figures resulted in an overall positive development on the stock market in Germany. After the DAX rose by approximately 5% in the last three months of 2009, at first there was no growth in the following six months of constant volatile business environment. It was not until the fourth quarter that the German leading share index continued to rise and closed at 6,229 points on September 30, 2010. This corresponds to a growth of almost 10% compared to the previous year's value of 5,675 points.

Development of the share

The shares of MAGIX AG are no-par, common, nominal shares. They are listed with the stock market identification code MGX and the ISIN DE0007220782 on the Prime Standard of the Frankfurt Stock Exchange. The shares are traded in Frankfurt on Xetra and on the trading floor, as well as being traded freely at Berlin, Düsseldorf, Munich and Stuttgart. They belong to the DAXsector Software as well as the DAXsubsector Software.

Since the turn of the trend in October 2008, the share has followed a volatile, but overall stable upwards trend, while it was accompanied by positive company reports and supportive share buybacks in the 2008/2009 financial year. On September 15, 2010 in the 2009/2010 financial year, it reached a 3-year pinnacle at EUR 5.54 and trading on the Xetra exchange closed at EUR 5.10 at the end of the financial year. Compared to the previous year's closing price of EUR 4.40, this corresponds to a growth of almost 16%. The share thus performed better than TecDAX and DAXsector software, which rose by 3% and 14% respectively. The market capitalization was EUR 53.2 million on September 30, 2010.

Development of the MAGIX Share in the 2009/2010 financial year



After market liquidity decreased in the past two financial years, a turnaround is evident here as well. On average, 8,615 MAGIX shares were traded on Xetra each day of trading. The average daily revenue amounted to approximately kEUR 40.

MAGIX share key figures compared to the previous year (all statements refer to Xetra)

	2009-10-01 – 2010-09-30	2008-10-01 – 2009-09-30
Share price at the start of the fiscal year in EUR	4.90	1.88
Highest price in EUR	5.54	4.40
Lowest price in EUR	3.51	1.62
Share price at the end of the reporting period in EUR	5.10	4.40
Earnings per share in EUR	0.42	0.20
Price-earnings-ratio at the end of the reporting period	12	22
Market capitalization at the end of the reporting period in EUR	53,207,836	45,904,800
Average revenue per trading day in EUR	40,006	15,917
Average revenue per trading day in shares	8,615	6,149
Number of shares at the end of the reporting period	10,432,909	10,432,909
Share capital in EUR	12,662,038	12,662,038
Equity per share at the end of the reporting period in EUR	4.62	4.18

Directors' dealings and stock held by board members

During the 2009/2010 financial year, one transaction subject to notification was conducted by members of MAGIX AG management:

2010-03-22	Dr. Peter Coym / Supervisory Board		
	Purchase	Xetra	10,000 shares
	4.70	EUR	47,000 EUR

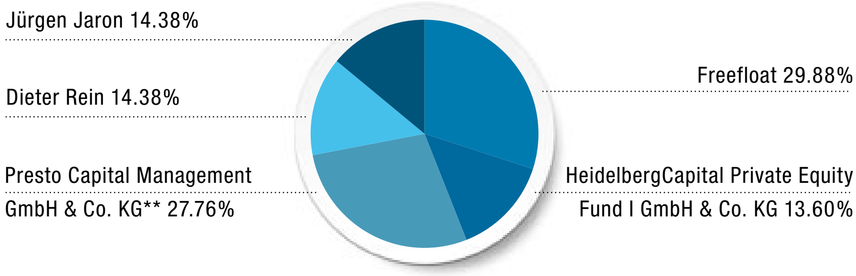
As of September 30, 2010, share ownership of the Management Board and the Supervisory Board was as follows:

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	30,000	0.29
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.

Shareholder structure



Shareholder structure

The following changes took place concerning shareholders with a stake that exceeds the threshold level of 3%.

In 2009/2010, Mn Services N.V., based in Rijswijk, the Netherlands, reduced its stake, after having held 7.31% of the share capital of MAGIX AG with 762,487 shares at the end of the previous financial year. On December 23, 2009 its stake still amounted to 4.97% (519,118 shares); on June 1, 2010 its stake was 1.92% (200,746 shares).

Investor Relations

Internal and external communication that is transparent and open is a cornerstone of our corporate culture. We attach great importance to informing current and potential investors about our corporate activities as well as all topics concerning our share in a timely, comprehensive, and equal fashion.

Current information on the MAGIX share is available online on the Investor Relations page at http://www.magix.com/gb/magix-ag/investor-relations/shares/.

MAGIX ONLINE SERVICES

MAGIX Online Services –
Simply present online

Presenting digital content on the Internet is the focus of our Online Services. There is no easier way to create multimedia websites.

MAGIX is an excellent choice for anyone who is passionate about music, videos, photos and websites. Our programs allow users to easily turn their ideas into reality, and thanks to the MAGIX Online Services they can even present their creations on the Internet. To this end, we have integrated a direct link to our Online Services into all of our programs, whether for photos, videos, music, or website creation. The result is a perfect interplay between the offline and the online world – guaranteed easy, just what you would expect from MAGIX.

The MAGIX Online World www.magix-online.com bundles all of our major Online Services. The included MAGIX Online Album and MAGIX Website Maker have long been the torchbearers of the "software as a service" concept*. These online applications, which are purely web-based, make installation and regular updates superfluous: Once the software has been activated, users can access their software from anywhere in the world on a PC, Mac, netbook or tablet computer via the Internet, while MAGIX keeps the software up to date and improves it for its users.

With the MAGIX Online Album and just a few clicks, users can create impressive online presentations for photos and videos complete with individual background music and personal comments. For users who prefer not to share their personal photos and videos with the whole world, but only with selected friends and acquaintances, MAGIX offers the possibility of protecting photo albums with a password. This ensures that visitors to your album will see only what is intended for them. In this context, the Online Media Manager, a powerful media management application, provides users with useful support.

MAGIX Website Maker enables users to create complex and dynamic websites. Apart from its intuitive handling, it is the ease with which multimedia content can be integrated into the program that has led to the many awards Website Maker has received internationally in recent years.

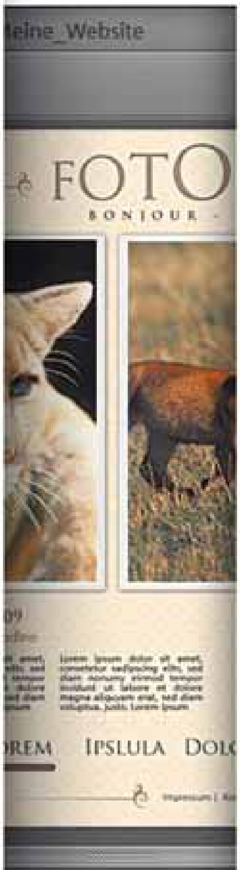
Furthermore, we offer OEM* and white label* partners as well as resellers the entire Online World as a client-enabled platform.

Web hosting, domain, and email services are among the new features in the MAGIX Online World. The web hosting service allows users to publish online websites they have created using MAGIX Web Designer, for example, while the domain and email services allow users to set up their website on their personal domain such as www.your-surname.com complete with corresponding email accounts, such as firstname@your-surname.com.

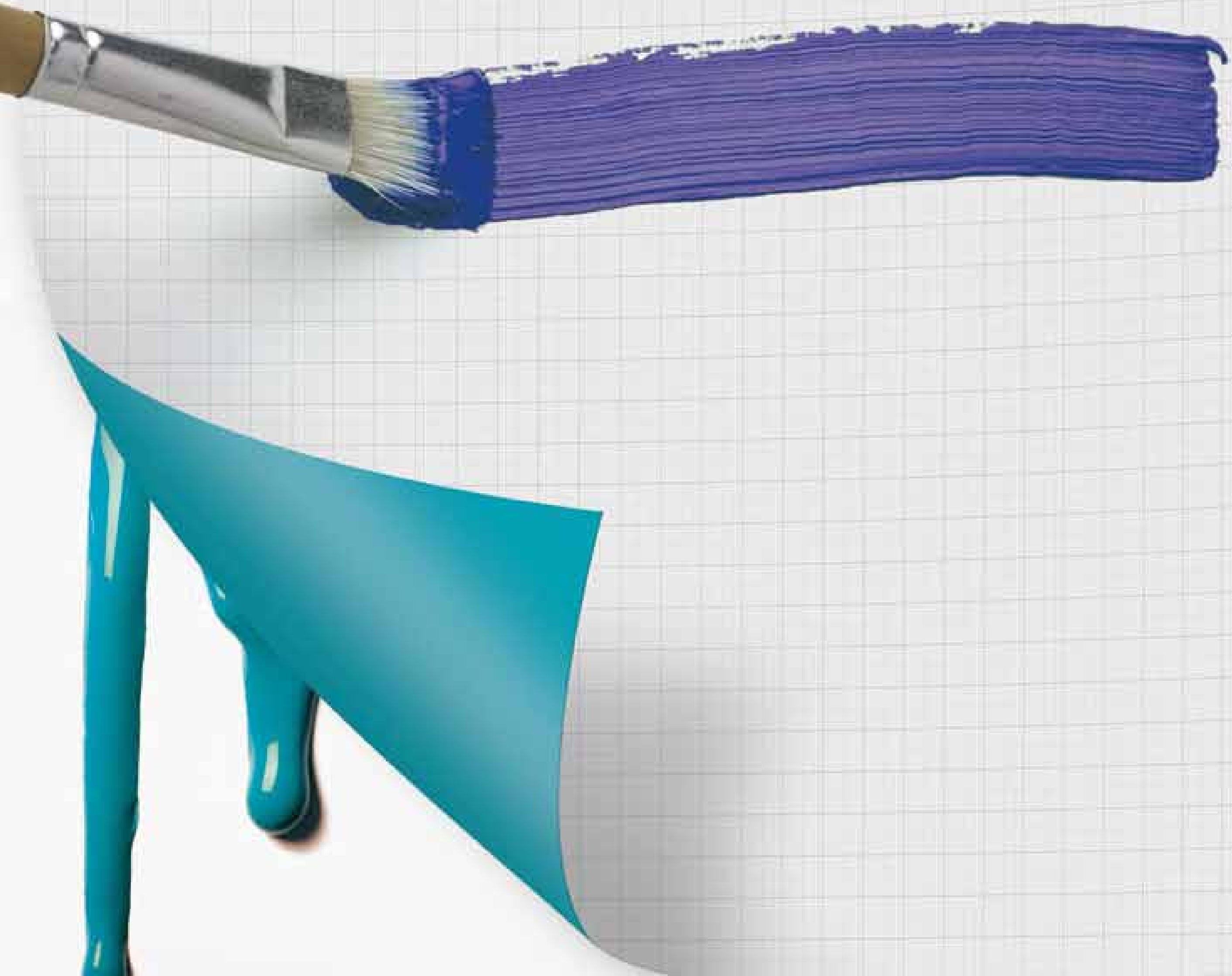
In addition, we currently offer the following Online Services:

- the Online Print Service for creating and ordering photo books, calendars, photo canvases, posters and photo prints;
- the Catooh Online Media Marketplace, a platform which enables the sale and purchase of media such as photos, videos, songs, film templates, and special effects;
- the magix.info Multimedia Knowledge Community for exchange of knowledge and experience in different areas of multimedia;
- the myGoya Online Desktop*, a free, location-independent online operating system, which connects all MAGIX Internet services and offers data exchange and many other functions.

In order to present the cost and results situation of the Online Services in a more explicit and transparent fashion, we founded the MAGIX Online Services GmbH as a 100% subsidiary of MAGIX AG based in Berlin. It already made a positive contribution to the Group's result in the past financial year and, together with mufin GmbH, Catooh Corp., and Xara Group Ltd., forms part of the MAGIX Venture segment that will significantly contribute to our future growth.



XARA
DESIGN FOR EVERYONE!



Xara –
Design for everyone!

Creating professional designs for your company's image and stationery is no problem: The new Xara Designer Pro is considered to be the world's fastest and most versatile all-around design solution

In recent years, we have expanded our professional product portfolio to focus more strongly on a market that we have hardly explored so far. Our products allow business clients to create their own digital content, so they can present and market their products and services efficiently on the Internet. Xara plays a major role in this context.

With Xara Designer Pro, MAGIX features a graphic, print and web design program for professional users, which is unique in terms of functionality, speed, and intuitive user guidance. Xara Designer Pro is just as suitable for medium-sized businesses as it is for freelancers and self-employed people.

Xara Designer Pro allows users to develop a professional and consistent corporate design, including everything from professional company logos, exclusive letterheads, high-quality advertising material and interactive presentations to a sales-boosting website.

Xara Designer Pro includes high-quality templates that can be customized individually. Thanks to its intuitive navigation, great results are achieved in a flash. If desired, handy wizards and video tutorials offer users support along the way. Xara offers design for everyone!

Since 2007, the UK-based Xara Group belongs to the MAGIX Group and forms part of its Venture segment. Xara commands a high degree of authority in professional graphics editing. In the photo, graphic and web sectors, we were able to release synergies by developing overlapping software solutions. After having completed the turnaround in the previous year and having contributed a six-figure sum to the Group's EBIT, Xara clearly exceeded this result again due to continued strong growth. Undoubtedly, the acquisition of Xara has proven to be economically sensible.

A good example of how MAGIX and Xara were able to apply their common strengths in the Consumer division in the previous financial year is Web Designer, a software package that offers everything one needs to design, publish, and maintain websites: text layout as well as image optimization, graphic design, and animation. Countless functions, which amaze even professionals with their speed and handiness, come from Xara. The potential of both companies will continue to be used in order to deliver professional results at manageable prices.

mufin

SETS YOUR MUSIC FREE


Oh Music
The Sessions
Heavens
Yay Yay

mufin
Sets your music free

We have continued to advance mufin's technological edge in the field of sound-based music recognition and recommendation – what is more, mufin has gained market maturity

mufin stands for music finder and is a unique technology for analyzing, characterizing, identifying, and recommending music. To use its full potential, we will make the technology available wherever people listen to music more and more these days: on the PC, the Internet, or on mobile phones.

In the digital age, private music collections have become larger and larger. This inevitably makes them more confusing and difficult to organize. As music databases grow larger and larger, so does the desire to listen to music not only at home, but also anytime on the go.

mufin organizes any music collection. And thanks to mufin.drive, music collections now have a future-proof home that makes music available anywhere via the Internet.

This is how the technology behind mufin works...

The technology is based on audioid, which allows for speedy and unambiguous recognition of music tracks. First, a compact data set (audioid) is generated from a music track and saved in a database. It is comparable to a fingerprint that is absolutely unique for this track. All that is now required for identification is a short section of the music track, whereby its acoustic fingerprint is compared to the one stored in the audioid database. As part of the MPEG-7 standard*, audioid guarantees optimal support even for comprehensive audio databases.

audioscout takes it a step further and analyzes the music using up to forty different music parameters such as rhythm, sound warmth, or instrumentation. This enables the program to make sound-based music recommendations. To get a music recommendation from audioscout, the user must simply enter a music title which he thinks resembles other tracks he would enjoy hearing. He will then receive an automatically generated list of recommendations from audioscout which may include current chart hits as well as relatively obscure artists – musical similarity is the only important factor.

mufin vision, the latest music recommendation innovation, 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, making it easier to navigate between them in mufin vision. Naturally, a recommendation list can also be created here with a simple mouse click, serving as a travel itinerary through the galaxy of music.

… here's where you'll find mufin!

All of the technologies presented here are owned by our subsidiary mufin GmbH. As part of the Venture segment, it will contribute substantially to the future growth of the Group. The market for music recognition and recommendation is still very young and has high growth potential. Furthermore, the application spectrum for music recognition and recommendation technology is extremely wide. mufin technology is currently being marketed in three ways:

mufin Software

In November 2010, we presented the new version of mufin player, the world's first audio player with sound-based music management. It analyzes the audio characteristics of music collections found on home PCs. All the user has to do is select a particular track, and mufin player will recommend a list with similar tracks that match the mood of the selected music. Alternatively, users can view their private music galaxy in 3D in mufin vision. Thanks to audioid, songs recorded from the web radio can be identified and classified systematically in no time at all. This allows users to easily expand, organize, and listen to their music collection even if it contains thousands of titles.

Furthermore, mufin player is connected to the mufin online platform, where users can access, listen to, and purchase other music recommendations from the online database. In addition, mufin.drive provides a secure and fast online hard disk that can also be accessed via Internet browsers or mobile phones.

With the application for android-based* end devices, music lovers can listen to music they saved on mufin.drive at any time on the go. The advantages of mufin vision are particularly apparent on smartphones* or tablet computers*, because it enables good, intuitive navigation even on small displays.

Revenue is generated with mufin software in two ways: mufin receives a share each time music tracks are sold based on recommendations from its software. And a higher-quality, fee-based version, mufin player pro, is also available.

mufin license

The functionality of the mufin software is offered to manufacturers of portable playback devices, mobile phones and software products for licensing, so that owners of such devices can organize their music collection on the go and listen to different tracks depending on their mood. The manufacturers either pay a per-item licensing fee or distribute mufin player, actively supporting mufin player pro marketing. The first MP3 player of this kind was launched in 2009.

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 in the portals' huge catalogs, thus causing them to stay there longer. A commission is paid for the effect of the sound-based music recommendations in return.

In addition to its recommendation technology, mufin also offers its business partners audio recognition with audioid in return for a licensing fee. In 2010, two additional licensing partners were found in Kenya and Australia. In this context, its usage is focused on:

- 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 to metadata such as title, artist, release year, lyrics, etc.

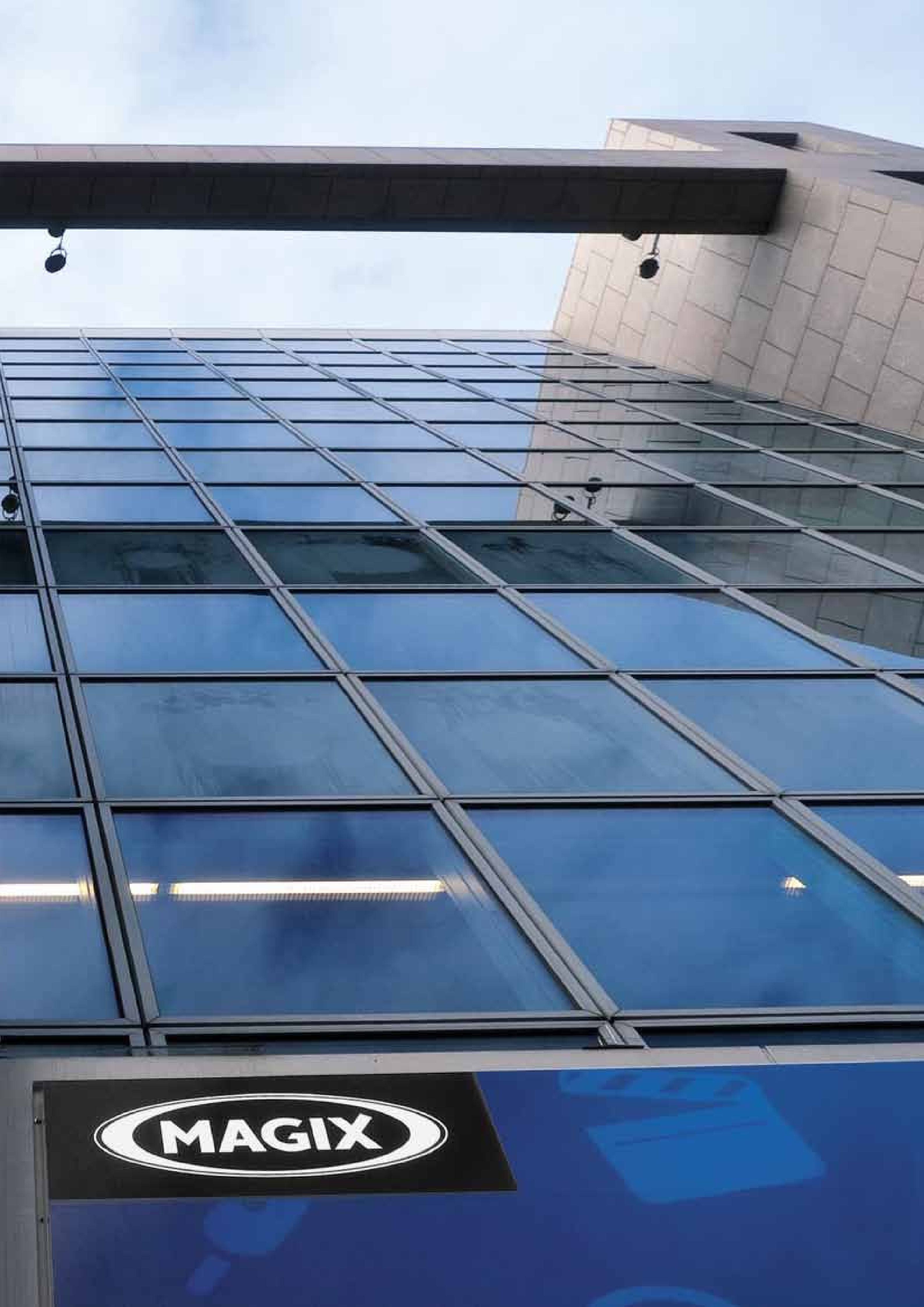
mufin online platform

On the mufin.com online platform, anyone can find new music they like: Simply enter the title of a well-known music track, and mufin.com not only delivers a list of similar-sounding titles, but also allows users to easily navigate between tracks using mufin vision. Users can listen to the music tracks, watch music videos, create playlists, and share the newly discovered music with friends. Meanwhile, the database used by mufin.com includes more than nine million tracks.

Thanks to the platform-based approach, access to the recommendation technology and its content is not restricted to the portal, mufin.com, but is made available wherever users want to access their music, for example, on mobile end 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 and its recommendation technology, but also share their latest music discoveries with friends. This will help make mufin more known.

Music found on the Internet using mufin as well as other 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 the Apple iTunes Music Store act as partners to this end, and will share the generated revenues. Additionally, mufin also receives revenue from advertisements placed on the portal.

GROUP MANAGEMENT REPORT


MAGIX

1. Quick Overview of the 2009/2010 Financial Year

Together with its subsidiaries (MAGIX Group), MAGIX AG is an international provider of multimedia software, online services and digital content. During the past 2009/2010 financial year, the MAGIX Group was once again able to demonstrate its innovative power and profitability. After successfully enduring the economically difficult years of 2008 and 2009, the Group used the resulting starting position for strong growth.

Targeted investments in the future as well as further optimization of its cost structure were noticeable across the Group. MAGIX expanded its product portfolio with the aim of better serving its customers. To this end, the Group established new services such as the MAGIX Academy; improved existing ones such as MAGIX Online Services; and, besides releasing brand new products such as the DJing software MAGIX Digital DJ, launched various new language versions of its established products. Furthermore, MAGIX managed to enter the so-called PC utilities market segment with the release of MAGIX Rescue Your Data and MAGIX PC Check & Tuning.

Thanks to its strong development performance in the previous years, MAGIX increasingly acts, as is intended, as an innovator. With the new version of MAGIX Movie Edit Pro, for example, MAGIX launched the first video editing program for 3D footage in the Consumer division in September 2010. New developments at MAGIX do not happen for their own sake, but are strictly market-driven.

The product developers and ultimately MAGIX customers, too, profit from the fact that the Group's software is increasingly being placed on a common technological platform. MAGIX innovations can thus seamlessly be transferred from product to product, allowing for quick and universal availability. Furthermore, customers who are familiar with one MAGIX product will easily find their way around the user interface of other MAGIX products, irrespective of whether this is a photo, audio, graphics, web or video software.

2009/2010 fiscal year

37.1 mil.	**85%**	**23.1 mil.**	**5.6 mil.**	**9.7 mil.**
revenue	gross margin	operative costs	EBIT	operative cashflow

2008/2009 fiscal year

34.8 mil.	82%	22.7 mil.	3.1 mil.	7.0 mil.
revenue	gross margin	operative costs	EBIT	operative cashflow

Management of the Group is based on key figures that are planned and whose development is measured continuously during the course of business. These figures mainly include the development of revenue according to business divisions, segments, and regions as well as the development of EBIT at the segment level.

The Group's revenue rose by 7%, reaching a new record level of EUR 37.1 million. The proportion of sold product bundles containing externally procured hardware that cause higher costs of goods sold, was reduced in 2009/2010. Besides the noticeably increased demand for higher-margin professional software, this had a positive effect on the gross margin. It rose more noticeably than the revenue by 11% from EUR 28.5 million to EUR 31.5 million.

The Group's slim structure combined with the pronounced cost consciousness among all employees made it possible to maintain the low cost level of the previous year: operating expenses rose only slightly from EUR 26.2 million to EUR 26.6 million. Other income also changed only slightly from EUR 0.8 million in the previous year to EUR 0.7 million.

In addition to the favorable development of revenues and the gross margin, the moderate increase of costs also had a positive effect on earnings before interest and taxes, so that earnings expectations clearly were exceeded. With an EBIT of EUR 5.6 million, the previous year's value of EUR 3.1 million clearly was exceeded. The EBIT margin thus rose from 9% to 15%.

Due to reduced interest levels, the financial result of EUR 0.4 million was below last year's figure of EUR 0.7 million. At 26%, the tax ratio, on the other hand, was considerably more favorable. In the previous year, it was 42%. With a surplus of 105%, the net income of the Group of EUR 4.4 million was thus clearly above the level of the preceding year.

The Group's capital structure with an equity rate of 79% remained extremely solid. The favorable development of the working capital in the balance sheet had a positive effect on the operative cash flow. After having doubled to EUR 7.0 million in the previous financial year, it rose to EUR 9.7 million.

In light of the positive business development, revenues are predicted to rise by 7-14% during the 2010/2011 financial year. At the same time, the Board expects startup costs for HR, marketing and development in order to progress the expansion of B2B business on the one hand and to further internationalize the product portfolio on the other, thus ensuring a growth rate that exceeds the financial year. As a consequence, a moderate rise in EBIT to EUR 6.0 million is expected.

2. Basic Financial Conditions

2.1. General economic environment

Following its collapse, the global economic situation picked up speed in the 2009/2010 financial year, recovering faster than expected. This development was accompanied and supported by an expansionary monetary policy and public stimulus packages. For 2010, the International Monetary Fund (IMF) expects a rise of global economic performance by 4.8% (as of October 2010).

Growth was boosted by the enormous growth dynamics of the newly industrialized countries that were not under direct strain from real estate bubbles and difficulties in the bank system. As expected, the development in the industrialized countries fell behind. Recovery was particularly slow in Western Europe, which is why the IMF predicts growth for this region at 1.6%, whereas it estimates a 2.6% growth in the USA. With an increase of 3.3%, Germany takes a special role among the Western European countries (as of October 2010).

Being an export nation, Germany was hit particularly hard by the global recession, but was also able to profit more strongly from the boom that followed. According to data from the Federal Office of Statistics, the German economy grew only hesitantly during the 6 months of winter, i.e. by 0.3% in the fourth quarter of 2009 and 0.6% in the first quarter of 2010. In the quarter that followed, however, the economy picked up by 2.3% in comparison to the previous three months. A growth of 0.7% was last announced for the third quarter of 2010, which concluded the 2009/2010 financial year of MAGIX (as of November 12, 2010).

Export-strong industry branches that profited from strong overseas demand spurred growth. Consumer demand from private households also recovered. The stable labor market situation is one of the main reasons for this development. According to provisional data from the Federal Office of Statistics, retail sales (excluding car sales) covering the period from January to September 2010 rose nominally by 2.1% and 1.1% in real terms compared to the previous year. However, so-called “other retail trading with various goods” (e.g. department stores), as well as Internet and post-order distributors were faced with revenue losses.

2.2. Industry sector development

As a result of the improved general economic situation, the IT market has clearly recovered during the reporting period. Following a downturn in the global IT market in 2009, which the US market research institute Gartner specifies to be 4.9%, an increase by 3.9% is expected for 2010 (as of July 2010). Growth for the software market segment is estimated at 3.1%; however, this has to be seen in light of the fact that, at 2.6%, the decline in this segment in the previous year was considerably less than in other IT market segments.

The German IT market was also able to benefit from the overall improved economic situation. Companies as well as consumers were less hesitant. In October, the Federal Association for Information Technology, Telecommunications and New Media (BITKOM) predicted a recovery of the German IT market by 2.7% for 2010, after it experienced a downturn by 6.5% in the previous year. With regard to the software market segment, Germany faced a situation similar to the one on the global market: recovery was a bit lower at 2.4%, but with a minus of 4.9% in the previous year, the market started from a higher level compared to the hardware market, for example, that experienced a downturn by 11.7% and a stronger recovery with 5.1%.

3. Business Development

3.1. Results

Overview of the MAGIX Group's results

	Oct 1, 2009 to Sep 30, 2010 kEUR	Oct 1, 2008 to Sep 30, 2009 kEUR	Change %
Revenues	37,127	34,780	+6.7
Gross margin	31,537	28,507	+10.6
as % of revenue	84.9%	82.0%	-
Earnings before interest and taxes	5,611	3,059	+83.4
as % of revenue	15.1%	8.8%	-
Earnings before taxes	5,968	3,731	+60.0
as % of revenue	16.1%	10.7%	-
Net income of the Group	4,429	2,158	+105.2
as % of revenue	11.9%	6.2%	-

Development of results

Thanks to its favorable starting position at the beginning of the financial year, MAGIX was able to take advantage of the increasingly positive general conditions to improve its results. Compared to the previous year's figure of EUR 3.1 million, MAGIX was able to increase earnings before interest and taxes (EBIT) considerably to EUR 5.6 million, clearly exceeding the results forecast of EUR 4.0 - 4.5 million. The EBIT margin thus rose from 9% to 15%.

The financial result dropped from EUR 0.7 million in the previous year to EUR 0.4 million. At the same time, the tax ratio (26%) was far below the previous year's level (42%). The net income of the Group of EUR 4.4 million was clearly above the level of the preceding year of EUR 2.2 million.

The increase of results was fueled by a surge in revenue, which coincided with a decrease of the costs of goods sold and a clear increase of the gross margin this year. Thanks to the high cost discipline, operating expenses were only slightly above last year's levels.

The Xara Group Ltd. also experienced a very positive development. After having completed the turnaround in the previous year and having contributed a six-figure sum to the company's EBIT, this result was clearly exceeded again. While MAGIX Online Services GmbH was also able to make a positive contribution to the Group's results, mufin GmbH is still in a development stage with regard to marketing solutions for music recognition and recommendation technology. For a more differentiated view of the results, please refer to the segment reporting in the consolidated financial statement.

Revenue

With EUR 37.1 million, the Group's revenue reached a new record in 2009/2010, and thus met the Management Board's last revenue forecast, which had stipulated a revenue corridor of EUR 37.0 to 37.5 million. Compared to the previous year's figure of EUR 34.8 million, there was a revenue growth of 7%.

Revenue rose in all four quarters. Following a 4% increase to EUR 9.5 million in the first quarter, revenue growth continued in the second quarter with 9% to EUR 8.8 million, in the third quarter with 16% to EUR 8.0 million, and in the fourth quarter with 2% to EUR 10.8 million.

Improved online services, additional language versions as well as newly launched products such as MAGIX Digital DJ, MAGIX Rescue Your Data or MAGIX Video Sound Cleaning Lab lead to a clear increase in sales. Besides new versions of the major MAGIX products such as MAGIX Movie Edit Pro or MAGIX Photo Premium and its special editions, the Xara products were also received exceptionally well.

Revenue by division and segment

MAGIX AG has organized segment reporting based on IFRS 8 regulations. The segments Multimedia and Venture, which were created as a result, experienced a positive development in the 2009/2010 financial year. Revenue of the Venture segment that is obtained with the Online Services, the Xara graphics and web design products as well as marketing of the music recognition and recommendation technology mufin rose dramatically from EUR 3.7 million to EUR 5.6 million. In the Multimedia segment, which contains the other software products for creating, editing, presenting and managing music, photos, and videos, i.e. the MAGIX core business, revenue rose moderately from EUR 31.0 million to EUR 31.5 million.

For a detailed explanation as well as a better comparison to preceding financial years, Consumer, Professional, Portal and OEM business divisions visualized for 2008/2009 will also be compared to the 2009/2010 financial year.

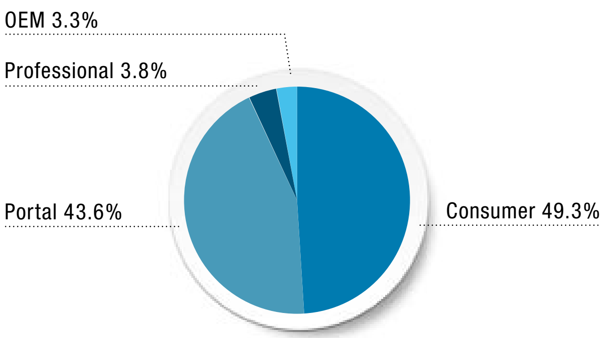
At 49%, the Consumer division, which includes retail distribution, again brought in the biggest portion of the revenues. This also includes Internet stores such as Amazon and Softwareload (t-online). The Portal division includes the complete scope of MAGIX products marketed via the Group-owned websites, such as www.magix.com or www.xara.com. This business division united 44% of all revenue, even outpacing the Consumer division in the first and third quarters.

The divisions OEM and Professional follow at a considerable distance with revenue shares of 3% and 4%. Despite its low revenue shares, both divisions, however, are still of strategic importance to the Group.

The Professional division includes all revenues from professional audio products Sequoia and Samplitude as well as from specialized retailers with the all-around design package Xara Designer Pro and the video editing program MAGIX Video Pro X. Led by these flagship products, MAGIX is increasingly positioning itself as an innovation leader.

The OEM division includes business with hardware manufacturers (Original Equipment Manufacturer), who distribute their products as packages together with software from MAGIX. OEM sales substantially contribute to enlarging the customer base of MAGIX as this way it is possible to access clients who do not inform themselves specifically about multimedia products.

Revenue by division



The Consumer division felt the negative influence of the situation in retail, especially apparent in web and mail order retail as well as "other" retail trading with various goods (for example, department stores). This was accompanied by a further decrease in shelf space for multimedia software.

After revenue in the Consumer division fell more markedly in the first quarter, sales were, comparatively seen, just slightly below the previous year's figures in the following quarters. At EUR 18.3 million, division revenue was 5% below last year's level of EUR 19.2 million.

After being assailed by unusual levels of returns by specialized retailers in the previous year, the Professional division returned to some state of normalcy by raising its revenue by 71% to EUR 1.4 million. The Professional division benefited especially from the new releases of MAGIX Video Pro X and Xara Designer Pro in the current financial year, as well as from the new releases of audio software products Samplitude and Sequoia, which were released at the end of the previous financial year.

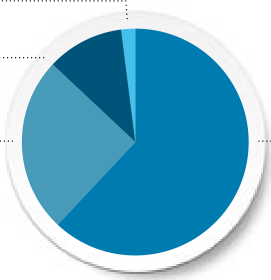
Not only in the Professional division, but also in the OEM division, business partners displayed much more interest. OEM revenue rose by 10% to EUR 1.2 million in 2009/2010. Recently, three big-name OEM partners that will provide MAGIX with new customers were found with Toshiba for MAGIX Movie Edit Pro, Hewlett Packard for MAGIX Music Maker and Logitec for MAGIX Video easy.

The Portal division achieved two-digit growth rates in all quarters. This growth easily compensated for the losses in the Consumer division. Portal revenue rose by EUR 2.5 million to EUR 16.2 million. This corresponds to a rise of 18%. The trend toward increased use of MAGIX Online Services and the MAGIX Online Shop continued and again included all regions during the reporting period.

Sales development in the four MAGIX business divisions was as follows:

	Oct 1, 2009 to Sep 30, 2010 kEUR	%	Oct 1, 2008 to Sep 30, 2009 kEUR	%	+ / - kEUR	%
Consumer	18,322	49.3	19,183	55.1	-861	-4.5
Professional	1,405	3.8	821	2.4	+584	+71.1
Portal	16,174	43.6	13,659	39.3	+2,515	+18.4
OEM	1,226	3.3	1,117	3.2	+109	+9.8
Total	**37,127**	**100.0**	**34,780**	**100.0**	**+2,347**	**+6.7**

Revenue by region



Revenue by region

As in previous years, MAGIX achieved by far its highest sales in the reporting period in the German-speaking region (G/A/S), with 62%. This was followed in unchanged order by the regions Western Europe with 25%, the US with 11%, and the rest of the world with 2%. Over the year, revenue rose in all four regions.

Following a decrease in the first quarter, revenue in the German-speaking area was increased considerably during the two subsequent quarters. Although there was a slight drop in revenue in the fourth quarter, a plus of EUR 0.4 million or 2% to EUR 23.2 million was retained, compared to EUR 22.8 million in the previous year.

In the other regions, revenue growth was seen in all four quarters of the financial year. With an increase by EUR 1.2 million or 15% to EUR 9.4 million, the region Western Europe made up the largest portion of the Group's revenue increase by EUR 2.3 million. The development in the USA was also very positive, considering that, at 17%, the relative increase was even higher here compared to the previous year. This is even more remarkable considering the negative consumer sentiment in the USA. Despite a slight drop in Consumer revenue, strong growth in the Portal business ensured a rise in revenue from EUR 3.3 million in the previous year to EUR 3.9 million in 2009/2010.

Gross margin

The rise in revenue from EUR 34.8 million to EUR 37.1 million coincided with a decrease of the costs of goods sold from EUR 6.3 million to EUR 5.6 million. As a result, at EUR 31.5 million or 85%, the gross margin was considerably higher than the previous year's figures of EUR 28.5 million or 82%.

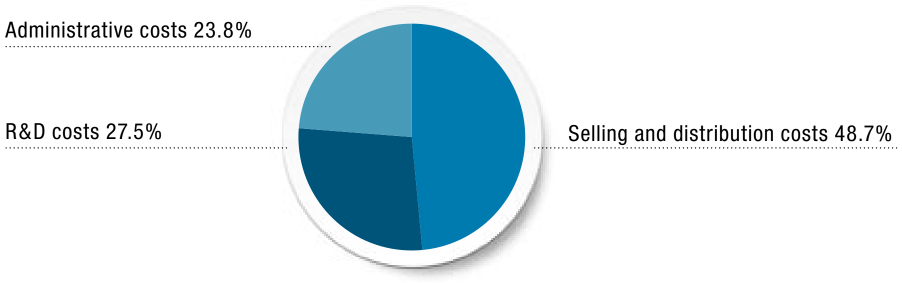
Reduced sales of product packages including third-party hardware that cause higher costs of goods sold as well as a noticeable increase in demand for professional software, which has higher margins, had a positive effect.

The costs of goods sold essentially include material costs for packaging and possibly arising third party licensing costs, especially for so-called codecs*. These include standard media formats, for example, the MP3 format*. Because it would not be sensible to develop these standards ourselves, licensing fees are paid for their use. All other production steps are conducted by MAGIX itself, so no separate costs of goods sold arise.

MAGIX Group – Revenue according to regions as of September 30, 2010

	Oct 1, 2009 to Sep 30, 2010 kEUR	%	Oct 1, 2008 to Sep 30, 2009 kEUR	%	+ / - kEUR	%
G/A/S	23,171	62.4	22,814	65.6	+357	+1.6
Western Europe	9,355	25.2	8,170	23.5	+1,185	+14.5
USA	3,894	10.5	3,339	9.6	+555	+16.6
Rest of World	707	1.9	457	1.3	+250	+54.7
Total	**37,127**	**100.0**	**34,780**	**100.0**	**+2,347**	**+6.7**

Operative costs



Cost structure

In addition to increased revenue, it had a positive effect on results that MAGIX consistently implements slim cost structures and cultivates a pronounced cost consciousness at all levels. For this reason, operating expenses increased only moderately by EUR 0.4 million to EUR 26.6 million. There was a slight drop in write-offs from EUR 3.6 million to EUR 3.5 million, while the operative costs (without write-offs) increased by 2% to EUR 23.1 million.

The operative selling and distribution costs that make up almost half of the operative costs, comprise personnel costs for sales and distribution staff as well as marketing costs. Other selling and distribution costs such as those for shipping have to be included as well. Despite the jump in revenue, at EUR 11.3 million, the operative costs in the sales and distribution department remained roughly at the previous year's level.

In contrast, there was a clear cost increase from EUR 4.4 million to EUR 5.5 million in the administrative area. While personnel costs dropped slightly here as well, other expenses and other operating costs of this area increased considerably. This was substantially influenced by an increase in bad debts.

Operative costs in research and development dropped in all four quarters. Other costs, in particular, were reduced in this area. At the same time, considerably more development costs were activated than in the previous year. In total, the operative costs of this area dropped by 9% to EUR 6.3 million. The next section will pay more attention to the focus on research and development at MAGIX.

In the areas of distribution, administration as well as research and development, the development of operative costs without write-offs was as following:

MAGIX Group – Operative costs without write-offs as of September 30, 2010

	Oct 1, 2009 to Sep 30, 2010 kEUR	%	Oct 1, 2008 to Sep 30, 2009 kEUR	%	+ / - kEUR	%
Selling and distribution costs	11,252	48.7	11,276	49.8	-24	-0.2
Administrative costs	5,497	23.8	4,374	19.3	+1,123	+25.7
R&D costs	6,341	27.5	7,004	30.9	-663	-9.5
Total	**23,090**	**100.0**	**22,654**	**100.0**	**+436**	**+1.9**

3.2. Financial and asset position

Balance sheet

MAGIX AG, Berlin – An overview of the consolidated balance sheet as of September 30, 2010

	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR	Change %
Non-current assets	14,578	14,802	-1.5
Current assets	46,527	40,135	+15.9
of that amount in cash and cash equivalents	33,773	26,749	+26.3
Total assets	**61,105**	**54,937**	**+11.2**
Equity	48,158	43,660	+10.3
Long-term liabilities	738	1,072	-31.2
Short-term liabilities and provisions	12,209	10,205	+19.6
Total equity and liabilities	**61,105**	**54,937**	**+11.2**

Compared to the previous year, the balance sheet total rose by EUR 6.2 million from EUR 54.9 million to EUR 61.1 million. Equity rose by EUR 4.5 million and debts by EUR 1.7 million. The capital structure with an equity rate of 79% continued to be good.

The equity increase to EUR 48.2 million was largely a result of the net income of the Group of EUR 4.4 million. Furthermore, the offsetting of costs from the stock option plan resulted in an increase in capital reserve by EUR 0.2 million. Reserves for foreign currency translation, on the other hand, were reduced by EUR 0.1 million.

The development of the debts was divided: While long-term liabilities were reduced from EUR 1.1 million to EUR 0.7 million, the short-term portion of the liabilities rose by EUR 2.0 million to EUR 12.2 million.

Investments in non-current assets (especially self-originated intangible assets) were increased by EUR 0.4 million to EUR 3.3 million in the financial year. They were accompanied by write-offs in the amount of EUR 3.5 million, so that, compared to last year, the value of non-current assets dropped slightly by EUR 0.2 million to EUR 14.6 million. With regard to the internally generated intangible assets, please refer to the explanations in the Research & Development section.

The current assets rose markedly by EUR 6.4 million to EUR 46.5 million. The inventories were reduced by EUR 0.1 million to EUR 1.4 million. Despite the strong sales performance of the fourth quarter, which outdid the previous year's performance, trade receivables also dropped: by EUR 0.9 million to EUR 9.7 million. Financial assets (held-to-maturity), on the other hand, rose by EUR 0.4 million to EUR 1.0 million. Other financial assets to the amount of EUR 0.7 million remained unchanged. Cash and cash equivalents continue to make up the largest portion of current assets. It rose by EUR 7.0 million or 26% to EUR 33.8 million.

Cashflow

MAGIX AG, Berlin – An overview of consolidated cash flow statement

	Oct 1, 2009 to Sep 30, 2010 kEUR	Oct 1, 2008 to Sep 30, 2009 kEUR	Change %
Cash flow from operating activities	9,745	7,039	+38.4
Cash flow from investment activities	-2,909	5,011	-158.1
Cash flow from financing activities	277	-970	+128.6
Foreign currency exchange differences	-89	85	-204.7
Change in cash and cash equivalents	**7,024**	**11,165**	**-37.1**
Cash and cash equivalents at the beginning of the period	26,749	15,584	+71.6
Cash and cash equivalents at the end of the period	33,773	26,749	+26.3

The operative cash flow markedly rose to EUR 9.7 million in 2009/2010 compared to the previous year's value of EUR 7.0 million. This was mainly due to the increase of results and the generally favorable development of the working capital.

Regarding cash flow from investment activities, a comparison to the previous year's value is less meaningful. While it was clearly positive in the previous year at EUR 5.0 million, it was negative in 2009/2010 at EUR -2.9 million. The exceptional effects of the previous year, positive on the one hand due to the divesture or due date of financial assets to the amount of EUR 9.8 million and negative on the other as a result of the buyback of own shares to the amount of EUR -2.7 million, did not apply to this reporting year. The cash flow from investment activities was thus mainly influenced by investments in non-current assets to the amount of EUR 3.3 million. They were within the investment budget and thus slightly above the level of the preceding year of EUR 2.9 million. These increased disbursements were met by interest received, which, at EUR 0.4 million, was clearly below the previous year's figure of EUR 0.8 million due to a further decrease in the interest level.

The cash flow from financing activities rose from EUR -1.0 million to EUR 0.3 million. On the one hand, this was a result of receiving higher investment subsidies and grants in comparison to the previous year. On the other hand, the remaining liabilities from the acquisition of The Xara Group Ltd. to the amount of EUR 1.1 million were settled in the previous year.

Financing of MAGIX AG is guaranteed through internal funds. Surplus financial resources are generally invested in banks to earn interests only temporarily.

Research & development

In the areas of photo, graphics, video, music and web, products developed by MAGIX 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 2009/2010 financial year was correspondingly wide.

In the music segment, development and application of the music recognition and recommendation technology mufin was a focus. mufin player was the first audio player with sound-based music management to be developed and marketed. The program analyzes the entire music collection on a PC according to its sound characteristics, thus making it possible to recommend pieces for playback that are similar to a starting track. Furthermore, the database used for the portal www.mufin.com was expanded to more than nine million music tracks. Users can use this portal to find similar tracks and to expand their collection via the connected shop.

mufin.drive was developed as a cloud service for mufin player. It is an online hard drive, where users can save their music collection and then access it with a password from their mobile phones or any web browser worldwide.

In the audio sector, the advancement of the flagship products Samplitude and Sequoia were an important development topic, because, at the one hand, it enables MAGIX to meet the highest expectations of its professional customers. On the other hand, it serves to prepare navigable waters for consumer products with a stronger sales performance such as MAGIX Music Maker or MAGIX Audio Cleaning Lab that share the same software platform.

MAGIX pursues a similar strategy in the photo, graphics, and web sector. With the Xara Group, MAGIX has exceptional competencies in this area, too, which were further expanded and applied in the reporting year. The MAGIX and Xara software products were increasingly placed on a common technological platform to make it even easier to transfer innovations from one product to another. In the reporting year, features originally developed for Xara Designer Pro such as intelligent zooming and scaling were transferred to consumer products such as MAGIX Photo & Graphic Designer.

In the video sector, the focus was on developing and expanding the existing programs. With MAGIX Video Pro X, the Group also offers a professional product in the video sector that meets the demands of ambitious users. Apart from improving performance, a focus was on developing 3D technology. With MAGIX Movie Edit Pro, MAGIX released the world's first video editing program for stereoscopic footage in the Consumer division in September, coinciding with the IFA fair. With this program, 3D footage can be edited just as easily and with the same tools as regular 2D footage.

The trend to place content such as photos, videos and music on the Internet remains unchanged. To strengthen the market position, it was and is necessary for MAGIX to continue investing in this growing sector of online services. The online services Website Maker and Online Photo Album are purely web-based software (so-called Software as a Service) that can be used from any computer with Internet access. In 2009/2010, the MAGIX Online Services were expanded with services for web hosting, domains and emails.

From the developments of the past financial 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/mufin.drive/mufinplayer.com
- magix-online.com – the MAGIX Online World
- magix.info – The Multimedia Knowledge Community
- Catooh.com – the Online Media Market

Software products:
- mufin player
- Video Pro X / Movie Edit Pro
- Xara Designer Pro
- Digital DJ
- Samplitude / Sequoia
- Web Designer
- Photo Manager Deluxe
- Rescue Your Data

Employees

MAGIX Group – Workforce development (converted in full-time employees)

	Sep 30, 2010		Sep 30, 2009		+ / -	
Sales & Marketing	112	34.5%	101	33.3%	+11	+10.9%
Administration	42	12.9%	40	13.2%	+2	+5.0%
Research & Development	171	52.6%	162	53.5%	+9	+5.6%
Total	**325**	**100.0%**	**303**	**100.0%**	**+22**	**+7.3%**

As a creative and innovative company, MAGIX relies on employees who not only possess the necessary professional expertise, but also have a passion for photos, music, video, web, and IT. In an ever faster changing environment, it is its team that enables MAGIX not only to compete at the international level, but to set trends. Timely identification and winning over, as well as simultaneous retention and development of qualified employees is the focus of its personnel strategy.

In light of the demographic change and the general prospect of a shortage of skilled workers, vocational training and the promotion of young talent play an important role for the future sustainability of the company's activities. For this reason, the company's traditionally high involvement in vocational training was strengthened even further. As of September 30, 2010 the MAGIX Group employed 60 vocational trainees (previous year: 50).

After having decided against personnel cuts in 2008/2009 despite the economically difficult situation, the staff increased by 22 to 325 employees in 2009/2010 (calculated in full-time employees here and in what follows). As before, the Management Board of MAGIX AG consists of 3 members.

The Group's aim of positioning itself as an innovator is reflected in its personnel structure: more than half of all employees work in research and development, thus ensuring a continuous development of new and existing MAGIX products. Compared to the previous year, the sector was reinforced by 9 employees, totaling 171. Furthermore, the number of employees was increased by 11 to 112 in the sales department and by 2 to 42 in administration.

Compared to the previous year's figure, personnel expenses dropped slightly by 3% from EUR 12.1 million to EUR 11.7 million.

Group structure

The following overview shows the group structure of the MAGIX Group as of September 30, 2010:

Company	Registered office	Equity share
Catooh Corp.	Las Vegas, Nevada, USA	100%
MAGIX Computer Products International Corp.	Reno, Nevada, USA	100%
MAGIX Entertainment B.V.	Huizen, the Netherlands	100%
MAGIX Entertainment S.A.R.L.	Paris, France	100%
MAGIX Entertainment S.R.L.	Bozen, Italy	100%
MAGIX Ltd.	Hemel Hempstead, Hertfordshire, United Kingdom	100%
MAGIX Ltd.	Taipei City, Taiwan	100%
MAGIX Online Services GmbH	Berlin, Germany	100%
MAGIX Software GmbH	Berlin, Germany	100%
mufin GmbH	Berlin, Germany	100%
The Xara Group Ltd.	Basingstoke, Hampshire, United Kingdom	100%

In the 2009/2010 financial year, MAGIX Development GmbH was renamed into MAGIX Software GmbH and moved from Dresden to Berlin. The changes were entered in the Commercial Register of the municipal court of Charlottenburg (Berlin) on June 8, 2010.

Furthermore, on July 20, 2010, MAGIX Ltd., based in Taipei City, Taiwan, was founded as a 100% subsidiary of MAGIX AG with a capital stock of NT$ 250,000 (on the balance sheet call date kEUR 6).

4. Supplementary Report

Between the end of the reporting period and the release of the consolidated financial statement, 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 developments, constantly improving existing products and developing and introducing new ones in a timely fashion.

The risk management system comprises all organizational rules and measures related to recognizing risks and procedures for dealing with entrepreneurial risks. Its aim is to systematically detect risks in order to take the necessary steps to prevent or reduce potential risks.

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. The measures introduced are monitored at regular intervals to check whether they control or prevent the corresponding risks.

Within the risk management system, the following measures, in particular, are implemented during the strategic decision-making process.

- 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.
- The responsible project managers continuously monitor advances of development and keeping with 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 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 department continuously monitors the company's intellectual property and copyrights, and checks new developments for infringements on intellectual property of third parties.

5.2. Characteristics of the internal controlling and risk management system as it relates to the Group's accounting process

Since MAGIX AG is a capital market oriented corporation in terms of article 264d of the German Commercial Code (HGB), the key characteristics of the internal controlling and risk management system as it relates to the Group's accounting process, which also includes the accounting processes of the companies included in the consolidated financial statements, shall be described as per article 315, para. 2, clause 5 of the German Commercial Code.

The relationship between the internal controlling and risk management system and the accounting process is not legally defined. We regard the internal controlling and risk management system as a comprehensive system and use the accounting system related internal controlling system (IDW auditing standard 261, item 19 et seq.) and risk management system (IDW auditing standard 340, item 4) definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V., Düsseldorf. Thus an internal controlling system is the embodiment of the principles, processes and measures introduced by management, which are geared toward implementing management decisions throughout the organization to ensure that the business activities are effective and efficient (including preservation of assets, and preventing and uncovering fraud), that the internal and external accounting systems are proper and reliable and that the company complies with applicable laws.

The following structures and processes have been implemented by MAGIX Group in regard to the accounting process:

The Group's Management Board bears full responsibility for the internal controlling and risk management system as it applies to the accounting process. All companies that are part of the consolidated financial statements are included via a clearly defined reporting organization.

The principles, organization of structure and processes as well as the processes of the accounting system-related, internal controlling and risk management system are communicated through organization instructions and adapted to current developments at regular intervals.

We regard characteristics of the internal controlling and risk management system related to the accounting process of MAGIX Group as significant, if they can have a material influence on the balance sheet and overall conclusion of the consolidated financial statements including the Group management report. This includes primarily:

- identifying the main areas of risk and controlling areas that affect the accounting process;
- quality controls to monitor the group accounting process and the accounting results at the Group Management Board and management company levels and at the level of the individual reporting units included in the consolidated financial statements;
- preventive control measures for the finance and accounting systems, as well as for operative business performance processes that generate key information for preparing the consolidated financial statements, including the Group management report, such as access control to the computer system, functional separation between the departments and implementation of the "four-eye principle";
- management of accounting of the major companies included is accomplished in the form of a shared service centre under the responsibility of MAGIX AG;
- measures to ensure that Group accounting related facts and data are administered via proper IT processes.

5.3. 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 2010/2011 fiscal year. Irrespective 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 greater financial, technological and human resources as well as a larger range 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 coworkers in the areas of research and development and distribution. Without the right 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 and internationalization of business 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 wide 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

In the course of the 2009/2010 financial year, the global economy has recovered substantially. Following a downturn in 2009 by 0.6%, the International Monetary Fund (IMF) estimated in October that the global economy will grow by 4.8% in 2010 and by 4.2% in 2011. Due to the fact that growth continues to be sustained in large part by the newly industrialized countries, predictions for the industrialized nations are considerably lower at 2.7% (2010) and 2.2% (2011). Predictions for Western Europe lie at only 1.6% (2010) and 1.5% (2011). In this context, Germany is an exception: after the drastic downturn in 2009 by 4.7%, its economy is predicted to recover at 3.3% in 2010 and 2.0% in 2011.

The 2010/2011 annual report of the “Council of Experts for the Appraisal of the Overall Economic Development” considers the situation even more positive: it predicts a 3.7% growth in Germany for 2010 and 2.2% for 2011. The economists also see the development of the unemployment rate positively, which they predict will drop from 8.2% in 2009 to 7.7% in 2010 and to 7.0% in 2011. At the same time, a greater increase in private consumer spending of 1.6% is expected for 2011, while hardly any increase is predicted for 2010 at 0.1%.

Industry

The 2010/2011 predictions for the IT market see improvements as well. EITO market researchers predict the European IT market to grow by 0.2% in 2010 and by 3.5% in 2011. According to the projection by BITKOM, the German IT market will grow by as much as 2.7% in 2010 and a further 4.3% in 2011. Growth in the software market segment is estimated to be slightly lower at 2.4% (2010) and 4.2% (2011).

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. The increasing spread of quick Internet connections and multimedia-enabled end devices that are practically obligatory for many multimedia solutions will continue to have a positive effect.

6.2. MAGIX Group strategy

The “360° Multimedia” approach sets a clear course for MAGIX. The Group’s goal is to offer private and business customers all-around solutions for digital content from a single source. Innovation is a firmly anchored principle within the MAGIX corporate culture in order to be able to anticipate, generate, address and satisfy customers’ needs. Individual curiosity, a common desire to research and an environment that is open to innovations enable MAGIX to set new standards with innovative products, services, and processes time and time again.

The strategy of MAGIX is based on the Consumer, Professional, Portal, and OEM business divisions, which in turn are based on the company’s distribution channels for the products and services. In the assessment of earnings, management separates the new section, which is currently being set up (Venture segment) from the core business, operated for years (Multimedia segment). Both the Multimedia and Venture segments form intersections with all four business divisions. For this reason, the opportunity/risk profile of the segments depend on the strategy of the business divisions. Naturally, the Venture segment is subject to higher risk due to the higher volatility of business, while the Multimedia segment, with the company's long-standing core business, has a comparatively low risk.

The Group's strategy to approaching the four economic fields – Consumer, Professional, Portal, and OEM – and the chances and risks coming with each of these are outlined below.

Consumer

The situation in retail is considered difficult, by the very fact of the shelf space available for multimedia software. Due to its dominant position in Western European retail, the growth potential for MAGIX is limited in this region. For this reason, other markets such as Eastern Europe and South America with corresponding localized language versions are becoming increasingly interesting for the company. This calls for a market-specific approach that takes into account the consumer behavior and retail situation of different markets. Correspondingly, product, distribution and service strategies will be developed in a differentiated way.

To continue to fulfill its claim as a leading force in retail, MAGIX will consistently improve existing products and develop new ones in order to account for changing customer wishes. New developments at MAGIX do not happen for their own sake, but are strictly market-driven. The Internet forum magix.info and the Customer Relation Management System* constantly deliver important new information to this end.

Furthermore, 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 is accompanied by integration of all consumer products into the portal magix.info. This is a platform for direct customer contact – users can contact other users in order to present their results or ask questions. This lowers the inhibitions for multimedia product use even further and binds users stronger to the MAGIX brand.

The MAGIX Academy also addresses beginners, 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.

Professional

The company has begun to expand the professional product portfolio in recent years. These products are intended to have a stronger presence on a market, which has been only marginally established by the MAGIX Group until now.

MAGIX will expand 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 increasingly 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 Xara products. This also applies to the video solution MAGIX Video Pro X. These products allow mid-range as well as small businesses to create their own digital content, especially videos, in order to be able to efficiently market their products and services on the Internet.

As this is a new target group for MAGIX, suitable marketing measures are being 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 also 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.

Portal

Over the last few years, the Portal division has established itself as a driving force at MAGIX. The goal for the coming financial year is to further stimulate the momentum created in this sector.

Since the complete range of MAGIX products is distributed via the Internet on the Group's own websites, this area will be able to benefit from the intended product portfolio expansion. This particularly applies to additional language versions as well as planned new and further developments of the consumer software products. At the same time, the Group's websites with its product and service portfolio will be translated into additional languages and made more entertaining and informative by adding web videos.

MAGIX will consistently expand its online advertising activities. To this end, innovative online marketing campaigns are developed and search engine optimization is used. The MAGIX Magazine, an online guide for day-to-day technical problems which was launched in 2010, figures as an essential component within this strategy. It picks up users exactly where the problem arises – on the computer – and guides them to the solution – by MAGIX. At the same time, the customer relation management system is continuously being improved in order to be better able to relate to customer needs via the Internet.

The knowledge-based multimedia community* magix.info also serves to increase customer loyalty and strengthen customer focus. In this Internet forum, users can exchange their experiences. In this way, MAGIX can connect to its customers and receives important information for future product development.

Raising the conversion rate of free users to subscribers of fee-based premium services is crucial, and is the focus of the MAGIX Website Maker and MAGIX Online Album online services bundled in the MAGIX Online World. To this end, both services are regularly adjusted and improved to meet the users' needs. Furthermore, the online offers are expanded with the MAGIX web hosting service. This service is intended to address more demanding customers and to complement the offers for business clients.

MAGIX Online World will continue to be optimized in order to be able to create partner portals even quicker and at lower cost. MAGIX already creates online services for known brands, 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 wide customer base for its services.

The Group will continue to expand the mufin.com portal to a versatile music discovery portal. mufinplayer.com makes mufin player and the related cloud service mufin.drive available in the Internet browser. Revenue will be generated directly with the end users as well as via licensing of the service to external portals. As mufin is a very innovative solution that targets young people, the challenge is to meet the customer requirements and commit them to regular website use.

OEM

The financial crisis left its mark on hardware manufacturers worldwide. Increasingly, they are only willing to make license payments for software products that are considered to be necessary for marketing their products.

At the same time, the success of Microsoft Windows 7, which focuses more on the actual purpose of an operating system, opens up additional opportunities for the OEM business. Stronger marketing of touch screens, especially with regard to mobile phones and tablet PCs, should also have a positive effect. The advantages of mufin player are particularly strong in this area, since it enables good, intuitive navigation even on small displays. The success of Apple places manufacturers of mobile devices under considerable pressure to produce innovative solutions, so that this should make it possible to market mufin successfully.

The market for music recognition and music recommendation is still very young and there are few suppliers on the market. It promises high growth opportunities as the targeted customers generally are 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.

To advance the marketing of MAGIX software in general and of mufin technology in particular, we founded a subsidiary based in Taiwan. It started business operations at the beginning of the 2010/2011 financial year. MAGIX will use this subsidiary to form close ties to local manufacturers.

6.3. Expected profitability

Thanks to the above-mentioned strategy and a well-filled product pipeline, MAGIX considers itself to be in a very good position, particularly in light of the fact that the Group was able to improve its position throughout the entire product spectrum in the previous financial year. Due to the fact that major competitors are experiencing strong cost pressure, it can be assumed that this will limit their innovative capacities and that the companies will concentrate on the assessment of their current technologies. Against this background, expectations for the business development of MAGIX are all in all positive: If economic development remains stable, the Group's management expects a further revenue increase for the two financial years of 2010/2011 and 2011/2012. Both the Venture segment, with the Online Services, the Xara graphic and web design products and marketing of the music recognition and recommendation technology mufin, and the Multimedia segment, with additional language versions and distribution channels in new markets, are expected to provide a strong impetus. A revenue increase of 7-14% to EUR 39.7-42.3 million is expected for the 2010/2011 financial year.

The Consumer division is expected to grow moderately. The situation in the German-speaking regions as well as in Western Europe is estimated to be stable. Considering the already dominant position of MAGIX, a stable development of revenue is expected here. After the valley in retail sales may have passed in the USA, moderate growth is expected here. In contrast, MAGIX intends to generate stronger growth through additional language versions and distribution channels in new markets such as Eastern Europe and Brazil.

Growth in the Portal division is to be continued and stabilized. To this end, online marketing activities are supposed to help win new customers and thus more registered users. They allow MAGIX to generate revenue that is predictable to a large extent.

The Professional division addresses a market that has hardly been tapped by MAGIX so far. While two-digit growth is estimated for this sector, only slight revenue increase is expected in the OEM business. Since margins will presumably stay low here, deals will serve more to increase recognition of the MAGIX brand and to increase the number of registered users, thus indirectly contributing to the Portal business. However, with mufin, the Group owns technology with incredible potential, even with small margins.

With regard to costs, an unchanged relative gross margin is predicted. In contrast, operative costs will rise. Particularly for the 2010/2011 financial year, the Management Board expects startup costs for HR, marketing and development in order to progress the expansion of B2B business on the one hand and to further internationalize the product portfolio on the other, thus ensuring a solid growth rate in the two financial years of 2010/2011 and 2011/2012. Within this space of time, the Venture segment should enter the profit zone, while the Multimedia segment continues to contribute substantially to the Group's EBIT. EBIT are expected to rise moderately to approximately EUR 6.0 million for the 2010/2011 financial year.

6.4. Expected financial situation

The Group's financial situation can be estimated as extremely solid. Therefore, no financing measures are planned. A stable development of the operative cash flow is predicted. In addition to the expansion of its technical infrastructure, 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.

The cash and cash equivalents as well as the equity ratio could experience significant decreases in the context of an acquisition or dividend payout. Especially since the business development of the past years has proven that the current amount of cash and cash equivalents is not necessary even in the case of business acquisitions, the Management Board suggests distributing the earnings of MAGIX AG retained under commercial law to the amount of EUR 9.2 million. Furthermore, the Management Board suggests reducing the capital reserve by EUR 11.7 million and to distribute the funds to the shareholders of MAGIX AG among all outstanding shares within the context of a special distribution.

6.5. Overall statement

The MAGIX Group considers itself to be well positioned to meet current and future challenges. While competitors followed 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 Multimedia segment and the growing Venture segment will continue to enable MAGIX to strengthen its position in the field of multimedia applications, even in the face of hard international competition.

Against the background of the stabilizing economy and based on the extremely satisfactory development of business in 2009/2010, the Management Board expects further growth in revenues and results for 2010/2011 and 2011/2012. In addition to the Portal division of MAGIX, the Management Board sees growth potential especially in B2B business and a stronger internationalization of its product portfolio. At EUR 39.7-42.3 million, projected sales are 7-14% above the just set record of EUR 37.1 million.

In 2010/2011, EBIT are expected to rise moderately to EUR 6.0 million. At the same time the Management Board expects startup costs for HR, marketing and development in order to progress the expansion of B2B business on the one hand and to further internationalize the product portfolio on the other, thus ensuring a growth rate that exceeds the financial year. 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, 2010, and is currently 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 has further been 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 is permitted only

- to offset fractional amounts,
- if the issue price of the new shares does not fall significantly behind the stock exchange price and the shares issued under the exclusion of subscription rights according 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 by the issue of new shares, 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 authorization for the "stock option plan 2006" which was passed at the Shareholders' Meeting on January 19, 2006.

Share buyback

The Shareholders' Meeting on March 10, 2010 authorized the Management Board to purchase shares in MAGIX AG. 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 is valid until March 9, 2015. 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 10, 2010 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. The Management Board has been additionally empowered with the approval of the Supervisory Board to use own shares bought as a result of the preceding authorization in ways other than the stock exchange or an offering announced to all shareholders under the exclusion of subscription rights of shareholders,

- to offer as a service in return to third parties within the framework of a merger or acquisition of a company, company parts or company stakes, 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 10, 2010 to retire the shares completely or partially without the retirement or its execution requiring any additional resolution of the Shareholders' Meeting. The retirement can be carried out in such a way that the ordinary share capital does not change, but rather, through retirement, 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 has been authorized to change the specified amount of shares in the Articles of Association depending on the scope of the retirement.

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 retire own shares, may also be exercised through third parties to be credited to the company.

Shareholder structure

The following shareholders held direct or indirect stakes in the company's capital exceeding 10% as of September 30, 2010:

	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 as well as changes to the Articles of Association

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 Sections 84 et seq. 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 control

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, the 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.

9. Reporting in accordance with Section 289a of the German Commercial Code (HGB)

The reporting in accordance with Section 289a of the German Commercial Code (HGB) is available at http://www.magix.com/gb/magix-ag/investor-relations/corporate-governance/.

Berlin, December 29, 2010

Dieter Rein Management Board	Jürgen Jaron Management Board	Tilman Herberger Management Board

CONSOLIDATED FINANCIAL STATEMENTS

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Thielicke
Auditor

Auditor’s Opinion

We have audited the consolidated financial statements prepared by MAGIX AG, Berlin, comprising the balance sheet, the income statement, the statement of changes in equity, the statement of comprehensive income, the cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from October 1, 2009 to September 30, 2010. 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 the 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 the 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 framework 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 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.

Berlin, January 7, 2011
Ernst & Young GmbH
Auditing firm

Seidel
Auditor

Thielicke
Auditor

Consolidated Financial Statements September 30, 2010

MAGIX AG, Berlin – Consolidated Balance Sheet as of September 30, 2010

ASSETS	Note	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Non-current assets			
Property, plant and equipment	(1)	901	1,166
Intangible assets	(1)	11,561	11,520
Goodwill	(1)	2,116	2,116
Total non-current assets		**14,578**	**14,802**
Current assets			
Inventories	(2)	1,359	1,456
Trade accounts receivable	(3)	9,688	10,596
Financial assets (held until final maturity)		1,007	634
Other financial assets	(4)	700	700
Cash and cash equivalents	(5)	33,773	26,749
Total current assets		**46,527**	**40,135**
Total assets		**61,105**	**54,937**

MAGIX AG, Berlin – Consolidated Balance Sheet as of September 30, 2010

EQUITY & LIABILITIES	Note	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Equity attributable to equity holders of the parent			
Common stock	(6)	12,662	12,662
Additional paid-in capital		26,188	26,030
Retained earnings		9,076	4,647
Reserves for currency translation adjustment		232	321
Shareholders' equity total		**48,158**	**43,660**
Long-term liabilities			
Other liabilities (long-term portion)		122	145
Deferred tax liabilities	(11)	616	927
Long-term liabilities, total		**46,527**	**40,135**
Short-term liabilities and provisions			
Provisions	(7)	4,889	4,558
Other liabilities (short-term portion)		4,775	3,925
Trade accounts payable		1,431	973
Tax liabilities		1,114	749
Total short-term liabilities and provisions		**12,209**	**10,205**
Total equity and liabilities		**61,105**	**54,937**

MAGIX AG, Berlin – Consolidated Income Statement
for the Fiscal Year from October 1, 2009 to September 30, 2010

	Note	2009/2010 kEUR	2008/2009 kEUR
Sales revenue	(8)	37,127	34,780
Costs of goods sold	(9)	-5,590	-6,273
Gross margin		**31,537**	**28,507**
Selling and distribution costs	(10)	-11,945	-12,140
Administrative costs	(10)	-5,814	-4,643
Research and development costs	(10)	-8,825	-9,428
Other income		658	763
Earnings before interest and taxes		**5,611**	**3,059**
Interest income		361	793
Interest expenses		-4	-121
Earnings before taxes		**5,968**	**3,731**
Income taxes	(11)	-1,539	-1,573
Net income of the Group		**4,429**	**2,158**
Attributable to:			
Equity holders of the parent		4,429	2,158
Earnings per share (diluted and basic)	(12)	**0.42**	**0.20**
Average number of shares outstanding		**10,432,909**	**10,760,465**

MAGIX AG, Berlin – Statement of Comprehensive Income for the Fiscal Year from October 1, 2009 to September 30, 2010

	2009/2010 kEUR	2008/2009 kEUR
Net income of the Group	4,429	2,158
Foreign currency translation of foreign operations	-89	85
Realized profits from financial investments available for divesture	0	87
Income tax effects on realized profits from financial investments available for divesture	0	-22
Comprehensive income after taxes	**4,340**	**2,308**
Attributable to:		
Equity holders of the parent	4,340	2,308

MAGIX AG, Berlin – Consolidated Cash Flow Statement for the Fiscal Year from October 1, 2009 to September 30, 2010

	2009/2010 kEUR	2008/2009 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before taxes	5,968	3,731
Adjustments for:		
Amortization and depreciation on non-current assets	3,494	3,557
Interest income	-361	-793
Interest expenses	4	121
Other non-cash-related expenses and income	280	-221
	9,385	**6,395**
Change in trade receivables	908	578
Change in inventories	97	-17
Change in other assets	-373	817
Change in trade payables	458	-28
Change in provisions	331	267
Change in other liabilities	881	352
Cash generated from operating activities	**11,687**	**8,364**
Interest paid	-4	-121
Income tax paid	-1,938	-1,204
Net cash from operating activities	**9,745**	**7,039**
CASH FLOW FROM INVESTING ACTIVITIES		
Cash paid for the purchase of treasury shares	0	-2,723
Cash received from divestment of other financial assets	0	9,814
Cash paid for investments in non-current assets	-3,270	-2,873
Interest received	361	793
Net cash used in investment activities	**-2,909**	**5,011**
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of liabilities from company acquisition	0	-1,097
Investment subsidies and grants received	277	127
Net cash used for financing activities	**277**	**-970**
Foreign exchange differences	-89	85
Changes in cash and cash equivalents	7,024	11,165
Cash and cash equivalents at beginning of period	26,749	15,584
Cash and cash equivalents at end of period (see note (5))	**33,773**	**26,749**

MAGIX AG, Berlin – Development of Shareholders' Equity for the Fiscal Year from October 1, 2009 to September 30, 2010

	Equity					
	Common stock kEUR	Additional paid-in capital kEUR	Retained earnings kEUR	Treasury shares kEUR	Reserves for currency translation adjustment kEUR	Total kEUR
September 30, 2008	**12,662**	**25,825**	**5,147**	**0**	**236**	**43,870**
Realized profits from financial investments available for divesture			65			65
Currency translation					85	85
Net income of the Group			2,158			2,158
Comprehensive income			**2,223**		**85**	**2,308**
Offsetting of costs from the stock option plan		205				205
Repurchase of treasury shares				-2,723		-2,723
Retirement of treasury shares			-2,723	2,723		0
September 30, 2009	**12,662**	**26,030**	**4,647**	**0**	**321**	**43,660**
Currency translation					-89	-89
Net income of the Group			4,429			4,429
Comprehensive income			**4,429**		**-89**	**4,340**
Offsetting of costs from the stock option plan		158				158
September 30, 2010	**12,662**	**26,188**	**9,076**	**0**	**232**	**48,158**

Notes to the Consolidated Financial Statements as of September 30, 2010

pursuant to International Financial Reporting Standards (IFRS)

1. General Information on the Consolidated Financial Statements

1.1 Information about the company

MAGIX AG (or "the Company") was founded in 1993 by Jürgen Jaron, Dieter Rein and Erhard Rein 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 userfriendly software, online services and digital content for designing, editing, sharing and archiving digital photos, graphics, websites, videos and music. MAGIX' products are mainly targeted at private users. Furthermore, MAGIX licenses professional software to commercial users such as music producers as well as to TV and radio broadcasters. Revenues with trade partners are generated in all important countries via own sales companies or distributors.

The balance sheet date is September 30, 2010. The fiscal year 2009/2010 covers the period from October 1, 2009 to September 30, 2010.

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, 2010 on December 29, 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:

Company	Registered office	Equity share
Catooh Corp.	Las Vegas, Nevada, USA	100%
MAGIX Computer Products International Corp.	Reno, Nevada, USA	100%
MAGIX Entertainment B.V.	Huizen, the Netherlands	100%
MAGIX Entertainment S.A.R.L.	Paris, France	100%
MAGIX Entertainment S.R.L.	Bozen, Italy	100%
MAGIX Limited	Hemel Hempstead, Hertfordshire, United Kingdom	100%
MAGIX Limited	Taipei City, Taiwan	100%
MAGIX Online Services GmbH	Berlin, Germany	100%
MAGIX Software GmbH	Berlin, Germany	100%
mufin GmbH	Berlin, Germany	100%
Xara Group Limited	Basingstoke, 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, 2009.

Changes in accounting policies relate to the first-time application of the following new or revised IFRS standards and IFRIC interpretations:

- IFRS 2 Share-based payment: Conditions on exercise and annulments came into effect on January 1, 2009.
- Changes to IFRS 3 Business combinations (amended) and IAS 27 Consolidated and separate financial statements according to IFRS (amended) came into effect on July 1, 2009.
- Changes to IFRS 7 Financial instruments came into effect on January 1, 2009.
- IAS 1 Presentation of financial statements came into effect on January 1, 2009.
- IAS 23 Borrowing costs (amended) came into effect on January 1, 2009.
- IAS 32 Financial instruments: Presentation and IAS 1 presentation of financial statements: Puttable financial instruments and obligations arising from liquidation came into effect on January 1, 2009.
- IAS 39 Financial instruments: Recognition and measurement: Suitable underlying transactions came into effect on July 1, 2009.
- IFRIC 9 Reassessment of embedded derivatives and IAS 39 financial instruments: Recognition and measurement should be applied for the first time to financial years that end on or after June 30, 2009.
- IFRIC 13 Customer loyalty programmes came into effect on July 1, 2008.
- IFRIC 16 Hedges of a net investment in a foreign operation came into effect on October 1, 2008.
- IFRIC 18 Transfer of assets from a customer came into effect on July 1, 2009.
- Improvements to IFRS 2008 collection of different IFRS.

The listed standards and interpretations, with the exception of the IAS 1 changes, are not relevant to the consolidated financial statements of the MAGIX Group.

According to the Management Board, new or revised IFRS standards and IFRIC interpretations that were published, but not yet mandatory as of September 30, 2010, will not have any effect on the way the MAGIX Group's assets, financial and earnings situation is presented in the future.

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 consider 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 The 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 the mufin GmbH (previously m2any GmbH) was kEUR 2,304 on September 30, 2010 (previous year: kEUR 2,535) and of the Xara Group Limited – kEUR 3,281 (previous year: kEUR 3,572). The Company tests the capitalized goodwill 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, 2010, as well as the period ending on September 30, 2009, 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 the future sales revenue for the software. As of September 30, 2010 software development costs have a carrying value of kEUR 7,149 (previous year: kEUR 6,436).

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 the sales revenue recognized by the MAGIX Group. As of September 30, 2010 these provisions have a carrying amount of kEUR 4,074 (previous year: kEUR 3,687).

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. Previously capitalized deferred tax advantages amounting to kEUR 370 were completely adjusted for their value in the 2008/2009 financial year, because implementation of these carried-forward losses within the 3-year timeframe for tax planning purposes is unlikely. No capitalized deferred taxes from carried-forward losses existed as of September 30, 2010 and as of September 30, 2009.

The key future-oriented assumptions and other material sources of uncertainty as of the balance sheet date concerning estimates which have given rise to a considerable risk that material adjustments of carrying amounts of assets and liabilities may be required in the next fiscal year 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 at the date of the transaction. 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

- for Magix Computer Products International Corp., Reno, Nevada and Catooh Corp., Las Vegas, Nevada is the US dollar;
- for MAGIX Limited, Hemel Hempstead, Hertfordshire and for The Xara Group Ltd., Basingstoke, Hampshire it is the British Pound Sterling;
- and for MAGIX Limited, Taipei City, Taiwan it is the New Taiwan dollar.

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 at the 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.

As regards 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 contain 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

The MAGIX Group assesses at each balance sheet date 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 in-flows 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.

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 Software GmbH, mufin GmbH and The Xara Group Ltd., correspond to the segments.

There were no indications of impairment for the cash-generating units.

On September 30, 2010 an impairment test was conducted for The Xara Group Ltd., the cash-generating unit that makes up the company's goodwill, based on its liquidity surpluses. Calculation of the liquidity surpluses took into account the plans authorized by the Supervisory Board of MAGIX AG for The Xara Group Ltd. for a 3-year detail planning period as well as perpetuity. A growth rate of 1.0%, which is common for the industry sector, was used to determine the perpetuity. The determined liquidity surpluses were discounted with a weighted average cost of capital (WACC) of 9.5% after taxes (12% before taxes) on the balance sheet call date. Sensitivity considerations showed that even increasing the discount rates used by one percentage point or reducing the growth rate by 0.5 percentage points would not lead to indications of impairment.

Accumulated impairment losses on non-current assets were not recorded, neither as of September 30, 2010, nor as of September 30, 2009.

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, 2010 and September 30, 2009 all financial investments recognized in the consolidated financial statements of the MAGIX

Group are classified as loans and receivables or as financial assets held to maturity. As of the balance sheet call date on September 30, 2010, the MAGIX Group shows financial investments totaling kEUR 11,395 (previous year: kEUR 11,930). Due to the short-term duration and the interest rate common to the market, the carrying amount of financial investments corresponds to the fair value.

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. As of September 30, 2010, total of loans and receivables amounts to kEUR 10,388 (previous year: kEUR 11,296).

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. As of September 30, 2010, there are financial assets held to maturity of kEUR 1,007 (previous year: kEUR 634).

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. Accumulated impairment losses on financial assets were not recorded, neither as of September 30, 2010, nor as of September 30, 2009

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.

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.

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. Long-term 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.

As of September 30, 2010, there are financial liabilities of kEUR 6,328 (previous year: kEUR 5,043). Due to the predominantly short-term duration and the interest rate common to the market, the carrying amount of financial liabilities corresponds to the fair value.

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.

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

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.

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 and license revenue
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.

The MAGIX Group realizes its sales revenue based on the corresponding contract as soon as the license has been delivered, the sales 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 the 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 opportunity to exercise, i.e. when the entitlement of the employee in question irrevocably 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.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grants relate to an expense item, they are recognized as income over the period necessary to match the grants on a systematic basis to the costs that they are intended to compensate. Where the 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 the 2009/2010 fiscal year, the MAGIX Group received investment subsidies and grants amounting to kEUR 277 (prior year: kEUR 127). 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. Segment Reporting

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

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 graphics and web 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, photos and videos. 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 the segment earnings via the 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.

Transfer prices between the segments are determined according to conditions common to the market.

MAGIX Group	Multimedia		Ventures		Reconciliation statement		MAGIX Group	
Segment information (kEUR)	**2009/2010**	**2008/2009**	**2009/2010**	**2008/2009**	**2009/2010**	**2008/2009**	**2009/2010**	**2008/2009**
External sale revenues	31,495	31,035	5,632	3,745			37,127	34,780
Internal sale revenues	358	231	892	387			1,250	618
Sales revenue	31,853	31,266	6,524	4,132			38,377	35,398
Gross margin of the outer sale revenues	**27,166**	**25,338**	**4,371**	**3,169**			**31,537**	**28,507**
EBITDA	**9,950**	**9,002**	**249**	**-954**	**-1,094**	**-1,432**	**9,105**	**6,616**
Segment result (EBIT)	**7,078**	**6,098**	**-373**	**-1,607**	**-1,094**	**-1,432**	**5,611**	**3,059**
Financial result	0	0	0	0	357	672	357	672
EBT	**7,078**	**6,098**	**-373**	**-1,607**	**-737**	**-760**	**5,968**	**3,731**
Taxes	0	0	0	0	-1,539	-1,573	-1,539	-1,573
Net income	**7,078**	**6,098**	**-373**	**-1,607**	**-2,276**	**-2,333**	**4,429**	**2,158**
Segment assets	17,877	19,572	8,754	7,916	34,474	27,449	61,105	54,937
includes intangible assets	7,757	7,197	5,920	6,439	0	0	13,677	13,636

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 the inter-company liquidity equalization (cash pooling), cash and cash equivalents and other financial means 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, 2010 and on September 30, 2009, 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	2009/2010	2008/2009	2009/2010	2008/2009	2009/2010	2008/2009
Segment earnings	3,894	3,339	33,233	31,441	37,127	34,780
Segment assets	833	784	60,272	54,153	61,105	54,937

4. Notes to the Consolidated Balance Sheet

(1) Non-current assets

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

	Costs of acquisition and sales					Cumulative amortization					Carrying amount	
	Oct 1, 2008	Additions	Disposals	Currency translation	Sep 30, 2009	Oct 1, 2008	Additions	Disposals	Currency translation	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	3,629	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	1.025	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**

	Costs of acquisition and sales					Cumulative amortization					Carrying amount	
	Oct 1, 2009	Additions	Disposals	Transfers	Sep 30, 2010	Oct 1, 2009	Additions	Disposals	Currency translation	Sep 30, 2010	Sep 30, 2010	Oct 1, 2009
I. Intangible assets												
1. Software and industrial rights	9,236	281	0	0	9,517	5,607	664	0	0	6,271	3,246	3,629
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	+28	1,465	412	131	0	0	543	922	1,025
4. Software development costs	15,604	2,817	0	-28	18,393	8,738	2,277	0	-15	11,000	7,393	6,866
Total	**28,393**	**3,098**	**0**	**0**	**31,491**	**14,757**	**3,072**	**0**	**-15**	**17,814**	**13,677**	**13,636**
II. Property, plant and equipment												
1. Leasehold improvements	336	8	0	0	344	137	38	0	0	175	169	199
2. Office equipment	142	0	0	0	142	101	10	0	0	111	31	41
3. Other fixtures	4,032	248	131	0	4,149	3,106	374	30	-2	3,448	701	926
Total	**4,510**	**256**	**131**	**0**	**4,635**	**3,344**	**422**	**30**	**-2**	**3,734**	**901**	**1,166**

(2) Inventories

	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Raw materials (at acquisition costs)	1,234	1,411
Finished goods (at costs of sales)	816	741
Valuation allowance	-691	-696
	1,359	**1,456**

On raw materials (at acquisition costs) and finished goods (at costs of sales) of kEUR 691 (previous year: kEUR 696) devaluations were carried out on the lower fair value. Devaluation of inventories that have been recorded as expenses amounts to kEUR 420 (previous year: kEUR 506) and is shown in the costs of sales.

(3) Trade receivables

	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Due within one year, gross	10,374	11,390
Individual and general value adjustments	-686	-794
	9,688	**10,596**

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

On September 30, 2010 receivables from goods and services were impaired in value by kEUR 3,064 (2009: kEUR 2,850). The value adjustment account developed itself as follows:

	Individual valuation kEUR	Portfolio-based valuation kEUR	Total kEUR
As of Sep 30, 2009	712	82	794
Allowed expense allocation	609	36	645
Utilization	-711	-42	-753
As of Sep 30, 2010	**610**	**76**	**686**

On September 30, 2010, 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
2009	10,390	9,100	419	94	297	426	260
2010	10,374	8,605	266	163	226	166	262

Receivables in USD from the USA subsidiary comprise kEUR 550 (kEUR 544 in the previous year). An equity fall of kEUR 27 (kEUR 30 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% higher. An equity rise of kEUR 26 (kEUR 23 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 as a surety, which earn interest at variable rates common to the market.

(5) Cash and cash equivalents

Bank balances earn interest at the variable rates for on demand deposits. Short-term deposits are made for different periods of between one day and three months depending on the respective liquidity requirements of the Group in the 2009/2010 financial year. These are subject to interest at the respective interest rates applicable for short-term deposits.

	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Bank balances	33,767	2,159
Short-term deposits (fixed-term deposits)	0	24,583
Cash on hand	6	7
	33,773	**26,749**

(6) Equity

The share capital of MAGIX AG amounted to kEUR 12,662 on September 30, 2010, and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share.

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. 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 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 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. In the context of this stock option plan, 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, 121,000 stock options subsequently lapsed due to employees leaving the company. As a result there are currently 271,500 options outstanding.

Share buyback
The shareholders' meeting on March 10, 2010 authorized the company to purchase shares in MAGIX AG. 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 is valid until March 9, 2015. 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 Securities 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 10, 2010 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. The Management Board has been additionally empowered with the approval of the Supervisory Board to use own shares bought as a result of the preceding authorization in ways other than the stock exchange or an offering announced to all shareholders under the exclusion of subscription rights of shareholders,

- to offer as a service in return to third parties within the framework of a merger or acquisition of a company, company parts or company stakes, 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 10, 2010 to retire the shares completely or partially without the retirement or its execution requiring any additional resolution of the General Shareholders' Meeting. The retirement can be carried out in such a way that the ordinary share capital does not change, but rather, through retirement, 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 has been authorized to change the specified amount of shares in the Articles of Association depending on the scope of the retirement.

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 retire own shares, may also be exercised through third parties to be credited to the company.

(7) Provisions

The table below shows the development of the provisions:

	Sep 30, 2009 kEUR	Utilization kEUR	Addition kEUR	Sep 30, 2010 kEUR
Royalties	3,687	-233	620	4,074
Bonuses / vouchers	861	-832	764	793
Legal counsel	10	0	12	22
	4,558	**-1,065**	**1,396**	**4,889**

The 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.

5. Notes to the Consolidated Income Statement

(8) Sales revenue

	2009/2010 kEUR	2008/2009 kEUR
Product deliveries	33,841	33,665
Services and licenses	3,286	1,115
	37,127	**34,780**

(9) Costs of sales

	2009/2010 kEUR	2008/2009 kEUR
Raw materials	3,616	4,197
Royalties and other	1,974	2,076
	5,590	**6,273**

The costs of goods sold essentially include material costs for packaging as well as costs arising for third party license.

(10) Operating expenses

	2009/2010 kEUR	2008/2009 kEUR
Selling and distribution costs		
Personnel expenses	4,586	4,656
Marketing expenses	3,167	3,094
Write-downs	693	864
Other expenses	3,499	3,526
	11,945	**12,140**
Administrative expenses		
Personnel expenses	2,406	2,450
Write-downs	317	269
Other operating costs	795	57
Other expenses	2,296	1,867
	5,814	**4,643**
Research and development expenses		
Personnel expenses	4,746	5,030
Write-downs	2,484	2,424
Other expenses	1,595	1,974
	8,825	**9,428**
	26,584	**26,211**

Personnel expenses for the 2009/2010 fiscal year totaled kEUR 14,555 (kEUR 14,500 for the 2008/2009 fiscal year), thereof kEUR 2,817 were capitalized (kEUR 2,364 for the 2008/2009 fiscal year). Depreciations, amortizations and writedowns for the 2009/2010 fiscal year totaled kEUR 3,494 (kEUR 3,557 for the 2008/2009 fiscal year).

(11) Taxes on income and deferred taxes

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

Consolidated income statement	2009/2010 kEUR	2008/2009 kEUR
Current income tax expense	-1,850	-1,485
Deferred income taxes	311	-88
thereof from timing differences	311	282
thereof from unused tax losses	0	-370
Income tax expenditure recorded in the consolidated income statement	**-1,539**	**-1,573**

Consolidated statement of change in shareholders' equity	2009/2010 kEUR	2008/2009 kEUR
Deferred income taxes from positions reported in equity:		
Unrealized profit from divesture of available assets	0	22
Income tax expenditure reported in equity	**0**	**22**

Theoretical income tax expense, based on earnings before taxes of kEUR 5,968 (previous year: kEUR 3,731), 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%):

	2009/2010 kEUR	2008/2009 kEUR
Net income before income tax	5,968	3,731
Average tax rate	29.2%	29.2%
Theoretical income tax expense	-1,743	-1,089
Tax rebates for previous years	0	0
Write-offs to capitalized tax carry forwards	0	-370
Use of non-capitalized tax carry forwards	182	0
Non-capitalized tax losses of the fiscal year	-18	-194
Other	40	80
Income tax expense	**-1,539**	**-1,573**

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:

	2009/2010 kEUR	Consolidated income statement kEUR	2008/2009 kEUR
Active deferred taxes			
Timing differences between entries			
- Elimination of intercompany profits	342	96	246
	342	**96**	**246**
Deferred tax liabilities			
Timing differences between entries			
- Intangible assets in connection with company acquisition	-781	101	-882
- Exchange differences	-68	119	-187
- Valuation allowances on loans to affiliated entities	-109	-5	-104
	-958	**215**	**-1,173**
Deferred tax liability, net	**-616**	**311**	**-927**

Deferred tax assets are written down if realization is not probable. On September 30, 2010, the holding company had no carryforward taxes. As of September 30, 2010, the MAGIX Group had tax carryforwards of kEUR 2,772 (previous year: kEUR 4,372).

(12) 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 table shows the numbers used for the calculation of the basic and diluted earnings per share:

	2009/2010 kEUR	**2008/2009** kEUR
Net profit attributable to ordinary equity holders of the parent	4,429	2,158
Weighted average number of ordinary shares used for the calculation of the basic and diluted earnings per share	10,433	10,760
Earnings per share (diluted and basic) in EUR/share	**0.42**	**0.20**

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.

There are no dilution effects from existing stock option plans that have to be considered, since they would lead to a higher diluted result per share due to the high strike prices of the stock option plans.

6. 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. 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 or 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 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

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 392,500 stock options issued, 17,500 options expired in the 2006/2007 financial year, 49,500 in the 2007/2008 financial year, 35,000 in the 2008/2009 financial year and 19,000 in the previous financial year, bringing the number of subscription rights to 271,500 options on September 30, 2010.

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 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, 2010 breaks down into the following tranches and option plans:

	2007 kEUR	**2006** kEUR
1st tranche	5	0
2nd tranche	24	43
3rd tranche	20	64
	49	**107**
		158

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

Financial risks

Credit risks
The Company is exposed to the credit risks customary in 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 member of the Management Board)
- Dieter Rein, Berlin (shareholder and member of the Management Board)
- Tilman Herberger, Dresden (shareholder and member of the Management Board)

Management Board members were also granted stock options. The attached value of the stock options reserved for members of the Management Board amounts to kEUR 55, and of that amount, kEUR 13 were reported as expenses in the 2009/2010 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 remuneration of the members of the Supervisory Board of the 2009/2010 fiscal year was kEUR 90 (previous year: kEUR 90). Supervisory Board members were not granted any stock options.

The current remuneration of the members of the Management Board of the 2009/2010 fiscal year is:

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous year
Fixed remuneration	167	169	114	450	450
Profit-based remuneration	235	235	170	640	704
Total	**402**	**404**	**284**	**1,090**	**1,154**

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

- teleson AG, Munich (gave up his post on July 22, 2010)
- Bundeswehr Informationstechnologie GmbH (BWI), Meckenheim (gave up his post on June 30, 2010)

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 a member of the Supervisory Board of WP Management Solutions AG, Bad Homburg.

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

	2009/2010 kEUR	2008/2009 kEUR
Sales revenue of Future GmbH with MAGIX AG	855	706
Revenues of MN Soft Corp. with MAGIX Computer Products International Corp.	1,364	1,309
Revenues of MAGIX AG with MN Soft Corp.	1,263	1,218
Revenues of ERSO Media GmbH with MAGIX AG	1,969	1,680
Revenues of MAGIX AG with ERSO Media GmbH	1,508	1,056
Revenues of Presto Capital Management GmbH & Co. KG with MAGIX AG	96	96

	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
Liabilities to Future GmbH	50	72
Liabilities to ERSO Media GmbH	278	209

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 in sales.

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 acquisition of intangible assets result from long-term cooperation agreements. The following payments will be due in future fiscal years:

There are other financial obligations after the fiscal year 2014/2015 from rental agreements in Germany.

	2010/2011 kEUR	2011/2012 kEUR	2012/2013 kEUR	2013/2014 kEUR	2014/2015 kEUR
Lease agreements	961	887	896	789	789
Leases	57	35	4		
	1,018	**922**	**900**	**789**	**789**

Employees

In the 2009/2010 financial year, the company employed 3 Management Board members, 266 employees, and 48 vocational trainees (annual average) (previous year: 3 Management Board members, 254 employees, and 52 vocational trainees).

Corporate governance

The declaration of conformity to the German Corporate Governance Code according to Art. 161 of the Stock Corporation Act that was made by the Management Board and the Supervisory Board in January 2010 has been made permanently available on the company's website at www.magix.com → Investor Relations → Corporate Governance. The declaration of conformity is also printed in the Corporate Governance Report of the Financial Report.

Auditor's fees

In the 2009/2010 fiscal year, the following fees were recorded for the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft:

- Annual audits: kEUR 72 (previous year: kEUR 72)
- Other confirmation services: kEUR 0 (previous 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 under commercial law of MAGIX AG from the past 2009/2010 financial year to the amount of kEUR 9,190 be used in the following manner:

- Payment of a dividend of EUR 0.88 per registered share entitled to a dividend, totaling kEUR 9,181.
- Profit carried forward to a new account kEUR 9.

Guarantee of the legal representatives

We assure you to our best knowledge that the applied basic accounting principles of the consolidated 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, December 29, 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, 2010 according to HGB ["Handelsgesetzbuch": German Commercial Code] which has been awarded an unqualified auditor's certificate. Further information can be found in the annual document:
http://www.magix.com/gb/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 125 as of September 30, 2010
Annual results: kUSD 23 profit as of September 30, 2010

Company: **MAGIX Computer Products International Corp.**
Registered office: Reno, Nevada (USA)
Share in capital: 100%
Equity: kUSD 852 as of September 30, 2010
Annual results: kUSD 290 profit as of September 30, 2010

Company: **MAGIX Entertainment B.V.**
Registered office: Huizen (the Netherlands)
Share in capital: 100%
Equity: kEUR -157 as of September 30, 2010
Annual results: kEUR 267 profit as of September 30, 2010

Company: **MAGIX Entertainment S.A.R.L.**
Registered office: Paris (France)
Share in capital: 100%
Equity: kEUR 451 as of September 30, 2010
Annual results: kEUR 89 profit as of September 30, 2010

Company: **MAGIX Entertainment S.R.L.**
Registered office: Bozen (Italy)
Share in capital: 100%
Equity: kEUR 183 as of September 30, 2010
Annual results: kEUR 30 profit as of September 30, 2010

Company: **MAGIX Ltd.**
Registered office: Hemel Hempstead, Hertfordshire (United Kingdom)
Share in capital: 100%
Equity: kGBP -189 as of September 30, 2010
Annual results: kGBP 38 profit as of September 30, 2010

Company: **MAGIX Ltd.**
Registered office: Taipei City (Taiwan)
Share in capital: 100%
Equity: TWD 238 as of September 30, 2010
Annual results: TWD 12 loss as of September 30, 2010

Company: **MAGIX Online Services GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity kEUR 294 as of September 30, 2010
Annual results: kEUR 238 profit as of September 30, 2010

Company: **MAGIX Software GmbH (previously MAGIX Development GmbH)**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 2,309 as of September 30, 2010
Annual results: kEUR 0 profit as of September 30, 2010

Company: **mufin GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 225 as of September 30, 2010
Annual results: kEUR 0 profit as of September 30, 2010

Company: **Xara Group Ltd.**
Registered office: Basingstoke Hampshire (United Kingdom)
Share in capital: 100%
Equity: kGBP 533 as of September 30, 2010
Annual results: kGBP profit 993 as of September 30, 2010

MAGIX AG, Berlin – Balance Sheet as of September 30, 2010

ASSETS	kEUR	Sep 30, 2010 kEUR	Sep 30, 2009 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	8,337		7,530
2. Down payments made	558		807
		8,895	8,337
II. Property, plant and equipment			
1. Leasehold improvements	164		194
2. Technical equipment and machinery	33		40
3. Other facilities, furniture, and office equipment	598		774
		795	1,008
III. Financial assets			
1. Shares in affiliated companies	7,563		7,557
2. Loans to affiliated companies	599		1,763
		8,162	9,320
		17,852	**18,665**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies	979		1,089
2. Finished goods and merchandise	360		349
		1,339	1,438
II. Receivables and other assets			
1. Trade accounts receivable	10,606		11,101
2. Receivables from affiliated companies	2,041		2,154
3. Other assets	271		202
		12,918	13,457
III. Cash position, cash at banks and checks		33,915	27,034
		48,172	**41,929**
C. ACCRUALS AND DEFERRALS		**144**	**181**
		66,168	**60,775**

MAGIX AG, Berlin – Balance Sheet as of September 30, 2010

EQUITY & LIABILITIES	kEUR	Sep 30, 2010 kEUR	Sep 30, 2009 kEUR
A. EQUITY			
I. Nominal capital		12,662	12,662
II. Capital reserve		25,662	25,516
III. Revenue reserve			
Other revenue reserves	126		126
		126	126
IV. Balance sheet profit		9,190	7,021
		47,640	**45,325**
B. SPECIAL RESERVE FOR BONUSES		**114**	**136**
C. PROVISIONS			
1. Provisions for taxes	834		749
2. Other provisions	9,130		8,530
		9,964	**9,279**
D. LIABILITIES			
1. Trade payables	1,165		840
2. Liabilities to affiliated companies	6,172		4,071
3. Other liabilities	1,113		1,104
thereof taxes kEUR 726 (previous year kEUR 519)			
		8,450	**6,015**
E. ACCRUALS AND DEFERRALS		**0**	**20**
		66,168	**60,775**

MAGIX AG, Berlin – Income Statement for the Fiscal Year from October 1, 2009 to September 30, 2010

	kEUR	2009/2010 kEUR	2008/2009 kEUR
1. Sales revenue	37,323		34,470
2. Costs of sales of the rendered services necessary for generating the sales revenue	-9,596		-8,364
3. Gross profit on sales		27,727	26,106
4. Selling and distribution costs	-12,168		-11,733
5. General administrative costs	-4,711		-4,511
6. Research and development costs	-6,724		-7,355
7. Other operational income	1,179		1,050
8. Other operational expenses	-1,328		-216
		23,752	-22,765
9. Income from profit transfer agreements	180		0
10. Income from other securities and long-term loan receivables thereof from affiliated companies kEUR 15 (previous year kEUR 35)	15		35
11. Other interests and similar income thereof from affiliated companies kEUR 12 (previous year: kEUR 39)	357		819
12. Expenditures from transfer of losses	-984		0
13. Interests and similar expenditures thereof to affiliated companies kEUR 11 (previous year: kEUR 84)	-15		-101
		-447	753
14. Results from regular business activity		**3,528**	**4,094**
15. Taxes on income and profit	-1,350		-1,228
16. Other taxes	-9		-52
		-1,359	-1,280
17. Net income for the year		**2,169**	**2,814**
18. Profit carried forward		7,021	6,875
19. Reduction in assets due to retirement of shares		0	-2,668
20. Balance sheet profit		**9,190**	**7,021**

GLOS

SABY

Glossary

Android, android-based
Android is an operating system for mobile devices such as mobile phones, netbooks, and tablet computers.

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.

Codec
Codec is a word created from the 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 (see below) 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.

Cloud service
A cloud service makes it possible to provide storage capacity, computing power, and applications via the Internet on a client-specific basis. Software as a service (see below) is an example of a cloud service.

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 refers to the computer-based placement of text and images in order to produce high-quality documents such as brochures, presentations, catalogs, or books.

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 at the Frauenhofer Institute IDMT. It removes the audio frequencies inaudible to the human ear, allowing a significant reduction in size.

MPEG-7 standard
In contrast to MPEG-1, MPEG-2 and MPEG-4, MPEG-7 is not an audio/video data compression standard. It is used to characterize 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) an 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.

Smartphone
A smartphone is a particularly powerful mobile phone, which, apart from telephony, offers various other functions such as calendar, address and task management, taking photos as well as recording and playing back videos and music.

Software as a service (SaaS)
SaaS refers to applications, which can be used directly over the Internet without first installing them on your computer. The customer buys not a single program, but subscribes to a service.

Tablet computer
A tablet computer is a portable computer that can be used in a similar way to a notepad. It is operated directly via a touch-sensitive screen.

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 pre-amp and, therefore, cannot be connected to the computer directly. A USB pre-amp alters the record player’s audio signal in such a way, that it is transferred via USB to the computer, where it can be edited further.

Web hosting
Web hosting refers to the provision of storage space for files that can be accessed over the Internet as well as website hosting.

White Label
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 and Contact Information

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Financial Calendar:

2011

February 28, 2011
Release of the 1st Quarter Report

March 16, 2011
Shareholders' Meeting of MAGIX AG
Ludwig Erhard Haus, Fasanenstraße 85,
10623 Berlin, Germany

May 30, 2011
Release of the 2nd Quarter Report

August 30, 2011
Release of the 3rd Quarter Report