MAGIX ANNUAL REPORT 2010/

MAGIX AG
ANNUAL REPORT
2010/2011

MAGIX

CONTENTS

MAGIX AT A GLANCE

MAGIX has been developing, producing and distributing multimedia software since 1993. The product range goes beyond PC software to include online, mobile and cloud* services as well as digital content. This way, MAGIX offers a fitting solution for anyone wishing to create, design, present and archive digital photos, graphics, websites, videos and music. According to figures for multimedia software retail sales, MAGIX is a leader on German and other key European markets and is one of the most successful market players in the USA.

MAGIX headquarters are in Berlin, the development center is in Dresden, and the logistics center and accounting are located in Lübbecke/North-Rhine-Westphalia. Internationally, MAGIX has subsidiaries and branches in the USA, Canada, Taiwan, United Kingdom, France, Italy, Spain and the Netherlands.

The company's foundation was laid by Jürgen Jaron, Dieter Rein and Erhard Rein together with developers Tilman Herberger and Titus Tost. The founding team works closely together to this day and ensures continuity and innovation.

Today, the MAGIX team has 340 employees; more than half of these are working in development. They bring continuous improvements to the range of products and services. Thanks to the largely uniform technological platform on which MAGIX software is based, innovations can be easily transferred between products, allowing them to reach the market ahead of the competition.

Available in more than 20 languages, MAGIX products are distributed through the online shop www.magix.com, international hardware manufacturers and partners, as well as 6,500 retail branches. More than 13 million registered users and over a thousand awards attest to the power of innovation at MAGIX.

MAGIX – PASSION FOR INNOVATION!

Hint: MAGIX is operating in an industry that focuses heavily on technology and where professional jargon is common. For better comprehension, all terms indicated by an asterisk (*) are explained in the glossary.

KEY MAGIX GROUP FIGURES ACCORDING TO IFRS

	2010/2011 kEUR	Change in %	2009/2010 kEUR	Change in %	2008/2009 kEUR
Profit & Loss					
Sales revenue	**36,094**	-2.8%	37,127	+6.7%	34,780
Gross margin	**31,078**	-1.5%	31,537	+10.6%	28,507
as % of revenues	**86.1%**	-	84.9%	-	82.0%
Earnings before interest and taxes (EBIT)	**5,284**	-5.8%	5,611	+83.4%	3,059
as % of revenues	**14.6%**	-	15.1%	-	8.8%
Net income	**3,541**	-20.0%	4,429	+105.2%	2,158
as % of revenues	**9.8%**	-	11.9%	-	6.2%
Earnings per share in EUR	**0.34**	-20.0%	0.42	+112.3%	0.20
Balance Sheet					
Balance sheet total	**52,419**	-14.2%	61,105	+11.2%	54,937
Current assets	**37,630**	-19.1%	46,527	+15.9%	40,135
thereof cash position and other financial assets	**26,911**	-24.2%	35,480	+26.3%	28,083
Non-current assets	**14,789**	+1.4%	14,578	-1.5%	14,802
Current liabilities	**20,978**	+71.8%	12,209	+19.6%	10,205
of that liabilities to shareholders	**11,685**	-	0	-	0
additional current liabilities	**9,293**	-23.9%	12,209	+19.6%	10,205
Non-current liabilities	**503**	-31.8%	738	-31.2%	1,072
Equity	**30,938**	-35.8%	48,158	+10.3%	43,660
Equity ratio	**59.0%**	-	78.8%	-	79.5%
Equity ratio after deduction of liabilities to shareholders	**76.0%**	-	78.8%	-	79.5%
Cash Flow					
Cash flow from operating activities	**5,041**	-48.3%	9,745	+38.4%	7,039
Cash flow from investing activities	**-18,854**	-548.1%	-2,909	-158.1%	5,011
of that cash paid (received) for purchase (from sale) of other financial assets	**-15,000**	-	0	-100.0%	9,814
Cash flow from financing activities	**-9,140**	-3,399.6%	277	+128.6%	-970
of that amount dividends paid	**-9,181**	-	0	-	0
Employees					
Total	**343**	+5.5%	325	+7.3%	303
Sales & marketing	**122**	+8.9%	112	+10.9%	101
Research & development	**172**	+0.6%	171	+5.6%	162
Administration & Production/Logistics	**49**	+16.7%	42	+5.0%	40
Key Ratios					
Registered users at the close of the period	**13,176,990**	+9.8%	12,005,121	+14.1%	10,519,934
Conversion rate to direct customers	**9.6%**	-	8.9%	-	8.4%
Number of transactions per year	**390,415**	-1.3%	395,453	+10.2%	358,952
Average size of transaction	**41.20 €**	+5.7%	38.98 €	+8.4%	35.97 €

GREETINGS FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

The economic climate has been turbulent over the last financial year: the natural disaster and nuclear crisis in Japan, national debt in the USA as well as in various Euro zone countries have all been a source of ongoing uncertainty for business customers and consumers alike. The resulting negative trend in retail and Internet commerce presented us with some challenges in 2010/2011.

Due to the exceptional returns from retail sales we recorded declines in revenue in the second and third quarters of the financial year. Subsequently, equaling the record levels set in the previous year was not feasible as sales revenues fell by approximately EUR 1.0 million to EUR 36.1 million. Group EBIT, however, still fulfilled expectations amounting at EUR 5.6 million due to a rise in gross margin to 86% and a simultaneous decline in amortizations, depreciations and operating costs of EUR 0.5 million to EUR 26.0 million.

The MAGIX share has generally competed well in a difficult environment. In March 2011, dividends of EUR 0.88 per share were paid. At the end of the business year, 30 September 2011, the closing price was EUR 5.25, up 3% from the previous year. Compared to the DAX (-12%) and TecDAX (-15%) indexes, however, the share performed considerably better and was only slightly behind the DAXsector Software index (+6%). The planned special distribution of EUR 1.12 per share, which was decided by the regular shareholders' meeting of MAGIX AG on March 16, 2011, will now commence in March 2012.

Thanks to the cohesive team performance, we are not only looking back on a financially successful year. As planned additional language versions and new international partners have helped us penetrate new markets in Eastern Europe, Turkey and in South America, whose dynamics will benefit business even more in the coming years.

At the same time we have made targeted investments group-wide, such as acquiring technology from yellow tools, whilst further increasing operating expenses for research and development. We are confident that these measures – focusing on Germany – will continue to pay off for our shareholders and employees.

We want both private and business clients to find innovative as well as comprehensive solutions for their digital content at MAGIX. To this end, we have defined four tactical directions that will 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 in new markets, especially in Eastern Europe and South America.

2. 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 search engine optimization and online marketing fields.

3. 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.

4. We want to expand our client base internationally by distributing our products globally in cooperation with well-known OEM partners and through affiliate networks.

The new subsidiaries formed in December 2011, OpenSeminar GmbH and simplitec GmbH, are key to our penetrating new markets. Whilst OpenSeminar deals with training, simplitec targets the market for PC system tools.

The PC system tools from simplitec provide optimal performance, stability, security and reliability for computers. Ultimately, as these issues affect every PC, the market for simplitec is much larger than the multimedia software market MAGIX previously targeted. simplitec benefits from the development of know-how gathered through years of daily customer service. In February 2012 simplitec will be launching a new competitive product package on www.simplitec.com.

Due to the busy product pipeline our overall revenue expectations for 2011/2012 and 2012/2013 are positive in spite of the unstable global economy and the continuing difficult situation in retail. In addition to an unchanged strong gross margin we expect higher operating costs, particularly when penetrating new markets. In 2011/2012, a drop in earnings thus is possible in order to ensure future substantial growth.

In conclusion, we would like to assure you that we will do everything together with our employees to put MAGIX on top. We would like to thank you for trusting in MAGIX's success.

Sincerely,

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

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THE BUSINESS FIELD, PRODUCT RANGE, ORGANIZATION AND STRATEGIC ORIENTATION


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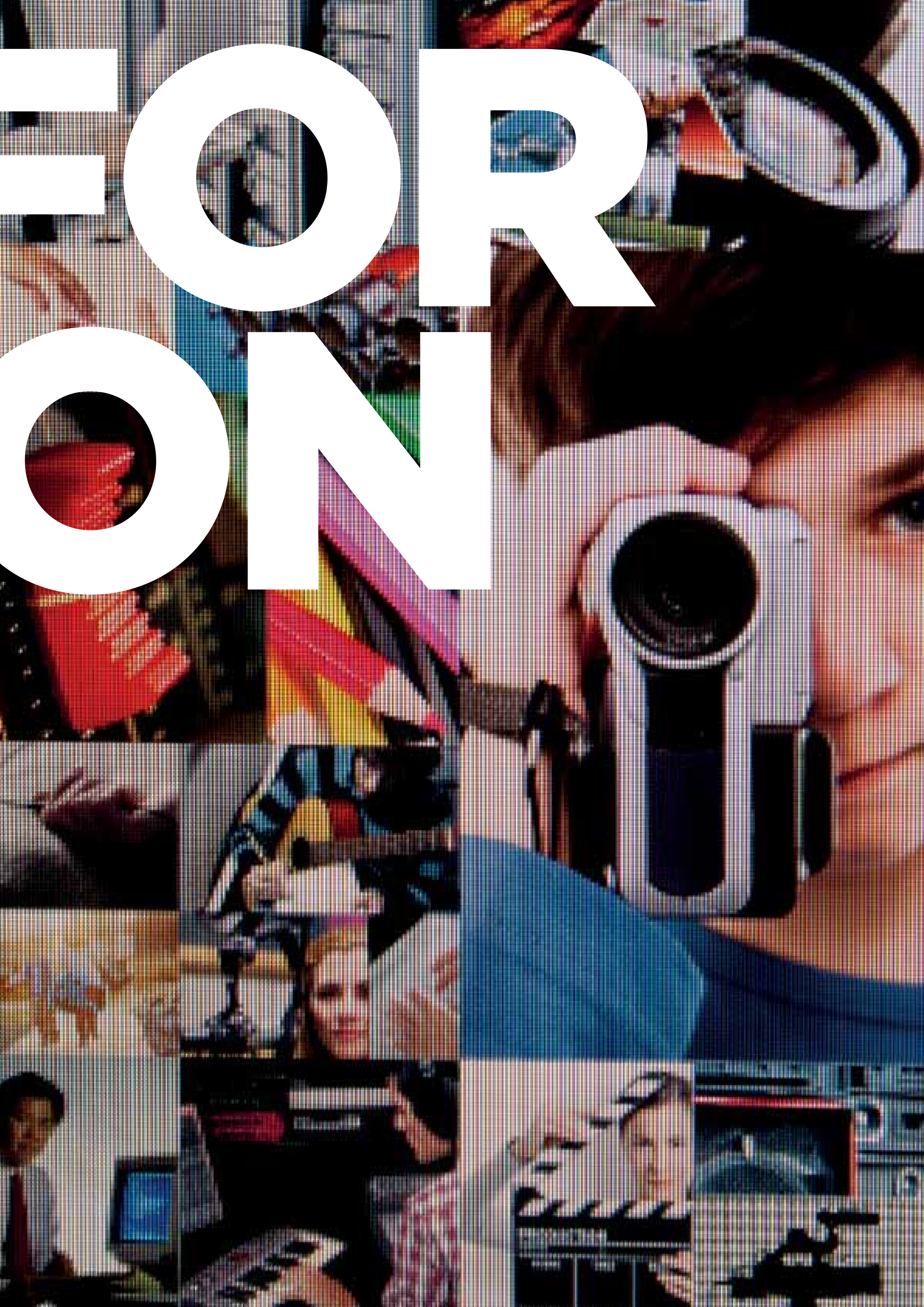
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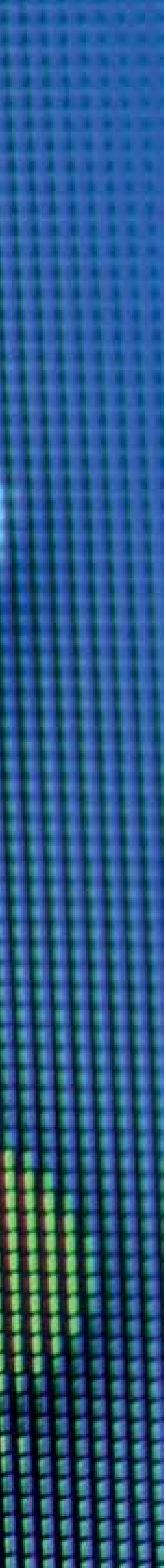
THE BUSINESS FIELD MULTIMEDIA COMMUNICATIONS

Taking snapshots and short movies 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 in our communication. At the same time, the need for easy, yet high-quality solutions for creating, archiving and presenting is growing.

THE PRODUCT RANGE

ALL-AROUND SOLUTIONS FOR MULTIMEDIA COMMUNICATION



MAGIX is an excellent choice for anyone who is passionate about music, photos, videos, and the web. No other manufacturer offers such a broad product portfolio of innovative software with comprehensive online, mobile and cloud* services.

In addition to technology you need passion more than anything else to create digital contents and present them in a way that lets the spark jump from one person to the next. MAGIX developers were born with a passion for multimedia. We admit, MAGIX also has its share of computer nerds, who can get anything out of a computer. But MAGIX also has many professional music, video and graphic designers, who have made a profession out of their calling. For this reason, MAGIX can't help but offer its 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. That's why MAGIX stands for passion for innovation!

The range of products offered by MAGIX targets home and business users home and abroad. MAGIX products are offered worldwide in more than 20 languages via the online shop, international hardware manufacturers and trading partners. MAGIX products are characterized as providing the user with a seamless connection between their various end devices and formats.

The most successful home-use consumer products by MAGIX include:

MAGIX MOVIE EDIT PRO

is considered one of the first movie editing applications for consumers capable of processing 3D recordings, and is the best-selling movie editing application in retail across Europe. Anyone can now do on their home PC what used to be the domain of professionals: Users can now easily burn their own movies with background music, fades, and animated menus to DVDs or Blu-ray discs™.

MAGIX PHOTOSTORY ON 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 PC!

All PC applications from MAGIX are connected to the company's various Online Services. This way, the results created on a PC can be stored online or 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.

MAGIX WEBDISK

is an online hard drive for securing and exchanging files.

THE GROUP'
ORGANIZAT

MAGIX is divided into the divisions B2C and B2B, thus reflecting the customer groups. B2C stands for business with consumers (Business to Consumer) while B2B stands for business clients (Business to Business). Due to its size the B2C division is divided according to the sales channels into direct (B2C direct) and indirect (B2C indirect), so MAGIX comprises the following three business areas:

B2C DIRECT

MAGIX maintains a close link with its private consumers via the Internet. If desired, they receive email newsletters about new offers and events so they regularly visit the MAGIX website and guarantee predictable high sales volumes.

The full range of products by MAGIX is presented on the corporate websites such as

- www.magix.com,
- www.mufin.com,
- www.xara.com,
- www.magix-online.com,
- pro.magix.com,
- www.catooh.com,
- www.samplitude.com oder www.magix.info

From here the software and digital content can be downloaded directly or ordered to be shipped by direct mail order. In addition, online services are offered that interact directly with software products by MAGIX and can also be used on mobile end devices.

Revenues generated from direct contact with the consumer are allocated to the B2C direct division. The revenue of this division is growing continuously and almost equals the B2C indirect division.

B2C INDIRECT

The B2C indirect division comprises sales via retailers. This includes classic stationary retailers such as Saturn/Media Markt, Dixons, Fnac or Bestbuy as well as online retailers like Amazon or Softwareload. With these and many other strong retail partners with whom MAGIX maintains long-standing business relationships as well as via own sales offices in the US, Canada, the UK, France, Italy, Spain and the Netherlands, MAGIX has a broad and diverse distribution network.

MAGIX products are sold at more than 6,500 retail outlets worldwide. For years MAGIX is one of the leading manufacturers of multimedia software.

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B2B

MAGIX generates revenues with business clients in the B2B division. This includes:

- companies and organizations that employ MAGIX's technology for commercial purposes,
- OEM* (Original Equipment Manufacturers), i.e. hardware manufacturers who distribute their products in conjunction with a product from MAGIX and
- professional users who employ MAGIX's software for commercial purposes.

With the dawn of the age of multimedia, more and more corporations are discovering multimedia technology as a very powerful and efficient method of communication and advertising. What was very expensive a few years ago is now even profitable for SMEs and essential to ensure a competitive advantage. MAGIX offers a portfolio specially attuned to the requirements of enterprises.

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 needs of ambitious and professional users. It is used for editing high-resolution video material as well as 3D and multicam applications. The high-end audio engine enables professional audio editing. In the current financial year, Video Pro X will be linked to the MAGIX Video Cloud that can be used to professionally manage video content online.

OEM sales, mostly dealing with versions of limited functionality, contribute considerably to expanding the customer base of MAGIX. By distributing software together with OEM partners' hardware, the group can directly reach users who do not acquire information about multimedia products directly. To expand this distribution channel and intensify the contact to the manufacturers, MAGIX founded a dedicated subsidiary based in Taiwan in 2010.

The prestigious professional applications of the third B2B group are perfect to bring forward the innovative power of MAGIX that is required to continuously meet the high demands and continue to develop MAGIX products at high level. 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 Westdeutscher Rundfunk, Mitteldeutscher Rundfunk, Bayrischer Rundfunk and Radio Bremen.

Sequoia
is the High Definition DAW (Digital Audio Workstation) for the PC, specialized to customer requirements in Media and Post-Production, Broadcast, and Mastering.

Samplitude
is the perfect DAW for professional audio production – from all-out recording through mixing and editing to state-of-the-art mastering.

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The vision of 360° multimedia keeps MAGIX on a clear course: The goal is to offer home and business consumers a complete solution for digital content from one 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 drive toward research and an environment that's open to new things let MAGIX continuously set new standards with innovative products, services and processes.

The corporate strategy based on this orients itself firstly on customer groups: consumers (B2C) and business customers (B2B).

B2C STRATEGY

More than 13 million consumers are registered with MAGIX and are characterized by high brand loyalty. We feel especially committed to them. This is why MAGIX endeavors to offer the right multimedia software for any budget and purpose.

Constantly changing customer wishes will continue to be addressed through consistent improvement of existing products and development of new products. This means continuous and new developments at MAGIX strictly focus on the customer. The decisive remaining factor is to make new customers comfortable with the products, excite them by great results, tying them to the MAGIX brand long-term.

For technical implementation, software from MAGIX is placed on a common, segment-spanning technological platform for both consumer and business customer platform. This way innovations become available quickly and universally: They are quickly and easily transported from one product to another. The unique spectrum of the MAGIX product portfolio with photo, audio, graphic, web and video software does not act as a setback, but as a mainspring for its development.

STRENGTHEN LEADING POSITION IN STATIONARY AND ONLINE RETAIL

MAGIX is increasingly expanding into new markets to meet its own targets to lead in stationary and online retail. For this reason, particularly new markets in Scandinavia and Eastern Europe, as well as in South America with specially localized versions increasingly becoming important. Within the context of the expansion strategy, we take into account the local consumer behavior and retail situation of different markets by taking a market-specific approach by implementing differentiated product, distribution and service strategies. Across the regions, stationary retail sales are continuing to be supplemented more and more with Internet sales.

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SUSTAINABILITY IN THE GROWING DIRECT RETAIL BUSINESS

Direct sales to consumers have established themselves over the last years as a powerful growth engine. The impetus achieved here must be brought into motion again. With the full spectrum of MAGIX products available on the company's own web page, the direct business profits directly from additional language versions as well as new and further developments in consumer software. Moreover, the Group's websites will be translated into additional languages and made more entertaining and informative with the help of Internet videos.

At the same time, we will consistently push for action in the online advertising segment. Innovative online marketing campaigns are developed and search engine optimization is used in particular to reach new customers. The online and cloud* services of MAGIX focus on raising the conversion rate of free users to subscribers to fee-based premium services. This will allow MAGIX to place its dynamically growing business on a more sustained basis.

B2B STRATEGY

From the beginning, MAGIX has focused on creating solutions for pros and by pros. Today, MAGIX offers innovative, high-performance software in the areas of audio and video as well as photo, graphics and desktop publishing, which brings about higher efficiency and dependable success to business customers. This position should be greatly expanded.

In the professional audio area, in addition to product development, strengthening of customer relationships is of primal importance. In Germany, MAGIX already has a very high DAW market share with radio stations and intends to further expand its position.

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. With these products, MAGIX addresses businesses that increasingly create their own digital content in order to be able to communicate their products and services on the Internet more efficiently.

In addition to professional users, hardware manufacturers belong to the most important business customers. To strengthen MAGIX software marketing, a subsidiary company was founded in Taiwan, which builds up contacts to manufacturers on site. An important goal of the B2B strategy in relation to hardware manufacturers is to market MAGIX products as free versions with limited functionality through big-name manufacturers to expand considerably the international customer base.

SUPERVISO BOARD REI

DEAR SHAREHOLDERS,

in the financial year 2010/2011, MAGIX AG was challenged particularly by the changes in retail in the German-speaking regions. Following a decline in group revenues and results in the second and third quarters, also as result of strong online sales, the final quarter evened out the close of the financial year. Thus, the group's final EBIT was slightly lower than the previous year's figure and considerably higher than the last forecast. The MAGIX Group continues to operate profitably, is financially sound and strategically well-positioned on the market.

STRUCTURE OF THE SUPERVISORY BOARD

According to the statute the Supervisory Board continues to consist of three members. As regularly scheduled the mandate of all Supervisory Board members end with the Shareholders' Meeting on March 16, 2011. Previous members Messrs Karl Heinz Achinger, Dr. Peter Coym and Dierk Borchert were re-elected by the Shareholders' Meeting for the subsequent period. The current mandate will end with the Shareholders' Meeting, which will decide on approval for the 2014/2015 financial year. In the constitutive meeting of the Supervisory Board, which was held after the Shareholders' Meeting on March 16, 2011, Mr. Karl Heinz Aichinger was elected chairman of the Supervisory Board and Dr. Peter Coym his substitute. With Mr. Dierk Borchert, a public accountant, the Supervisory Board especially includes an independent expert in accounting and financial statements among its members.

COOPERATION BETWEEN THE MANAGEMENT AND SUPERVISORY BOARDS

In the course of this financial year, the MAGIX AG Supervisory Board again has fulfilled with great diligence its duties defined by law, articles of association and company bylaws. The Supervisory Board advised and monitored the Management Board continuously in accordance with the Corporate Governance Code. The Management Board involved the Supervisory Board directly in all decisions of fundamental importance to MAGIX AG. The Supervisory Board has studied the accounting process and risk management system of the company with regard to effectiveness, scope and specifications by the internal revision, as well as with the reports concerning potential and pending legal disputes.

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 its subsidiaries. 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 of business, finance and earnings (including the risk situation, risk management, and internal audit), the company planning as well as the strategic Group orientation. The Supervisory Board extensively discussed significant business processes based on written and oral Management Board reports. The Management Board's proposals were accepted by the Supervisory Board following careful checking and consultation. The documents necessary for a decision were forwarded to the Supervisory Board in due time.

SUPERVISORY BOARD MEETINGS

During the 2010/2011 fiscal year, four Supervisory Board meetings took place. Apart from these meetings one resolution of the Supervisory Board was agreed upon by email. During the meetings 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.

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THE FOLLOWING TOPICS WERE OTHER MAIN FOCUSES OF THE MEETINGS:

- The preliminary figures of the 2009/2010 financial year as well as the planning for the financial year 2010/2011 were the main focus of the meeting on October 7, 2010. In addition, the report on the internal revision was discussed.
- On January 11, 2011, the annual report and the group financial statement as of September 30, 2010 as well as the earnings allocation and special payout proposals of the Management Board were discussed. Furthermore, the current German Corporate Governance Code was discussed and a corresponding declaration of conformity agreed upon. The results of the efficiency review of the Supervisory Board were discussed. The meeting also served to prepare the 2011 Shareholders' Meeting.
- At the meeting on March 16, 2011, in addition to the election of the Chairman of the Supervisory Board and his deputy, the discussion mainly followed up the Shareholders' Meeting that had taken place earlier the same day. Furthermore a change to the company charter of MAGIX AG was decided.
- The meeting on May 26, 2011 dealt with the procedure of the special payout and the tax inspection. In addition, the planned acquisition of YELLOW TOOLS was on the agenda.

All members of the Supervisory Board were present in all meetings of the Supervisory Board during the financial year 2010/2011. Informal conversations took place between the Management Board and the Supervisory Board as well as between the members of the Supervisory Board outside of these meetings. Especially the chairmen of the Management Board and the Supervisory Board were in regular contact and discussed all topics relevant to the company.

CORPORATE GOVERNANCE

The Supervisory and Management Boards are aware during their actions that a good corporate governance is crucial in strengthening the confidence of investors, employees, and customers, thus contributing to sustained economic success of the company. Correspondingly, 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 11, 2011 of the previous financial year and the meeting on January 23, 2012 of the current financial year.

Both bodies have taken the necessary steps to follow the recommendations of the Code as closely as possible. In 2010/2011 no committees were formed as recommended in the Code so as not to impair the efficiency of a Supervisory Board with only three members. During the financial year 2010/2011 there were no conflicts of interest between members of the Supervisory and Management Boards that should be reported to the Shareholders' Meeting. 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 as well as the goal of the composition of the Supervisory Board may be viewed on the Group's website at http://ir.magix.com/gb/corporate-governance/report/.

ANNUAL AND CONSOLIDATED CORPORATE STATEMENTS 2010/2011

At the Shareholders' Meeting of MAGIX AG on March 16, 2011 it was decided that Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, headquartered in Stuttgart and with an office in Berlin be appointed the auditor and group auditor for the Financial Year 2010/2011. Before the nomination the Supervisory Board verified the independence of the auditor. Ernst & Young audited the annual report and management report of MAGIX AG, prepared according to the German Commercial Code, as of September 30, 2011 as well as the Group Report, prepared according to the IFRS, as of September 30, 2011 and issued an unrestricted seal of approval.

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, whereby the auditor has given explanations on the assets, finance and revenue situation of the company and 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 Management Board's earnings allocation proposal. No objections were raised to the final results of the audit of 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 2010/2011 fiscal year. With this, the Supervisory Board has approved the annual report set up by the Management Board during its meeting on January 23, 2012. Furthermore, the Supervisory Board discussed the earnings allocation proposal and agreed upon the proposal put forward by the Management Board.

THANK YOU

The Supervisory Board would like to extend thanks to all of the Group's employees for their trusted and constructive efforts and their high joint dedication to the company. We look forward to further colloboration. 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 2012

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 in corporate management of investors, employees, business partners and the public, thus contributing to sustained economic success of the company.

DECLARATION OF CONFORMITY

Since the last declaration of conformity from January 2011, MAGIX AG has followed and continues to follow the recommendations of the "Governing Commission of the German Corporate Governance Code" in its 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 the 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, a dependency on individual goals has not been considered. On the one hand, the areas of responsibility of Management Board members of MAGIX AG are interrelated to such an extent, 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 fulfill its legal obligation as an independent supervisory body better without its remuneration being linked to the success of the company, as this serves to guarantee interest neutrality.

- **Publication of the consolidated financial statement and interim reports within the limits set forth in the Code (section 7.1.2 of the Code):** The company will publish preliminary, unaudited quarterly and 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 2012, the stock currently held by the members of the Management Board and the Supervisory Board was as follows:

Management Board	Number of held shares	Stake in %
Jürgen Jaron	1,592,967.5	15.27
Dieter Rein	1,592,967.5	15.27
Tilman Herberger	225,000	2.16
Presto Capital Management GmbH & Co. KG**	2,896,000	27.76

** 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 58.30% of the company's voting rights.

Supervisory Board	Number of held shares	Stake in %
Karl Heinz Achinger	25,000	0.24
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, 2010

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

2010-11-19	Dierk Borchert/Member of Supervisory Board		
	Purchase	Xetra	10,000 shares
	5.7979	EUR	EUR 57,979.00
2011-03-18	Jürgen Jaron/Member of Management Board		
	Purchase	Off-market	25,000 shares
	6.90	EUR	EUR 172,500.00
2011-03-18	Dieter Rein/Member of Management Board		
	Purchase	Off-market	25,000 shares
	6.90	EUR	EUR 172,500.00
2011-05-02	Karl Heinz Achinger/Member of Supervisory Board		
	Purchase	Frankfurt	4,000 shares
	6.16383	EUR	EUR 24,655.32
2011-05-19	Karl Heinz Achinger/Member of Supervisory Board		
	Purchase	Frankfurt	5,000 shares
	5.06123	EUR	EUR 25,306.15
2011-07-26	Dieter Rein/Member of Management Board		
	Purchase	Xetra	8,234 shares
	4.7878	EUR	EUR 39,422.72
2011-07-26	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	8,234 shares
	4.7878	EUR	EUR 39,422.72
2011-07-27	Dieter Rein/Member of Management Board		
	Purchase	Xetra	5,000 shares
	4.5733	EUR	EUR 22,866.39

2011-07-27	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	5,000 shares
	4.5733	EUR	EUR 22,866.39
2011-07-28	Dieter Rein/Member of Management Board		
	Purchase	Xetra	11,250 shares
	4.849	EUR	EUR 54,550.99
2011-07-28	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	11,250 shares
	4.849	EUR	EUR 54,550.99
2011-08-02	Dieter Rein/Member of Management Board		
	Purchase	Xetra	4,925 shares
	4.9668	EUR	EUR 24,461.71
2011-08-02	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	4,925 shares
	4.9668	EUR	EUR 24,461.71
2011-08-03	Dieter Rein/Member of Management Board		
	Purchase	Xetra	1,970 shares
	4.8604	EUR	EUR 9,575.00
2011-08-03	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	1,970 shares
	4.8604	EUR	EUR 9,575.00
2011-08-04	Dieter Rein/Member of Management Board		
	Purchase	Xetra	11,123.5 shares
	4.9185	EUR	EUR 54,711.04
2011-08-04	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	11,123.5 shares
	4.9185	EUR	EUR 54,711.04
2011-08-05	Dieter Rein/Member of Management Board		
	Purchase	Xetra	3,970.5 shares
	4.6774	EUR	EUR 18,571.69
2011-08-05	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	3,970.5 shares
	4.6774	EUR	EUR 18,571.69
2011-08-08	Dieter Rein/Member of Management Board		
	Purchase	Xetra	3,476 shares
	4.7087	EUR	EUR 16,367.34
2011-08-08	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	3,476 shares
	4.7087	EUR	EUR 16,367.34
2011-08-09	Dieter Rein/Member of Management Board		
	Purchase	Xetra	4,599 shares
	4.2685	EUR	EUR 19,630.67
2011-08-09	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	4,599 shares
	4.2685	EUR	EUR 19,630.67
2011-08-10	Dieter Rein / Member of Management Board		
	Purchase	Xetra	6,826 shares
	4.604	EUR	EUR 31,427.17
2011-08-10	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	6,826 shares
	4.604	EUR	EUR 31,427.17

2011-08-11	Dieter Rein/Member of Management Board		
	Purchase	Xetra	4,498 shares
	4.921	EUR	EUR 22,134.86
2011-08-11	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	4,498 shares
	4.921	EUR	EUR 22,134.86
2011-08-15	Dieter Rein/Member of Management Board		
	Purchase	Xetra	1,845.5 shares
	5.3757	EUR	EUR 9,920.85
2011-08-15	Jürgen Jaron/Member of Management Board		
	Purchase	Xetra	1,845.5 shares
	5.3757	EUR	EUR 9,920.85
2011-11-14	Karl Heinz Achinger/Member of Supervisory Board		
	Sale	Stuttgart	5,000 shares
	6.20	EUR	EUR 31,000.00
2011-11-15	Karl Heinz Achinger/Member of Supervisory Board		
	Sale	Stuttgart	5,000 shares
	6.50	EUR	EUR 32,500.00

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 2010/2011 fiscal year comprised kEUR 534. Success-independent components totaled kEUR 450 (fixed salaries: kEUR 421, fringe benefits: kEUR 29). The success-dependent share of remuneration of the management board amounted to kEUR 84. 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

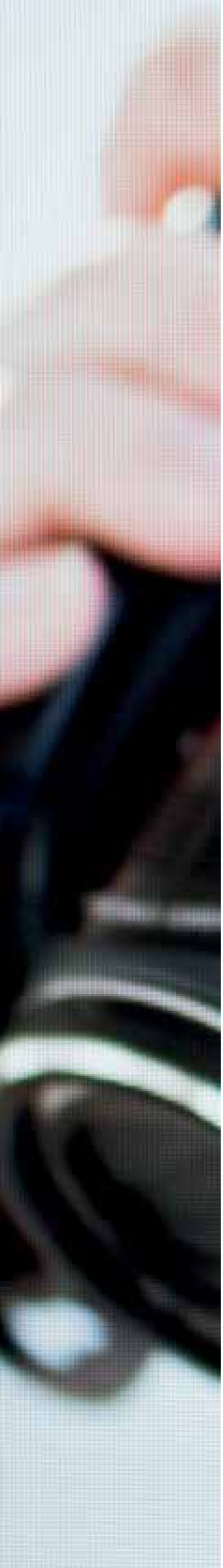
In accordance with Section 13, paragraph 1 of the MAGIX AG Articles of Association concluded at the Shareholders' Meeting, the Supervisory Board of the company is to receive a fixed remuneration per financial year. This is to be decided at the Shareholders' Meeting. Furthermore, the expenses of the Supervisory 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
Fixed remuneration	167	169	114	450	450
Profit-based remuneration	31	31	22	84	640
Total	**198**	**200**	**136**	**534**	**1,090**

THE FOLLOWING REMUNERATION WAS PAID TO THE MEMBERS OF THE SUPERVISORY BOARD (IN kEUR):

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



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 management 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 2010/2011 fiscal year.

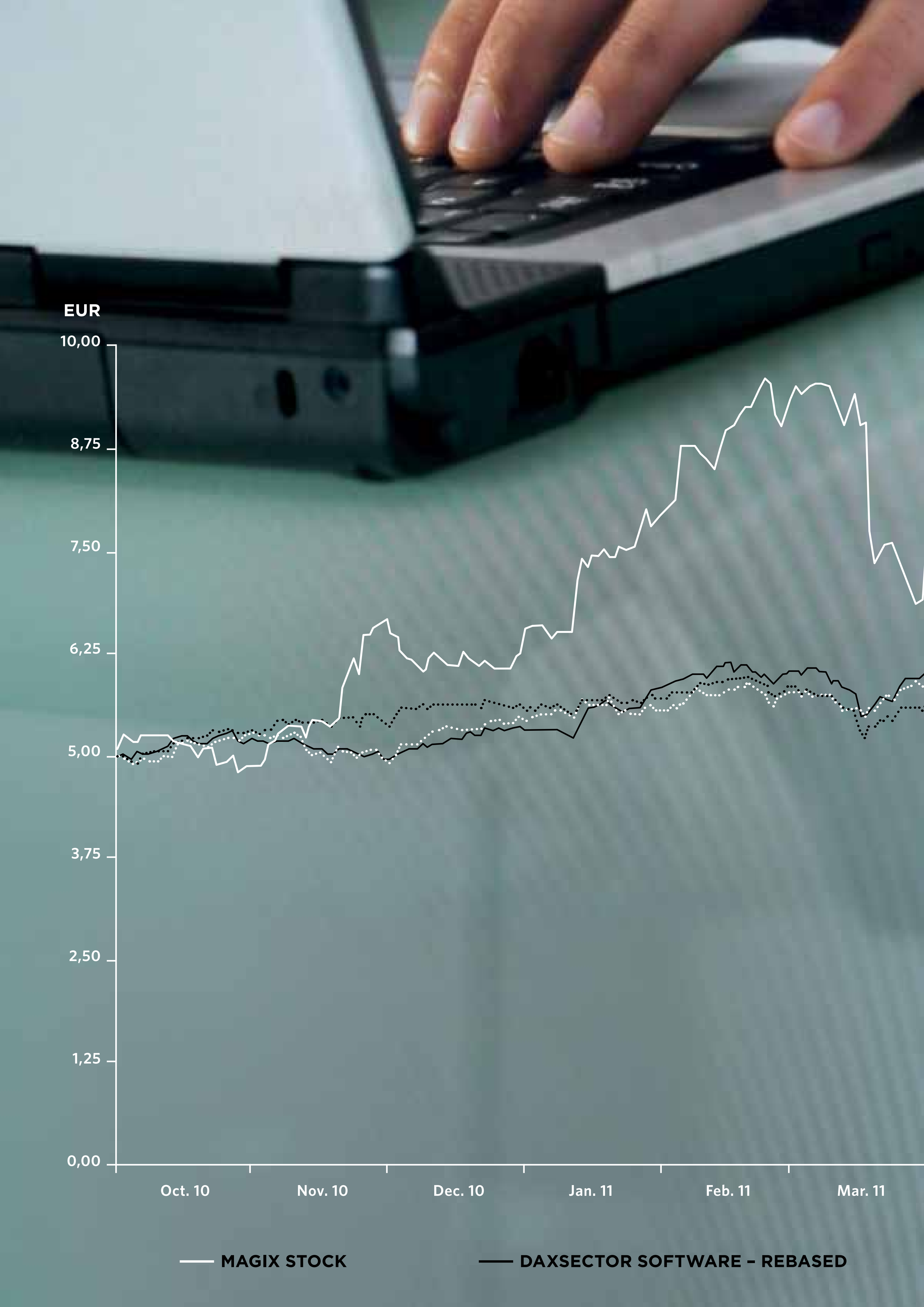
Berlin, Januay 2012

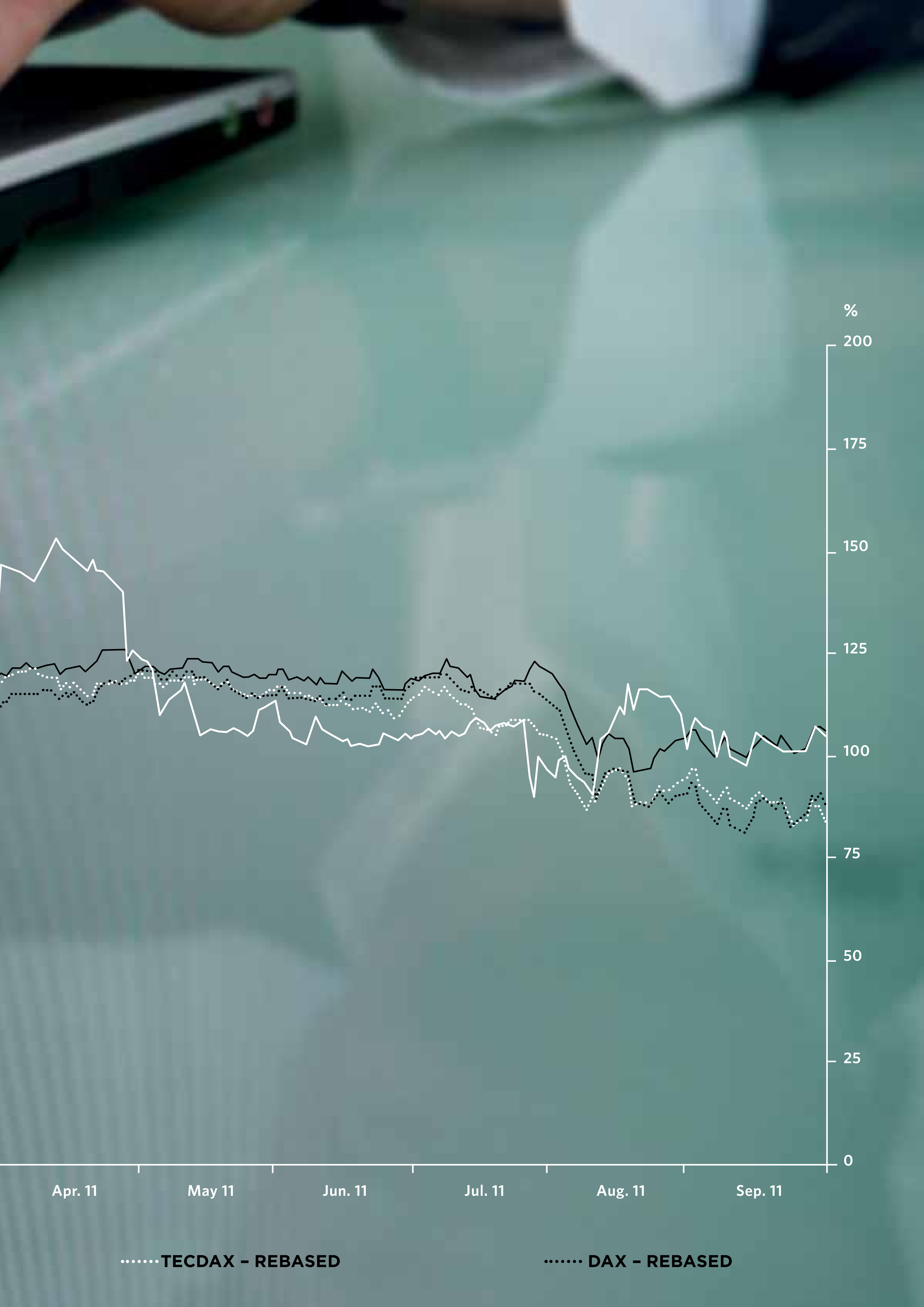
For the Supervisory Board

Karl Heinz Achinger

For the Management Board

Jürgen Jaron


EUR
10,00
8,75
7,50
6,25
5,00
3,75
2,50
1,25
0,00
Oct. 10
Nov. 10
Dec. 10
Jan. 11
Feb. 11
Mar. 11
MAGIX STOCK
DAXSECTOR SOFTWARE – REBASED



%
200
175
150
125
100
75
50
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0
Apr. 11
May 11
Jun. 11
Jul. 11
Aug. 11
Sep. 11
TECDAX – REBASED
DAX – REBASED

THE MAGIX SHARE

THE MAGIX SHARE COMPETED WELL IN A DIFFICULT ENVIRONMENT

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: 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

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 the Berlin, Düsseldorf, Munich and Stuttgart stock exchanges. They are allocated to the DAXsector Software as well as the DAXsubsector Software.

GENERAL MARKET DEVELOPMENT

Times at the stock exchanges were quite turbulent between October 2010 and September 2011, whereby the credit crisis in the Euro zone worsened considerably and increasingly affected stock market trading. While the DAX rose at first it then dropped 12% to 5,502 points during the financial year, whereby trading was characterized by an increased volatality. The DAX alternated between 7,527 and 5,027 points.

DEVELOPMENT OF THE SHARE

The MAGIX share generally has competed in a difficult environment. Following a considerable upward trend in the first quarter of the financial year due to positive corporate results, the annunciation in mid-January 2011 of a special payout of EUR 2.00 in total per share triggered a substantial rise. As a result, the share reached an interim high of EUR 9.60.

Following the part of the distribution that was paid out from retained earnings and thus on the day immediately after the Shareholders' Meeting in mid-March, however, the share lost ground again. The decrease was more pronounced than was to be expected as a result of the dividend reduction of EUR 0.88 per share. After publication of the six-month figures at the end of April, the share price continued to come under pressure. The decision by the Charlottenburg District Court caused further insecurity, which delayed the payout of the remaining EUR 1.12 per share. In August, the share price reached an interim low of EUR 4.50.

However, the share price recovered again later. Thus, at EUR 5.25, the closing rate of the MAGIX share on September 30 was only +3% above the closing price at the end of the previous financial year, which amounted to EUR 5.10.

Compared to the DAX (-12%) and TexDAX (-15%) indexes, however, the share performed considerably better and was only slightly behind the DAXsector Software index (+6%). Market liquidity was higher compared to the previous year, especially due to the development in the second quarter. On average, 12,688 MAGIX shares were traded on Xetra each day of trading. The average daily revenue amounted to approximately kEUR 87.

DETAILS ABOUT THE SPECIAL DISTRIBUTION

The planned special distribution of EUR 1.12 per share, which was decided by the regular Shareholders' Meeting of MAGIX AG on March 16, 2011, will now commence on March 28, 2012 . After the district court had revoked the ruling made by the Charlottenburg Regional Court, the resolutions were entered into the commercial register on September 26, 2011.

Although this constitutes an entitlement to the payout, the payment may not be effected immediately due to the stipulations of the stock corporation law. Far more, the payment may only be effected following a creditor protection period of six months after entry into the commercial register regarding the reduction of capital has been published and after the creditors who may have spoken up have been guaranteed satisfaction or security (§ 225 Stock Corporation Act [AktG]).

Notice of the entry having been made was published by Charlottenburg Commercial Court on September 27, 2011. The creditor protection period started on that day and will end on March 27, 2012. The payout will commence on the first bank opening day pursuant to that date, i.e. March 28, 2012. MAGIX AG will issue on the electronic register ["Bundesanzeiger"] a notice regarding the imminent payout to the shareholders a few days before the payout.

All shareholders who hold MAGIX shares in securities accounts at the close of the market on the day prior to the distribution, to be more precise on March 27, 2012, will be eligible to participate in the special distribution. Until then the shares will be traded with the right to the special distribution.

MAGIX SHARE KEY FIGURES COMPARED TO THE PREVIOUS YEAR (ALL STATEMENTS REFER TO XETRA)

	2010-10-01 – 2011-09-30	2009-10-01 – 2010-09-30
Share price at the start of the fiscal year in EUR	5.25	4.90
Highest price in EUR	9.60	5.54
Lowest price in EUR	4.50	3.51
Share price at the end of the reporting period in EUR	5.25	5.10
Earnings per share in EUR	0.34	0.42
Price-earnings-ratio at the end of the reporting period	15	12
Dividend payment per share in EUR	0.88	-
Market capitalization at the end of the reporting period in EUR	54,772,772	53,207,836
Average revenue per trading day in EUR	86,733	40,006
Average revenue per trading day in shares	12,688	8,615
Number of shares at the end of the reporting period	10,432,909	10,432,909
Nominal capital in EUR	12,662,038	12,662,038
Equity per share at the end of the reporting period in EUR	2.97	4.62

DIRECTORS' DEALINGS AND STOCK HELD BY BOARD MEMBERS

During the 2010/2011 financial year, transactions subject to notification were conducted by members of MAGIX AG management (cf. page 26).

As of September 30, 2011, share ownership of the Management Board and the Supervisory Board was as follows:

Management Board	Number of held shares	Stake in %
Jürgen Jaron	1,592,967.5	15.27
Dieter Rein	1,592,967.5	15.27
Tilman Herberger	225,000	2.16
Presto Capital Management GmbH & Co. KG**	2,896,000	27.76

** 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 58.30% of the company's voting rights.

Supervisory Board	Number of held shares	Stake in %
Karl Heinz Achinger	35,000	0.34
Dr. Peter Coym	30,000	0.29
Dierk Borchert	30,000	0.29

SHAREHOLDER STRUCTURE

During the 2010/2011 financial year no trades concerning shareholders with a stake that exceeds the threshold level of 3% were effected that would entail a notice according to § 21 WpHG ["Securities Trading Act"].

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://ir.magix.com/gb/the-share/.


mufin

MUFIN – INNOVATIVE TEC AS THE MAIN FO

AS A PROVIDER OF SOUND-BASED MUSIC RECOGNITION AND RECOMMENDATION, MUFIN HAS GAINED A MATURE MARKET POSITION AND PROMISING PERSPECTIVES IN THE AREA OF AUDIO IDENTIFICATION

mufin is known for unique technologies for analysis, characterization, identification and recommendation of music. To fully exhaust this potential, mufin technologies are available everywhere where music is consumed in the digital age: on the web, on the PC, on tablets* and on mobile telephones.

In addition to music analysis, analysis of other audio signals has also been developed. Identification of transmitted radio and television programs (broadcast monitoring) represents a field with great growth potential, especially for mobile devices.

TECHNOLOGY THAT MAKES IT POSSIBLE

Music tracks can be quickly and conclusively identified with the help of **audioid**. To accomplish this, a compact data set from a song is first generated and then saved as a uniquely identifiable acoustic fingerprint inside a database. Later, a short segment of the track is sufficient for identification by comparison against the acoustic fingerprint in the database. As part of the MPEG-7* standard, audioid guarantees optimal support of even extremely large databases. audioid is also the basis for identification of other audio signals.

audioscout from mufin analyses music tracks for circa forty acoustic parameters such as rhythm, timbre and instrumentation. This enables audio signal-based music recommendation. To get an audioscout recommendation, simply pick a music track that is similar to music that you believe you will enjoy. Within seconds, audioscout will generate a recommendation list that is just as likely to contain comparatively unknown artists as well as current top 40 charts - acoustic similarity is all that matters.

mufin vision is a unique visual tool for discovering and navigating within large musical databases. The complete collection is displayed in a two or three-dimensional coordinates system, whose values can be assigned to various parameters such as mood, audio density, percussion or release date. This lets all songs with a specific mood be quickly visualized and found, even within enormous collections. Of course, with just one click you can also create a recommendation list here, which will then be mapped like a travel route through the musical universe, beginning with just one source title.

All described technologies are the property of the Group subsidiary mufin GmbH, which will significantly contribute to the future growth of the MAGIX Group. The music recognition and recommendation market is still young and holds the promise of growth. The application range of music recognition and recommendation is very wide. At this time, mufin technologies are being marketed in the following ways:

CHNOLOGIES
OCUS

BUSINESS-TO-BUSINESS LICENSING

mufin **music recommendation technologies** are available for licensing, with business customers coming from a wide range of industries thanks to its broad spectrum of application: mobile playback device manufacturers, radio stations and online music shops are just some of the examples.

The focus of licensing sales lies on online music shops and online communities*. With the help of sound-based music recommendations the user can easily find titles in giant catalogs of such portals, reliably extending the time of visits on such sites.

In addition to the recommendation technology, mufin also offers its business partners **audio recognition** with the help of audioid. In this case, the user focus is on

- song recognition on smartphones*;
- 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;
- linking of audio files with metadata such as title, artist, release year and other services.

MUFIN PLAYER FOR PC, BROWSER, TABLETS AND MOBILE PHONES

In the digital age, personal music collections are constantly growing in size. This inadvertently makes them harder to keep in order, which leads to organizing options becoming more and more valuable. The desire to enjoy music not only at home, but also on the go, grows with expanding private audio libraries. mufin player brings order and quick orientation to any music collection.

The new version of **mufin player for PC** was unveiled in September 2011. This is the world's first music player with sound-based music management that analyzes tracks in a digital music collection using audio properties. This unique analysis is at the root of functions such as

- organization of complete music collections according to sound using one track that serves as the original title,
- identification of unknown music tracks with missing metadata,
- visualization of music collection in a three-dimensional coordinates system,
- automatic creation of playlists according to your mood,
- identification of double tracks within a music collection,
- direct upload of music titles to online disks, making them available for listening on tablets and smartphones from anywhere.

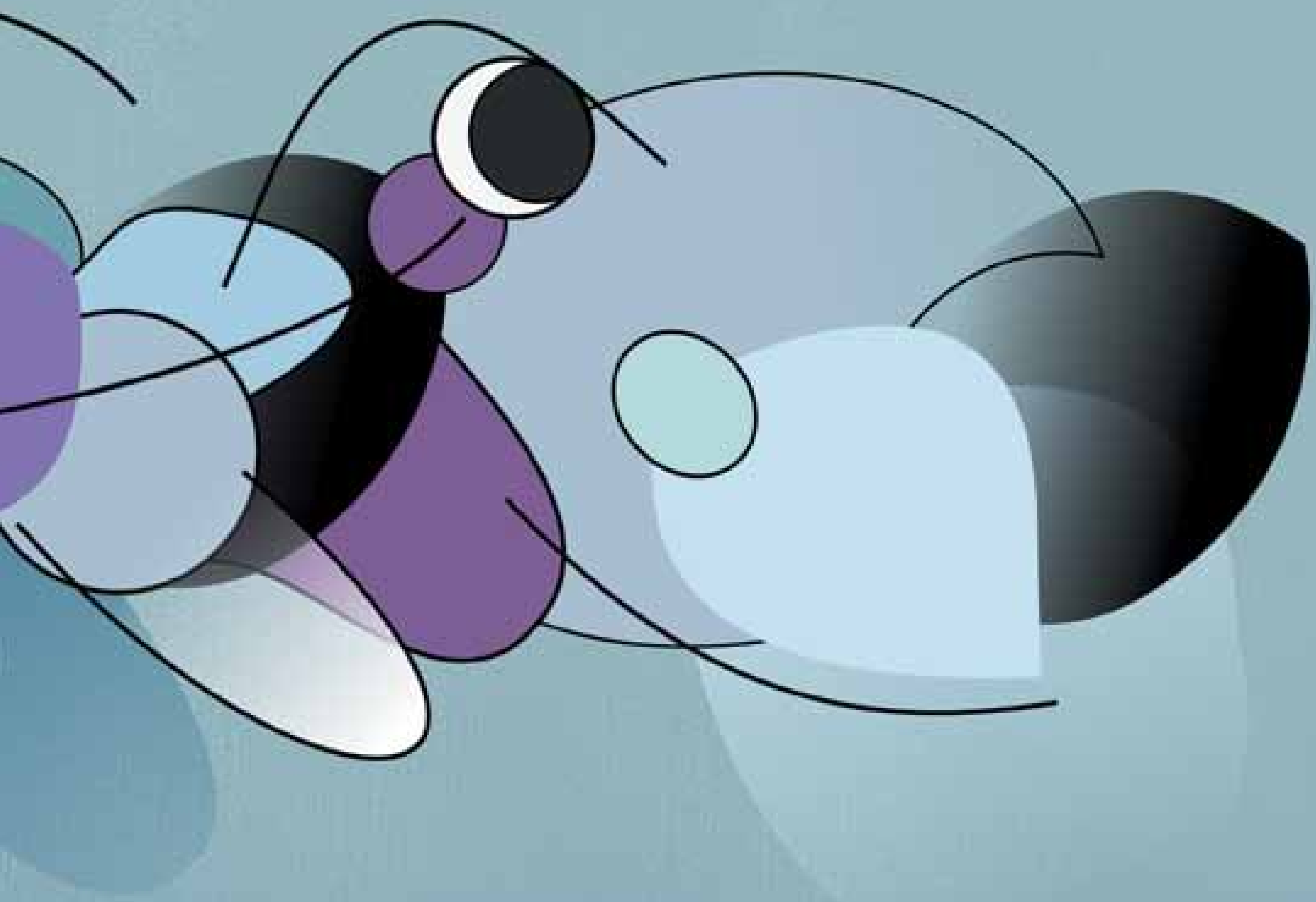
mufin player for PC generates revenue via two fee-based versions with an expanded function range.

mufin player for the web offers an Internet-based version of the mufin player at mufinplayer.com. Music tracks are placed directly in the browser from the online music drive without any software installation and without sacrificing any functions for music organization or visualization according to audio properties.

Additionally, a solution for organizing music collections on Android-based* devices has been developed with **mufin player for Android.** With it, music databases can be organized according to sound on tablets and smartphones and online music hard drives can be accessed on the go. Multi-touch screen support makes navigation through the mufin vision 3D world especially intuitive and turns it into a true musical safari.


XARA


DESIG
EVERY



GN FOR
YONE!

PROFESSIONAL DESIGN FOR YOUR COMPANY'S IMAGE AND BUSINESS DOCUMENTS: XARA DESIGNER PRO IS THE WORLD'S FASTEST AND MOST VERSATILE COMPLETE DESIGN PACKAGE

During the last several years, MAGIX has considerably expanded its product portfolio in the area of professional software in order to be able to have a more pronounced presence on the B2B market. MAGIX places business customers in a position to create digital contents for their own needs, letting them efficiently present their products and services on the web. Here, Xara plays an extremely important role.

With **Xara Designer Pro** the user receives a software package for photo editing, graphic, print and web design with no rivals when it comes to functionality, speed and intuitive operation. Serious, consistent corporate design, beginning with professional company logos and high-quality advertising material, exclusive letterheads and interactive presentations and ending with sales-generating Internet presentations now lie completely in your own hands.

For these tasks, Xara Designer Pro delivers top-quality templates that can easily be customized. Thanks to intuitive operation, convincing results can be reached quickly and easily. For this reason, Xara Designer Pro is appropriate for freelancers and small businesses as well as medium-sized companies. Xara brings design to all!

The UK-based **Xara Group Limited** (or Xara) belongs to the MAGIX Group since 2007 and is part of its venture segment. Xara has excellent competencies in the field of professional graphic editing. Thanks to overarching software development in photo, graphic and web design, considerable synergies were released thanks to Xara in the years past. After successfully completing the turnaround, in the last two years Xara has made marked positive contributions to the Group's earnings.

To continue this trend and to be able to transfer innovations with even more ease from one product to another, software from Xara and MAGIX are being conclusively brought together to a single technological platform. As a result, **Xara products could be introduced as plug-ins** directly on the interfaces of MAGIX Movie Edit Pro and MAGIX Photos on DVD.

Another example of how MAGIX and Xara combine their strengths in the B2C area, is **MAGIX Web Designer** – a software package that includes everything for design, publication and maintenance, of your own web page: text layout as well as image optimization, graphic design and animation creation. Countless Xara functions included in the software amaze even professionals with their speed and ease of use.

The potential of cooperation between Xara and MAGIX will continue to be explored in the future with the goal of bringing professional results at affordable prices.

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SIMPLY PRESENT

MAGIX ONLINE WORLD OFFERS EVERYTHING YOU NEED TO DESIGN AND MAINTAIN A WEBSITE. THERE'S NO EASIER WAY TO CREATE A MULTIMEDIA SITE.

Those who wish to get creative with photos, videos and music are at the right address with MAGIX. With the latest MX product generation (short for Media X-change), photos, videos, music and other files can be exchanged in a blink of an eye. MX products aren't interconnected just with each other, but are also directly embedded in MAGIX Online World. Here you can present your own creations on the world wide web or save them on the online disc.

You can use MAGIX Online World even without installing any MAGIX products on your PC by going to www.magix-online.com. MAGIX Online Album as well as MAGIX Website Maker found at this address are online applications which run directly in your Internet browser. This makes not only installation unnecessary, but also frees you from regular updates and lets you use the software on a PC, Mac*, netbook, or a tablet* from anywhere in the world with an Internet connection.

MAGIX Online World is a true cloud service* that connects offline, online and mobile worlds with each other. This makes MAGIX a pioneer of "software as a service"*.

With **MAGIX Online Album**, you can create impressive online presentations for photos and videos with custom background music and comments. Those who don't want to share their albums with the whole world, but only with select friends, can add passwords. This way, everyone sees only what's meant for their eyes. An app* is available for smartphones* with Android* and iOS (iPhone) for use on the go.

T ONLINE

You can create more intricate web pages with **MAGIX Website Maker** almost as quickly. In addition to intuitive operation, the simplicity with which multimedia contents can be integrated is the primary reason for numerous international awards garnered by MAGIX Website Maker in the last years. As with MAGIX Online Album, MAGIX Website Maker also offers hosting as well as domains.

Since the beginning of 2011, MAGIX Online World also hosts **webhosting, domain and email services**. Webhosting service lets you publish websites created with, for example, MAGIX Web Designer, published on the web. With the domain and email service, you can create your website with a customized domain name, such as www.your-name.com, with matching email accounts such as name@last-name.com. This way, MAGIX Online World offers everything you need to create and run a homepage - from one source and straightforward!

In addition, MAGIX offers the following online services:

- **MAGIX WebDisk**, an online disk – connected directly from the latest MX products – for saving and sharing files,
- **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;
- Multimedia Knowledge Community **magix.info**, where multimedia knowledge and experience are exchanged,
- **MAGIX Magazine**, an online advice forum for problems of day-to-day life with technology.

In order to present MAGIX Online World's cost and earnings situation in a transparent and concrete manner, MAGIX Online Services GmbH was founded as a 100% MAGIX AG subsidiary in Berlin. It brought a positive contribution to the corporation's earnings for the second year in a row, and along with mufin GmbH, Catooh Corp. as well as Xara Group Ltd. belongs to the venture segment, which will significantly contribute to MAGIX's expansion.


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THE PC SYSTEM TOOLS FROM SIMPLITEC PROVIDE OPTIMAL PERFORMANCE, STABILITY, SECURITY AND RELIABILITY FOR ANY PC

simplitec develops intelligent system software that optimizes performance and provides total PC security. The focus is to make the software easy and fast to use.

Everyone who works on a PC knows this: After a while it starts to slow down and becomes unstable, either due to installing or uninstalling other software or as a result of out-of-date hardware drivers.

From spring 2012, www.simplitec.com will offer a solution that is comprehensive yet still easy to use.

In cooperation with OpenSeminar GmbH, a company also founded in December 2011 that focuses on training seminars, simplitec GmbH is expanding the venture segment of MAGIX in the new financial year 2011/2012, and it will provide a major contribution to future growth. In this case, simplitec plays a major role.

Currently there are approximately 1.5 billion PCs worldwide and in 2014 this figure is expected to rise to 2 billion. Ultimately, as simplitec targets every PC user, the market for simplitec is much larger than the multimedia software market MAGIX previously targeted. To begin, simplitec will focus on Western Europe and the USA.

GROUP MANAGE REPORT


EMENT

QUICK OVERVIEW

OF THE 2010/2011 FINANCIAL YEAR

1. QUICK OVERVIEW OF THE 2010/2011 FINANCIAL YEAR

With its subsidiaries (MAGIX Group or simply MAGIX), MAGIX AG is an international provider of multimedia software, online services and digital content. In the previous financial year 2010/2011, MAGIX had successfully faced the challenges of an unstable economic situation.

New markets such as Eastern Europe, South America as well as the business customers market and the market for PC system tools were progressively opened. Targeted investments for the future were made throughout the Group. Significantly, technologies of yellow tools were purchased in July 2011, which added value to the entire line of MAGIX audio products.

Thanks to strong achievements in development in the previous years, MAGIX is increasingly seen as an innovator. New developments are driven strictly by the market. 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 be seamlessly transferred from product to product, allowing for quick and universal availability. The product portfolio's wide range with audio, photo, graphics, web and video software is therefore seen as a mainspring, not an obstacle.

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.

Group revenues of EUR 36.1 million were just 3% below previous year's record levels. The proportion of sales involving product packages which include third-party hardware, associated with high costs of goods, was reduced in 2010/2011. This had a positive effect on the gross margin, which further improved from 85% to 86%.

Amortizations, depreciations and operating costs dropped from EUR 26.6 million to EUR 26.0 million, which also had a positive effect on the Group's earnings. As a result, it was possible to use the streamlined cost structure to absorb the effects of revenue loss. EBIT of EUR 5.3 million was only 6% below the previous year's value. The EBIT margin remained almost unchanged at 15%.

Due to lowered interest rates on the one hand and dividend payment on the other, previous year's financial result of EUR 0.4 million fell to EUR 0.1 million. The tax rate of 34% was higher than last year's rate of 26%. The Group's net income was therefore EUR 3.5 million, or 20% lower than the previous year's value.

Due in particular to payback of current liabilities, operative cashflow was clearly below last year's levels, but still reached high levels with EUR 5.0 million. Even after the dividend payout to the amount of EUR 9.2 million in March 2011 and the disbursement of EUR 11.7 million also decided in March 2011, which is scheduled for March 2012, MAGIX has sufficient financial means for possible acquisitions. The Group's capital structure remains solid.

In spite of the unstable economic situation, its positive business development and solid overall position allow MAGIX to have positive expectations in 2011/2012 and in 2012/2013. As long as no especially negative impulses arrive from without, revenue growth is expected in both financial years ahead. Growth potential is seen particularly in the direct and B2B divisions.

At the cost level, an unchanged relative gross margin and rising operative costs are expected in particular to accompany entry to new markets. While the short-term development of results largely depends on the development of these costs, substantially higher results are to be expected in the mid-term.

36.1 Mil

REVENUES

86%

GROSS MARGIN

22.2 Mil

OPERATIVE COSTS

5.3 Mil

EBIT

5.0 Mil

OPERATIVE CASHFLOW

2. BASIC FINANCIAL CONDITIONS

2.1 OVERALL ECONOMIC ENVIRONMENT

Following strong growth of 5.1% in 2010, in 2011 global financial markets lost their momentum. The International Monetary Fund (IMF) expects a worldwide growth of 4.0% in 2011 (as of September 2011). Growth has slowed more in industrial countries than in emerging and developing countries. The reasons for this development are the continuing debt crisis and high unemployment rates in leading industrial nations, high fuel prices and worldwide effects of the nuclear and environmental catastrophe in Japan.

In the USA as well as in Western Europe, development was behind the rest of industrialized markets. In the USA, uncertain budget negotiations led to a lowering of US bond rankings at the beginning of August, which made economic recovery more difficult. Waning private spending also had a negative effect. For 2011, the IMF predicts growth of only 1.5% in the US, where 2010 saw 3.0% growth.

In Western Europe, growth remained at 1.7% in 2010 and is expected to stay low with 1.5% in 2011. Concerns over Greece's and other EU nations' solvency as well as the Euro's stability weighed down on these factors.

The German economy took on a special role in Western Europe. Following 3.6% growth in 2010, with a relatively weak fourth quarter in which the economic performance improved by only 0.5%, the German economy continued to grow in the first nine months of 2011. However, growth was weaker than initially expected. As a result, the German Federal Office of Statistics was forced to revise the growth figures for the first quarter of 2011 downwards from 1.5% to 1.3%. In the two quarters that followed, gross domestic product grew by 0.3% and 0.5%, respectively.

Growth was driven by export industries, which benefited from strong demand from outside of Europe. Consumer demand in private households also grew. According to provisional data from the Federal Office of Statistics, retail sales (excluding car sales) covering the period from January to September 2011 rose nominally by 2.7% and 1.2% in real terms compared to the previous year. While so-called "other" retail sales of various products (e.g. goods and department stores) finished lower (nominally by 1.9% and real terms by 0.3%), Internet and mail order retail saw clear growth with 6.8% nominally and 5.9% in real terms.

2.2 SECTOR DEVELOPMENT

In 2010 the global IT market recovered from the crisis of the previous two years. Growth rates in the hardware segment were higher than in software and services segments, in part due to steep preceding losses. Regionally, developments on the IT market were noticeably more dynamic in emerging rather than in industrial nations, which corresponded to global economic indicators. The German IT market grew by 3.0%, overshooting expectations (according to EITO and BITKOM as of March 2011).

In 2011, the global IT market is expected to grow (+4.3%). Growth rates in the USA (+3.9%) as well as in the EU (+2.9%) are expected to stay clearly below those in emerging nations. Worsening economic climate had especially negative effects in Europe. As a result, individuals and companies lost their confidence in economic stability, minimizing their IT expenses.

Germany was able to distance itself from this phenomenon somewhat, finishing +4.3% above the EU average. In the software market segment, growth was slightly more apparent with +4.5% (EITO and BITKOM data, as of June 2011). It must be kept in mind that the market for multimedia software comprises a relatively small part of the software market and is subject to special, dynamic influences.

3. BUSINESS DEVELOPMENT

3.1 EARNINGS

PROFITS DEVELOPMENT

Earnings before interest and taxes (EBIT) of the MAGIX Group in the 2010/2011 financial year ending in September 30, 2011 were with EUR 5.3 million 6% below the previous year's levels. As in the previous year, the fourth quarter has decisively contributed to a positive result. The EBIT margin remained almost unchanged at 15%.

In spite of revenue drop by EUR 1.0 million to EUR 36.1 million, the drop in earnings was only moderate. One factor was the increase of the gross margin from 85% to 86%. Consequently, the gross profit dropped moderately by only 1% to EUR 31.1 million. Another factor was a drop in depreciations and operating costs from EUR 26.6 million to EUR 26.0 million, which also had a positive effect on the group's results.

In addition, Xara Group Ltd. also was quite successful and made a positive contribution to the Group's EBIT. 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.

Due to a lower interest rate on the one hand and a dividend payout to the amount of EUR 9.2 million on the other, the financial result fell from EUR 0.4 million in the previous year to EUR 0.1 million. The Group's net income of EUR 3.5 million was 20% below the previous year's value of EUR 4.4 million. The tax rate was at 34% above last year's rate of 26%.

REVENUES

The Group's revenues met the expectations at EUR 36.1 million and were only 3% below the record benchmark of the previous year. This drop was primarily due to a weak third quarter, in which revenue dropped as a result of unusually high retail returns. Additionally, developments in the B2B division were very restrained. The direct sales division was able to continue making gains. Regionally, the US market revealed itself as especially weak, while the German-speaking region was only slightly below previous year's figures.

Due to the publication cycle of MAGIX products, revenue distribution across the individual quarters has always been heterogeneous: Quarters one and four usually have stronger sales than the quarters in between. This was even more the case in 2010/2011 than in 2009/2010. After a strong first quarter with a 13% jump to EUR 10.7 million, the Group's revenue in both quarters that followed was below the previous year's levels: The drop in the second quarter was moderate with 5% to EUR 8.3 million and sharp in the third quarter with 23% to EUR 6.1 million. In the fourth quarter the record revenue of the previous year was beaten by 1%, rising to EUR 10.9 million.

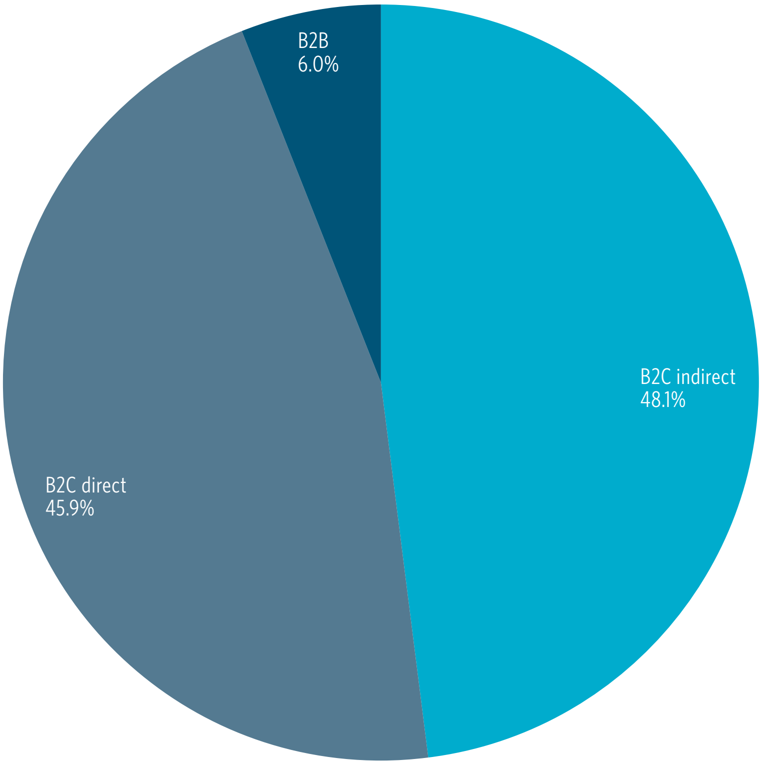
Revenue by Division and Segment

The segment reporting is based on IFRS 8 regulations. The segments of the Group, Multimedia and Ventures, have developed in starkly different ways in 2010/2011. The Venture segment, made up of the Online Services, Xara Graphics and web design products as well as the marketing of the music recognition and recommendation technology mufin, grew in revenue by 22% to EUR 6.9 million. In contrast, the Multimedia segment, which includes all other software products that serve to create, edit, present and manage music, photos and videos, reflecting the Group's business core, fell in revenue by 7% to EUR 29.2 million.

Below, you will find a detailed description of the developments of the B2C indirect, B2C direct and B2B divisions, newly structured in 2010/2011. Revenues generated by the Group with consumers indirectly through retailers (such as Media Markt and Fnac), as well as through Internet retailers (such as Amazon or Softwareload), are assigned to B2C indirect. In contrast, the B2C direct division generates its revenues directly through consumers accessing the Group's own web pages such as www.magix.com, www.xara.com, www.mufin.com, or www.magix-online.com, which distribute the full range of MAGIX products online.

OVERVIEW OF THE MAGIX GROUP'S RESULTS

	Oct 1, 2010 to Sep 30, 2011 kEUR	Oct 1, 2009 to Sep 30, 2010 kEUR	Change %
Revenues	36,094	37,127	-2.8
Gross margin	31,078	31,537	-1.5
as % of revenues	86.1	84.9	-
Earnings before interest and taxes	5,284	5,611	-5.8
as % of revenues	14.6	15.1	-
Earnings before taxes	5,336	5,968	-10.6
as % of revenues	14.8	16.1	-
Consolidated periodic surplus	3,541	4,429	-20.0
as % of revenues	9.8	11.9	-



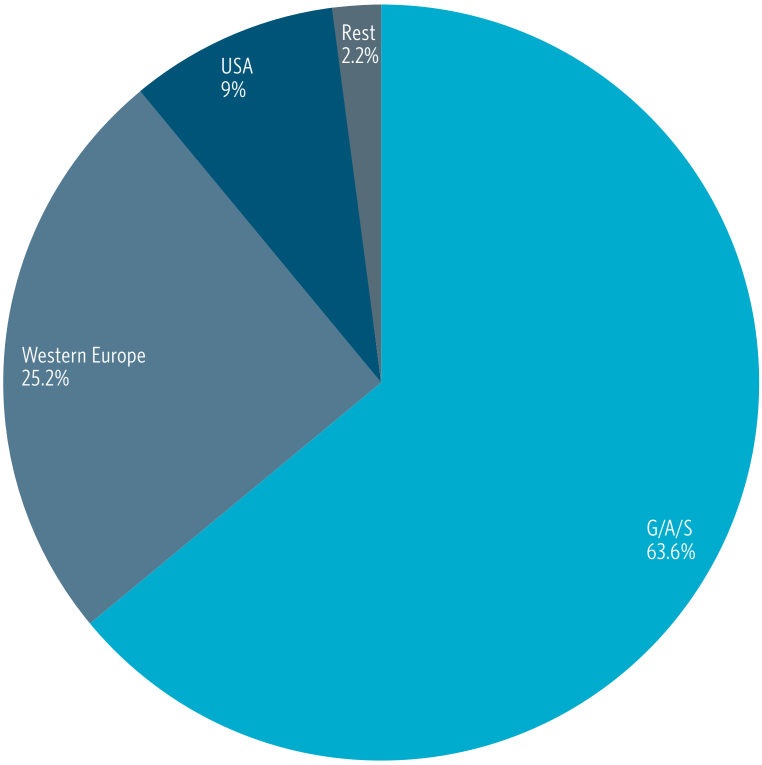
The third division, B2B, generates MAGIX revenues through business customers. This includes hardware manufacturers (OEM), which distribute their product in a package with MAGIX software, as well as business users of MAGIX professional software, such as Samplitude and Sequoia in the audio segment, Xara Designer Pro for photo, graphics and web and MAGIX Video Pro X for video.

The B2B division is comparatively small, with a revenue proportion of 6% during the reporting period. The business division B2C indirect and B2C direct were nearly equally strong with 48% and 46%, and are disproportionally stronger in sales. This notwithstanding, the B2B division is of high strategic importance. On the one hand, distribution via hardware manufacturers enables a significant widening of the customer base, since in this fashion MAGIX can reach users who do not inform themselves specifically about multimedia software. On the other hand, products for commercial users also contribute to the continuous positioning of MAGIX as an innovative leader, since these high-end applications best represent the power of innovation, key to continuously meeting the highest demands. Ultimately, consumer products, too, will benefit from the fact that the high demands of these professional solutions are taken as a guideline.

Revenue in the B2C indirect division dropped by 5% to EUR 17.4 million compared to the previous year. Following strong growth in the first and a slight drop in the second quarter, this decrease was mainly due to exceptionally high returns from retailers particularly in the German-speaking regions in the third quarter. The previous year's level was reached again in the fourth quarter, which became the year's strongest once again.

MAGIX GROUP – REVENUE ACCORDING TO BUSINESS DIVISIONS AS OF SEPTEMBER 30, 2011

	Oct 1, 2010 to Sep 30, 2011		Oct 1, 2009 to Sep 30, 2010		+ / -	
	kEUR	%	kEUR	%	kEUR	%
B2C indirect	17,373	48.1	18,322	49.3	-949	-5.2
B2C direct	16,555	45.9	15,816	42.6	+739	+4.7
B2B	2,166	6.0	2,989	8.1	-823	-27.5
Total	**36,094**	**100.0**	**37,127**	**100.0**	**-1,033**	**-2.8**



Direct sales increased to EUR 16.6 million. This corresponds to an increase of 5%. The trend toward increased use of MAGIX Online Services and the MAGIX Online Shop continued and again included all regions during the reporting period. The number of MAGIX's registered users grew by 10% to 13.2 million. At the same time the conversion rate (registered users in direct customers) rose from 8.9% in the previous year to now 9.6%.

The B2B business is generally more volatile, as revenues depend on relatively few deals. After a positive start in the first quarter, revenue here was clearly lower in the following quarters. Compared to the previous year, the revenue from business clients dropped 28% to EUR 2.2 million. This affected sales of professional software as well as the OEM business, whereby new closures mainly served to broaden the customer base.

Revenue by region

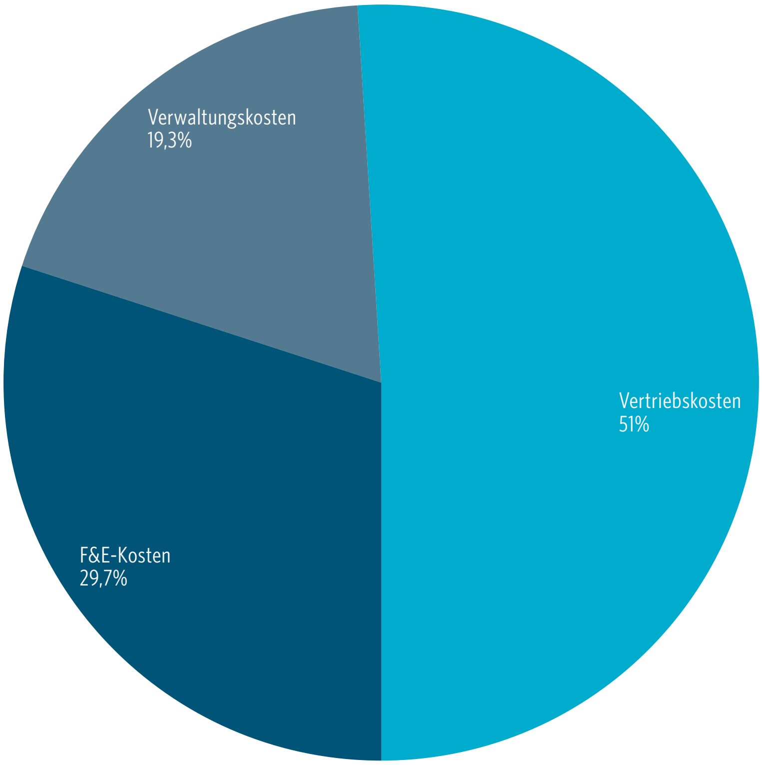
MAGIX received by far the strongest revenue (64%) in the German-speaking region (Germany/Austria/Switzerland). This was followed in unchanged order by the region Western Europe (25%), the US (9%) and the Rest of the World (2%).

Over the year, revenue dropped in the three highest-volume regions G/A/S, Western Europe and USA. The Rest of the World region was the only one which showed gains of 13% to EUR 0.8 million, thanks to new language versions for Eastern Europe and Turkey, among others.

The drop in the German-speaking region was moderate, with minus 1% to EUR 23.0 million. Although returns in retail sales resulted in an unusually poor third quarter, the B2C indirect division nearly reached previous year's levels. Revenue from business customers remained clearly below last year's levels, while the direct division was able to continue showing gains.

MAGIX GROUP – REVENUE ACCORDING TO REGIONS AS OF SEPTEMBER 30, 2011

	Oct 1, 2010 to Sep 30, 2011		Oct 1, 2009 to Sep 30, 2010		+ / -	
	kEUR	%	kEUR	%	kEUR	%
G/A/S	22,960	63.6	23,171	62.4	-211	-0.9
Western Europe	9,096	25.2	9,355	25.2	-259	-2.8
USA	3,242	9.0	3,894	10.5	-652	-16.7
Rest of World	796	2.2	707	1.9	+89	+12.6
Total	**36,094**	**100.0**	**37,127**	**100.0**	**-1,033**	**-2.8**



Revenue both in the USA and in Western Europe dropped after strong growth in the previous year. In Western Europe the drop was moderate with 3% to EUR 9.1 million. While sales through retail and Internet intermediaries fell, direct sales continued to grow. In the US region, sales dropped significantly by 17% to EUR 3.2 million. Here, retail sales suffered especially as a result of poor consumer confidence, whereas direct sales reached previous year's levels.

GROSS MARGIN

The drop in revenues by EUR 1.0 million was accompanied by a moderate decrease of gross margin from EUR 31.5 million to EUR 31.1 million. Consequently, the costs of goods dropped disproportionately from EUR 5.6 million to EUR 5.0 million, which improved the relative gross margin slightly from 85% to 86%.

In addition to third-party hardware components, which are included in MAGIX hardware packages such as "Rescue Your Vinyl & Cassettes!" and "Rescue Your Videocassettes!", cost of sales include mostly packaging costs and possible third-party licenses, especially for so-called codecs. These include standard media formats, for example, the MP3 format. Because it would not be logical to develop these functions ourselves, licensing fees are paid for their use. All other production steps are conducted by the MAGIX Group, so no separate costs of goods sold arise.

COST STRUCTURE

In addition to the risen relative gross margin the amortizations, depreciations and operating costs dropped from EUR 26.6 million to EUR 26.0 million, which also had a positive effect on the Group's results. Amortization and depreciation rose from EUR 3.5 million to EUR 3.9 million, while operative costs fell from EUR 23.1 million to EUR 22.2 million.

In the areas of distribution, administration as well as research and development, the development of operative costs was as following:

MAGIX GROUP – OPERATIVE COSTS AS OF SEPTEMBER 30. 2011

	Oct 1, 2010 to Sep 30, 2011		Oct 1, 2009 to Sep 30, 2010		+ / -	
	kEUR	%	kEUR	%	kEUR	%
Selling & distribution costs	11,319	51.0	11,252	48.7	+67	+0.6
Administrative costs	4,277	19.3	5,497	23.8	-1,220	-22.2
R&D costs	6,582	29.7	6,341	27.5	+241	+3.8
Total	**22,178**	**100.0**	**23,090**	**100.0**	**-912**	**-3.9**

Operative sales and distribution costs, which make up roughly half of the operative costs, remained nearly unchanged at EUR 11.3 million. While marketing costs have been reduced, personnel costs for distribution employees as well as other distribution costs, such as postage, rose.

In contrast, administrative costs saw a clear reduction in costs. Operative administrative costs were lower than in the previous year for all four quarters of the financial year. They amounted to EUR 4.3 million. This corresponds to a reduction of 22%. Personnel costs, other operative cots, such as bad debt losses, as well as other administration expenses were all lower.

Operative costs in research and development, which mainly includes personnel costs and other expenses, rose by 4% to EUR 6.6 million. At the same time, more development costs were activated in comparison to the previous year.

In general, the Group's management expects increased involvement in research and development to result in higher sales and profits in the mid-term. Through targeted development of demanding, yet easy-to-use multimedia software, MAGIX is not only ready to face the constantly changing entertainment electronics industry, but acts as one of its innovators. The next section will pay more attention to the focus on research and development at MAGIX.

3.2 FINANCIAL AND ASSET POSITION

MAGIX AG, BERLIN – AN OVERVIEW OF THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011

	Sep 30, 2011	Sep 30, 2010	Change
	kEUR	kEUR	%
Non-current assets	14,789	14,578	+1.4
Current assets	37,630	46,527	-19.1
thereof cash position and other financial assets	26,911	35,480	-24.1
Total assets	**52,419**	**61,105**	**-14.2**
Equity	30,938	48,158	-35.8
Non-current liabilities	503	738	-31.8
Current liabilities and provisions	20,978	12,209	+71.8
of that liabilities to shareholders	11,685	0	-
additional current liabilities	9,293	12,209	-23.9
Total equity and liabilities	**52,419**	**61,105**	**-14.2**

BALANCE SHEET

In annual comparison, the balance sheet total fell by EUR 8.7 million to EUR 52.4 million. The dividend payout in March 2011 in the amount of EUR 9.2 million had a significant influence.

Although the net income of EUR 3.5 million had a positive effect, equity dropped by a total of EUR 17.2 million. In addition to the already mentioned dividend payout, which constituted nearly the entire MAGIX AG net earnings as of September 30, 2010, equity was reduced also due to the special fund distribution of EUR 1.12 per share, which was decided in March 2011 and is scheduled for March 2012. The amount of EUR 11.7 million set for this distribution no longer comprises equity, but is a current liability for shareholders and, consequently, borrowed capital.

Correspondingly, this had significant effects on the equity ratio. On September 30, 2011 it was at 59%, clearly below last year's value of 79%. Purged of current liabilities to shareholders, the equity ratio on the balance sheet day was 76%, which renders the capital structure arguably persistently solid.

In view of the abovementioned current liabilities to the shareholders, the rise in borrowed capital by EUR 8.5 million to EUR 21.5 million was comparatively small. Other current liabilities (by 24% to EUR 9.3 million) as well as long-term liabilities (by 32% to EUR 0.5 million) were sharply reduced.

Investments in long-term assets were increased by EUR 0.8 million to EUR 4.1 million. An important role was played by self-created intangible assets as well as the takeover of assets of yellow tools GbR by the newly founded MAGIX Audio GmbH. For detailed description of the self-created intangible assets please refer to the explanations in the Research and Development section. This year, write-offs in the amount of EUR 3.9 million were accompanied by investments, so that the amount of long-term assets compared to last year's values rose by EUR 0.2 million to EUR 14.8 million.

Current assets dropped sharply by EUR 8.9 million to EUR 37.6 million. The dividend payout in the amount of EUR 9.2 million had a significant effect. Cash positions and other financial assets (mainly held until final maturity with a period of six months) were reduced by EUR 8.6 million to EUR 26.9 million. The inventories as well as trade receivables were reduced by EUR 0.2 million to EUR 1.1 million or EUR 9.5 million respectively.

CASHFLOW

MAGIX AG, BERLIN – AN OVERVIEW OF CONSOLIDATED CASH FLOW STATEMENT

	Oct 1, 2010 to Sep 30, 2011	Oct 1, 2009 to Sep 30, 2010	Change
	kEUR	kEUR	%
Cash flow from operating activities	5,041	9,745	-48.3
Cash flow from investment activities	-18,854	-2,909	-548.1
of which cash paid for purchase of other financial assets	-15,000	0	-
Cash flow from financing activities	-9,140	277	-3,399.6
of that amount dividends paid	-9,181	0	-
Foreign currency exchange differences	5	-89	+105.6
Change in cash and cash equivalents	**-22,948**	**7,024**	**-426.7**
Cash and cash equivalents at the beginning of the period	33,773	26,749	+26.3
Cash and cash equivalents at the end of the period	10,825	33,773	-67.9

At EUR 5.0 million, operative cashflow reached a very good level, but remained clearly below the record level of the previous year of EUR 9.7 million. Instrumental for this was the development of working capital. Especially trade accounts payable as well as other liabilities were sharply reduced.

Cashflow from investment activities of EUR -18.9 million (previous year EUR -2.9 million) was mainly affected by a fixed-term deposit of EUR 15.0 million. Moreover, it included payment for investments into long-term assets in the amount of EUR 4.1 million (previous year EUR 3.3 million) as well as incoming interest income in the amount of EUR 0.2 million (previous year EUR 0.4 million).

Cashflow from financial activities of EUR -9.1 million mainly was affected by the dividend payout in March 2011 in the amount of EUR 9.2 million, while it was slightly positive with EUR 0.3 million in the previous year due to investment subsidies and grants.

MAGIX Group financing is secured by its own resources. 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 2010/2011 financial year was correspondingly wide.

The development concept, which underlies all MAGIX consumer products, is the simplification of media exchange between its products and the Internet. With new product versions which appeared and will appear under the version abbreviation MX (short for Media X-change), photos, videos, music and other files can be exchanged even easier, presented on the web, saved on a cloud* and accessed from it again.

In this context, embedding of the new MX products into MAGIX Online World plays an important role. Online services MAGIX Website Maker and MAGIX Online Album are purely web-based software (so-called Software as a Service*), which may be used by any computer with an Internet access and are connected to all MAGIX products of the last generation. MAGIX WebDisk was developed in

addition to countless new functions of these two online services. Customers using any MX product can safely save data online and access it. Additionally, MAGIX Online World offers for example MAGIX Web Designer users the option to get domains including e-mail addresses and online storage space.

It is to be added that software from Xara, the Group's subsidiary, is based on a common technological platform to ensure that innovations can be transferred effortlessly from one product to another. This way, Xara products were made available as plug-ins directly on the user interface of MAGIX Movie Edit Pro and MAGIX Photos on DVD.

Furthermore, the 2010/2011 development focus lay on music recognition and recommendation technology mufin. mufin player was the first audio player with sound-based music management to be developed and marketed. The program analyzes the music collection according to its sound properties so that depending on a selected title, similar tracks are selected for playback. Additionally, the www.mufin.com portal used for the database was expanded to include more than eleven million music tracks. Using it, the user can find additional similar titles directly from the mufin player and expand his collection via the cooperating shops.

With mufin.drive, mufin player was connected directly with a cloud service. Here, the user can save his music collection online and access it using password protection from a mobile phone or from an Internet browser from anywhere in the world. An application* was additionally developed for the Android* operating system in 2010/2011 which makes mufin player functions accessible from a mobile phone or a tablet* on the go.

In the audio segment, additional important topics were the continued development of Samplitude and Sequoia as well as integration of yellow tools technologies which were acquired in July 2011. Samplitude and Sequoia continue to fulfil the highest expectations of professional customers. Additionally, these flagship products prepare the road for the revenue-stronger consumer products MAGIX Music Maker and MAGIX Audio Cleaning Lab, which are based on the same software platform. Technologies and instruments developed by yellow tools complete the offer from MAGIX and are available to add value to all MAGIX audio products.

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:
- 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 (for PC and Android)
- MAGIX Online Album (for Android)
- Video Pro X/Movie Edit Pro
- Xara Designer Pro
- Samplitude/Sequoia
- Web Designer
- PC Check & Tuning

EMPLOYEES

MAGIX GROUP – WORKFORCE DEVELOPMENT (CONVERTED IN FULL-TIME EMPLOYEES)

	Sep 30, 2011		Sep 30, 2010		+ / -	
Marketing & Distribution	122	35.6%	112	34.5%	+10	+8.9%
Administration & Logistics	49	14.3%	42	12.9%	+7	+16.7%
Research & Development	172	50.1%	171	52.6%	+1	+0.6%
Total	**343**	**100.0%**	**325**	**100.0%**	**+18**	**+5.5%**

As a creative and innovative group, MAGIX attaches a lot of importance to its employees, who in addition to professional skills, bring their passion for photo, 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 has continued its tradition of dedication to vocational training of young adults. As of September 30, 2011 the Group employed 59 vocational trainees (previous year: 60).

After the workforce was sharply expanded in 2009/2010 to 325 employees (here and subsequently calculated to represent full-time positions), it was expanded by an addition 18 in 2010/2011 to a total of 343 employees. As before, the Management Board of MAGIX AG consists of 3 members.

The Group's orientation as an innovator is reflected in its personnel structure: Half of all employees are active in the area of research and development, ensuring continuing development of MAGIX offerings. Compared to the end of the previous year, the area has been expanded by one position to 172 employees. In addition, personnel numbers have been increased by 10 to 122 in marketing & distribution and by 7 to 49 in administration and logistics.

Still, personnel expenses stayed nearly unchanged at EUR 11.7 million compared to the previous year's value of EUR 11.6 million. Contributing to this circumstance are the sharply lower variable compensation components from Management Board members and managers in the Group.

GROUP STRUCTURE

The following overview shows the group structure of the MAGIX group as of September 30, 2011:

Company	Registered office	Equity share
Catooh Corp.	Las Vegas, Nevada, USA	100%
MAGIX Audio GmbH	Berlin, Germany	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%
Xara Group Ltd.	Basingstoke, Hampshire, United Kingdom	100%

In the 2010/2011 financial year, MAGIX Audio GmbH, based in Berlin, was founded as a 100% group subsidiary of MAGIX AG with kEUR 25 nominal capital.

4. SUPPLEMENTARY REPORT

On December 2, 2011, OpenSeminar GmbH, based in Zossen, was founded as a 100% group subsidiary of MAGIX AG with kEUR 25 nominal capital. In future, OpenSeminar GmbH will continue to develop the business modell established by the MAGIX Academy. Moreover, on December 2, 2011, simplitec GmbH, based in Berlin, was founded with kEUR 25 nominal capital. simplitec GmbH is also a 100% subsidiary of MAGIX AG and focuses on activities concerning PC system tools.

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. It is designed to systematically evaluate risks in order to initialize appropriate measures for avoidance and reduction of possible 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 informed regularly of the events in all units comprising the Group. The system is continuously checked, expanded and adjusted to the Group's development. The measures introduced are monitored at regular intervals to check whether they control or prevent the corresponding risks.

Within risk management, the following measures are specifically conducted during strategic decisions:

- Group controlling creates current and plan comparisons as well as short term plans, which are discussed with the responsible managers at regular intervals. Together with the management, it defines important financial and other key figures, and monitors their keeping.
- Responsible project managers continuously monitor advances of development and keep track of the project plan using milestones to guarantee timely delivery of new functions, products and services.
- The personnel department discusses the necessity of continuing education and sufficient recruiting of new employees possessing 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 CONTROL AND RISK MANAGEMENT SYSTEM WITH REGARD TO THE ACCOUNTING PROCESS

MAGIX AG is a capital market oriented company as defined in paragraph 264d of the German Commercial Code. With regard to its accounting methods, the company has an effective control and risk management system which also includes companies that constitute its consolidated financial statement into its accounting processes.

There is no legal definition of the internal control and risk management system in regard to the accounting process (including the consolidated financial statement process). At MAGIX, the internal control and risk management system is seen as a comprehensive system, as accounting-related internal control systems (IDW PS 261 Tz. 19 f.) and risk management systems (IDW PS 340, Tz. 4) are defined by the German Auditors Institute, Düsseldorf. The internal control system includes principles, processes and measures introduced to the company by the management aimed at organizational implementation of management's decisions to secure the effectiveness and profitability of business activities (this includes asset protection and prevention of exposure to asset manipulation), keeping order and dependability of internal and external accounting, as well as adherence to appropriate legal regulations.

In regard to the accounting processes, the following structures and processes are implemented in the MAGIX Group:

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.

In regards to the MAGIX Group accounting processes, those characteristics of the internal control and risk management system are considered substantial, that are capable of significantly influencing the consolidated financial statement, including the management report. Specifically, these elements are the following:

- Identification of risk fields and controlling areas with relevance to accounting processes;
- monitoring of the accounting processes and their results at the level of the management board and the level of the companies included in the consolidated financial statement;
- preventive control measures for 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 included major companies is accomplished in the form of a shared service center as the responsibility of MAGIX AG;
- measures, which check the proper computerized processing of the Group's accounting-related business and data.

5.3 SPECIFIC RISKS

RISKS OF BUSINESS ACTIVITY

Business developments at the MAGIX Group are dependent on the general development of the multimedia communications market. 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 continuously invests in new products and services, a wide offering portfolio as well as tapping new customer groups and geographical markets. 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. It is expected that the European market, and especially the German-speaking region will continue to provide the majority of revenues in the coming 2011/2012 and 2012/2013 financial years. Independently from this fact, MAGIX earnings depend on the market success of its new products and its mastering of newly developed technologies.

COMPETITION RISKS

The market for multimedia communications, relevant for MAGIX, is increasingly characterized by global competition. 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. Some are better positioned on certain foreign markets with specific products. However, a comparably wide portfolio such as that of MAGIX is not found among potential competitors. The risk that a provider can bring a similarly comprehensive product range to the competition is relatively low.

LEGAL AND LICENSE RISKS

MAGIX is subject to applicable legal conditions governing its distribution and development. A change to these conditions can cause the company substantial harm. 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 corresponding pool of personnel, the strategic and economic goals of MAGIX could possibly not be reached.

FINANCIAL RISKS

The Group is subject to default risks related 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 Group is subject to interest change risks to such a low degree, so that no security instruments are implemented to hedge against this risk.

GENERAL RISK

Expansion and internationalization of business always leads to a magnification of risk. The past has shown that expanding the business model has always strengthened the Group. After all, a broad base minimizes the Group's dependency on specific markets and products, and this in turn reduces the total risk.

The Group's risk exposure is 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 ECONOMIC CONDITIONS

OVERALL ECONOMY

In the course of the 2010/2011 financial year, the global economy has become increasingly subdued. Following strong recovery in 2010 by 5.1%, in September the International Monetary Fund (IMF) expected the global economy to grow 4% in both 2011 and 2012. Because growth will continue to be stimulated in large portion by the emerging markets, the prognosis for industrial nations is considerably weaker, with 1.6% (2011) and 1.9% (2012). Predictions for Western Europe lie at only 1.5% (2011) and 1.2% (2012). While in 2011 Germany will still grow at 2.7% as a positive exception, growth here in 2012 is expected to be only 1.3%.

The German Council of Economic Experts also assumes in its 2011/2012 annual report that German economy will grow slower after the strong catch-up phase seen in 2010 and 2011, returning to a state of certain normalcy. While for 2011 it sees growth still at 3%, in 2012 the economy will expand only by 0.9%. Because these risks can only be partially estimated, especially for the future development of the Euro zone, economists have created worst-case scenarios which envision a contraction of the economy.

The Council's basic scenario envisions the reduction of the unemployment rate from 7.1% in 2011 to 6.9% in 2012. At the same time, consumer spending will slightly increase by 1.1% in 2011 and by 0.9% in 2012.

INDUSTRY

Growth is expected for the IT market in 2011/2012 as well. The increase in 2012 is expected to be higher than in 2011. According to the "European Information Technology Observatory" (EITO) the global IT market should grow by 4.3% in 2011 and by 5.4% in 2012.

The largest emerging markets China, Russia, India and Brazil drive this growth, with some rates in the double digits. In the USA and the EU growth rates will be sharply lower. Germany may presumably be somewhat uncoupled from this trend. The German Association for Information Technology, Telecommunications and New Media (BITKOM) expects the IT market to grow by 4.3% in 2011 and by 4.4% in 2012. In the software market segment growth is expected to be somewhat higher with 4.5% in 2011 and 4.9% in 2012.

The market for multimedia software 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.

6.2 MAGIX GROUP STRATEGY

MAGIX continues on a clear course guided by the "360° multimedia" vision. 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 drive toward research and an environment that's open to new things let MAGIX continuously set new standards with innovative products, services and processes.

The strategy driven by this vision orients itself firstly on customer groups: consumers (B2C) and business customers (B2B). Due to the great importance of consumer business, the B2C strategy is segmented into two directions: B2C direct and B2C indirect.

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). The Multimedia as well as the Venture segment have overlapping areas with all three business areas. The chance/risk profile of each segment depends on the division strategies. Naturally, the Venture segment has a higher risk due to the stronger volatility of the business, while the Multimedia segment with the Group's core business which has been operated for years has a relatively low associated risk.

The Group's strategy in the B2C (indirect and direct) and B2B divisions and the chances and risks coming with each of these are outlined below.

B2C

To fill the leading role in the consumer division, changing customer demands are taken into consideration by constant improvement of existing products and development of new ones. New developments at MAGIX do not happen for their own sake, but are strictly market-driven. The customer forum magix.info and the Customer Relation Management System* constantly deliver new information to help with future product development.

For technical implementation, software from MAGIX is increasingly placed on a common, segment-spanning technological platform for both consumer and business customer platform. This makes innovations become available quickly and universally: They are quickly and easily transported from one product to another. Video products may thus profit from innovations in the audio segment and the other way around. At the same time, thanks to combination of innovative technologies, completely new products are quickly brought to market. The spectrum of the MAGIX product portfolio with photo, audio, graphic, web and video software is not a setback, but a mainspring for its development.

Among consumers, MAGIX will increasingly address those, to whom the earlier applications seemed too complex. This can take place using solution-oriented products, products targeted to specific consumer groups, such as solutions especially designed for beginners, as well as free product versions. The decisive factor is to make new customers comfortable with the standard MAGIX screen, excite them by simple tools and to impress them with results, tying them to the MAGIX brand.

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 should lower the inhibitions for multimedia product use and bind users stronger to the MAGIX brand.

B2C indirect

The situation in stationary retail in regard to the shelf space available to multimedia software is difficult. This is especially valid for US retail. MAGIX is faced here with stronger competition. In Western European retail, especially in the German-speaking zone, the growth potential is limited due to MAGIX's dominant position.

For this reason, new markets in Scandinavia and Eastern Europe, as well as in South America with specially localized versions are of special importance. The correct response to consumer behavior and the retail situation is to be determined in a market-specific manner. Product, distribution and service strategies will be decided on and regularly adjusted in a specifically differentiated manner. Overall, stationary retail sales will be supplemented more and more with Internet sales.

B2C direct

Direct sales to consumers have established themselves over the last years as a powerful growth engine at MAGIX. The impetus achieved here must be brought into motion again.

Because the full spectrum of MAGIX products is available on the company's own web page, the B2C direct division profits from additional language versions as well as new and further developments in consumer software. At the same time, the Group's websites will be translated into additional languages and made more entertaining and informative with the help of Internet videos.

MAGIX will consistently push for action in the online advertising segment. 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 the user directly where the problem starts, on the computer, and leads him directly to the solution from MAGIX.

With MAGIX Online World, MAGIX offers everything necessary for a modern online representation from one source: hosting, domain service, web design, online album, etc. The goal is to win new customers for MAGIX online services and elevate the conversion rate of users of free services to fee-based premium service subscribers. To this end, all services are continuously adjusted, improved and expanded according to customer wishes. Beginners as well as demanding customers should be convinced by our price/performance ratio.

The MAGIX Academy addresses beginners as well as advanced users, offering product training, workshops and certified courses with final exams. The Academy will also be implemented for strengthening customer bonds and connecting customers to one another. This positive trend is supplemented by the expansion of the Academy in Germany and abroad as well as through targeted online advertising.

In addition to the PC application, the mufin player is continuously developed at mufinplayer.com along with the associated cloud* service as well as the Android* application. As mufin.com is a very innovative solution that targets young people, the challenge is to meet the customer requirements and commit them to regular website use. New users are made familiar with the underlying technology through free product versions, in order to convince them of the quality of the fee-based premium offers.

With PC Check and Tuning, MAGIX now has a comprehensive and competition-ready product in the area of PC system tools. The market for PC system tools is substantially larger than the market for multimedia software. The challenge consists of tapping completely new target groups for MAGIX around the world.

B2B

Since the company's founding, MAGIX has focused on creating solutions for pros and by pros. The professional Digital Audio Workstation (DAW) Samplitude can be called the origin of all further developments at MAGIX. The company has begun to expand the professional product portfolio in recent years. Today, MAGIX stands for innovative, high-performance software in the areas of audio as well as video and photo, graphics and desktop publishing, which brings about higher efficiency and dependable success to business customers. This position should be greatly expanded.

In the professional audio area, in addition to product development, strengthening of customer relations is of primal importance. In Germany, MAGIX has a very high DAW market share with radio and plans to expand its position further.

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. With these products, MAGIX addresses especially mid-range and small businesses which increasingly create their own digital contents in order to be able to market their products and services on the Internet more efficiently.

As this is a new target group for MAGIX, suitable marketing measures still have to be developed which will be regularly tested in their effectiveness and adjusted if needed. Depending on the success of these measures, there may be some delay in tapping the market.

As an example, company training is 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 into the Academic Suite.

In addition to professional users, hardware manufacturers belong to the most important business customers. To strengthen MAGIX software marketing, a subsidiary company was founded in Taiwan, which builds up contacts to manufacturers on site. Hardware manufacturers are increasingly ready to make license payments only for software that is considered necessary for marketing of their products. An important goal of the B2B strategy in relation to hardware manufacturers is to market MAGIX products as free versions with limited functionality through big-name manufacturers.

6.3 EXPECTED PROFITABILITY

MAGIX is well positioned with a strategic orientation and a full product pipeline. In spite of an extremely unstable global economy and a persistently difficult situation in retail, especially in the USA as well as in the German-speaking zone, the earnings expectations for MAGIX for 2011/2012 and 2012/2013 are overall positive. As long as no extraordinary negative impulses arrive from without, which at this time cannot be excluded with complete certainty, a continued revenue growth is expected for the 2011/2012 and 2012/2013 financial years.

Powerful impulses are expected to come from the Venture segment with the Online Services, Xara graphics and web design products as well as the newly introduced system tools. With stable direct sales growth, the Multimedia segments should develop slowly, but in a positive direction.

No significant growth impulses are expected in the B2C indirect division. Additional language versions and distribution channels in new markets such as Eastern Europe and South America should continue to have positive effects. There is, however, a sizable chance of a setback in the regions with the strongest sales performance: G/A/S, Western Europe and the USA.

Stable growth is expected in direct sales (B2C direct). 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 fact that MAGIX is addressing a much larger market than before with its system tool MAGIX PC Check & Tuning should also have a positive effect. Events such as Fukushima or the fair weather period during the Spring of 2011 have shown that this sector isn't completely shielded from setbacks as long as such events are capable of exercising mass influence over the interests and consumer behavior on the web.

With its B2B segment, MAGIX orients to the rarely addressed market of mid-sized and small business. This market holds the promise of an especially big growth potential. At the same time, the past has shown that business customers are much more sensitive to negative economic developments than consumers. Therefore, in addition to the success of marketing strategies, business development here depends to a greater degree on the general economic development.

While software distribution to business customers promises higher margins than consumer business, it is foreseeable that margins remain at a low level in distribution via hardware manufacturers (OEM). Sales here will remain unchanged and serve primarily to elevate MAGIX brand recognition and to increase the number of registered users, which finally serves direct sales.

With regard to costs, an unchanged relative gross margin is predicted. Due to continued growing significance of online advertising, marketing costs can increasingly be adjusted to revenue developments. In total, an increase in personnel costs is expected. Additionally, further expansion of the B2B division and the push into the system tools market will first eat into the earnings. In order to be positioned to generate substantial earnings growth in 2012/2013 and beyond, a drop in earnings is possible in 2011/2012.

6.4 EXPECTED FINANCIAL SITUATION

The Group's financial situation can be estimated as extremely solid. Therefore, no financing measures are planned. The disbursement decided in March 2011 and expected at the end of March 2012 in the amount of EUR 11.7 million or EUR 1.12 per share, will correspondingly weaken the company's cash position. At the same time, the equity ratio will rise back to a normal level as a result of this disbursement, because the payment amount is booked for the balance sheet date 2010/2011 as a current liability.

A stable, profit-dependent development of the operative cash flow is predicted. In addition to the expansion of its technical infrastructure, moderate increases in investment activities for software development aim to place MAGIX in a position where it would be better able to defend or strengthen its leading role in the quickly changing multimedia landscape.

The equity ratio and liquid assets can experience sudden changes as a result of a business acquisition. As long as no business acquisitions take place, it can be assumed that the financial position will continue to develop positively.

6.5 OVERALL STATEMENT

The MAGIX Group considers itself to be well positioned to meet current and future challenges. The technological know-how, an excellent financial base paired with the highly profitable Multimedia segment and 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. Extraordinary chances are offered by PC system tools market.

In spite of the unstable global economy and continuing difficult situation in retail, overall revenue expectations for 2011/2012 and 2012/2013 are positive. As long as no extraordinary negative impulses arrive from without, revenue growth is expected for 2011/2012 and 2012/2013.

An unchanged strong gross margin is expected at the cost level. At the same time, higher operative costs, especially for personnel and costs of entering new markets are foreseeable. In order to be positioned to generate substantial earnings growth in 2012/2013 and beyond, a drop in earnings is possible in 2011/2012.

7. INFORMATION IN RELATION TO SECTION 315, PARAGRAPH 4 OF THE GERMAN COMMERCIAL CODE

SHARE CAPITAL COMPOSITION

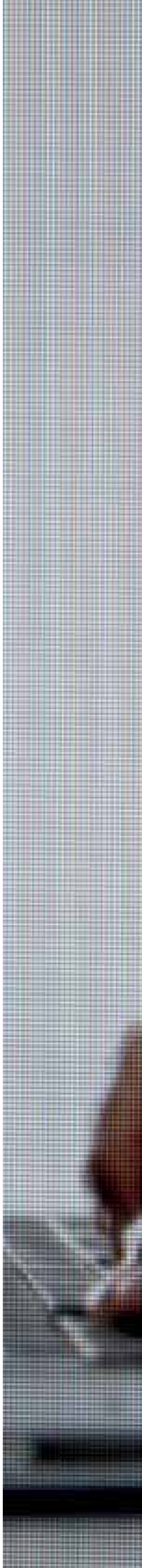
The share capital of MAGIX AG amounted to EUR 12,662,038 on September 30, 2011 and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share. Each share grants a vote. Shareholders exercise their voting rights in the Shareholders' Meeting according to the legal provisions as well as the Articles of Association. No limitations exist in relation to the voting rights or the transfer of shares.

AUTHORIZED CAPITAL

By the resolution dated March 16, 2011 the Shareholders' Meeting of the Company authorized the Management Board, subject to approval by the Supervisory Board, to increase the nominal capital of the Company by up to EUR 6,331,019.00 in total (authorized capital), in the period up until March 15, 2016 through the one-time or repeated issuance of new registered no-par shares against cash contributions and/or contributions in kind.

Shareholders shall, in principle, be granted a subscription right. In accordance with Article 186, Section 5, Sentence 1 of the German Stock Corporation Act, the shares may also be acquired by one or several financial institutions or companies that are determined by the Management Board on the condition that they offer the shares to the shareholders for subscription (indirect subscription right). However, the Management Board may, with the consent of the Supervisory Board, exclude the shareholders' subscription right,

- to exclude peak amounts from the shareholders' subscription right;
- if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the already listed, largely same-class stock. The number of shares sold in this manner, together with the number of other shares sold or issued during the validity period of this authorization excluding the subscription right directly or correspondingly according to Article 186, section 3, sentence 4 of the Stock Corporation Act and the number of shares, which may be the result of stock options and/or conversion privileges and/or convertible bonds and/or convertible bonds with warrant during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporation Act excluding the subscription right, may not exceed 10% of the nominal capital, neither on the date when the authorization takes effect nor at the time it is exercised;
- if the capital increase against contributions in kind occurs for the purpose of acquiring companies, parts of companies, stakes in companies or other assets related to acquisition plans or within the context of a business merger;



- if the new shares are issued to persons who are employed by the Company or one of its subordinate affiliated companies. The number of shares that are issued in this manner under exclusion of the subscription right may not exceed a proportionate amount of the nominal capital of EUR 633,101.90 in total.

Subject to approval by the Supervisory Board, the Management Board has been authorized to determine the contents of the share rights, further details concerning the capital increase as well as the conditions of share issue, especially the issue price. After utilization of the authorized capital or expiration of the deadline for utilizing the authorized capital, the Supervisory Board has been authorized to modify the Articles of Association accordingly.

CONDITIONAL CAPITAL

A resolution was passed at the Shareholders' Meeting on January 19, 2006 to increase the nominal capital of the Company conditionally by up to EUR 700,000.00 by the issue of new shares, namely by issue of up to 575,766 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. The authorization applies to acquisition of Company shares limited to a calculated amount of nominal capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing nominal 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 Stock Corporation Act amount to more than 10% of the nominal 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 also has been authorized, 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 them 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 nominal capital. The nominal capital at the time of the authorization resolution by the Shareholders' Meeting or the nominal capital at the time of the exertion of the present authorization is definitive if this number is lower.

The Management Board also has 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 nominal 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 the 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, 2011:

Presto Capital Management GmbH & Co. KG**	27.76%
Jürgen Jaron	15.27%
Dieter Rein	15.27%
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 direclty or indirectly hold approximately 58.30% 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 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. 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 2010/2011 fiscal year comprised kEUR 534. Success-independent components totaled kEUR 450 (fixed salaries: kEUR 421, fringe benefits: kEUR 29). The success-dependent share of remuneration of the Management Board amounted to kEUR 84. No stock options rights were allotted to the Management Board members during the period of the report.

Please refer to the consolidated financial statements for the composition of profit-related and profit-unrelated compensation for each of the members of the Management 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. In addition, an appropriate liability insurance (D&O insurance) for the members of the Supervisory Board has been purchased at the expense of MAGIX AG. Furthermore, the expenses of the Supervisory Board will be refunded. A variable compensation does not exist.

9. REPORTING IN ACCORDANCE WITH SECTION 289a OF THE GERMAN COMMERCIAL CODE (HGB)

The report according to paragraph 289a of the German Commercial Code can be view at the following Internet address http://ir.magix.com/gb/corporate-governance/declaration-of-corporate-governance-289a-hgb/.

Berlin, December 19, 2011

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

AUDITOR'S OPINION

"We have audited the consolidated financial statements prepared by MAGIX AG, Berlin, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, the statement of comprehensive income and the notes to the consolidated financial statements, together with the group management report for the fiscal year from October 1, 2010 to September 30, 2011. 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.

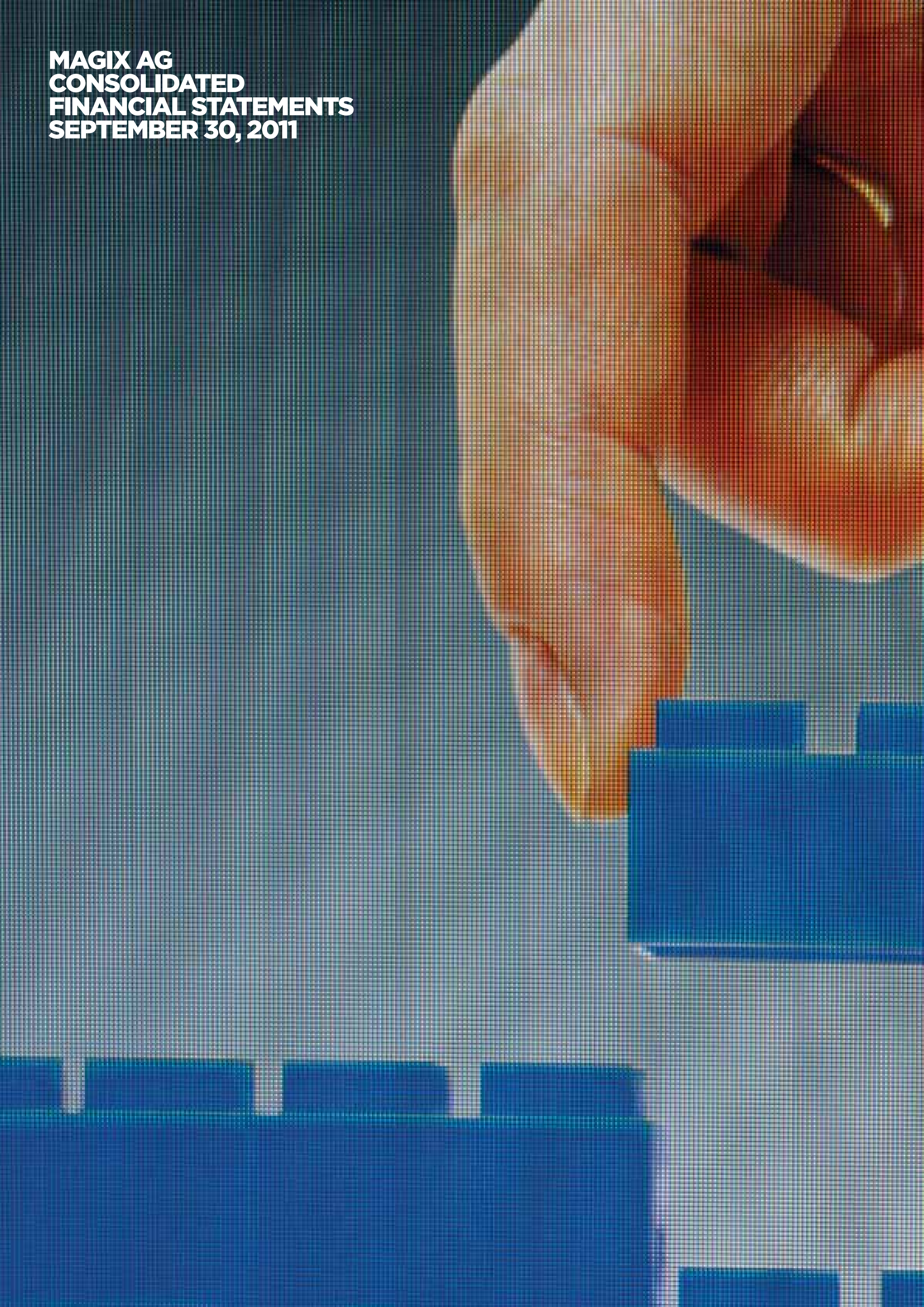
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results 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."

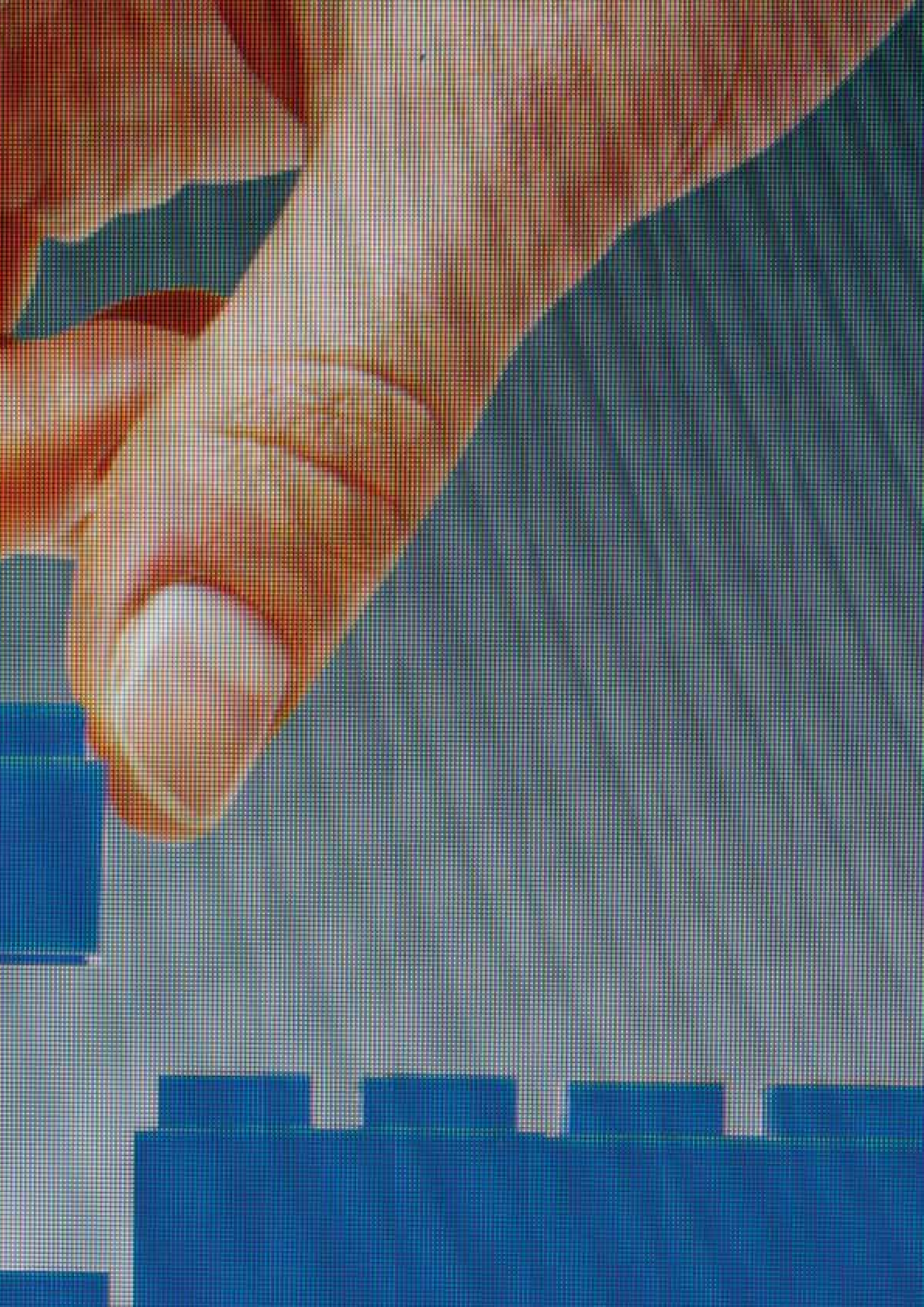
Berlin, December 19, 2011

Ernst & Young GmbH
Auditing firm

Seidel	Mattner
Auditor	Auditor

MAGIX AG
CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011





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MAGIX AG, BERLIN
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011

ASSETS	Note	Sep 30, 2011 kEUR	Sep 30, 2010 kEUR
Non-current assets			
Property, plant and equipment	(1)	880	901
Intangible assets	(1)	11,793	11,561
Goodwill	(1)	2,116	2,116
Non-current assets, total		**14,789**	**14,578**
Current assets			
Inventories	(2)	1,119	1,359
Trade accounts receivable	(3)	9,462	9,688
Current tax receivables		138	0
Other financial assets	(4)	16,086	1,707
Cash and cash equivalents	(5)	10,825	33,773
Current assets, total		**37,630**	**46,527**
Total assets		**52,419**	**61,105**

TED STATEMENTS 30, 2011

MAGIX AG, BERLIN
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011

EQUITY & LIABILITIES	Note	Sep 30, 20111 kEUR	Sep 30, 2010 kEUR
Equity attributable to equity holders of the parent			
Nominal capital	(6)	12,662	12,662
Additional paid-in capital		14,603	26,188
Retained earnings		3,436	9,076
Reserves for currency translation adjustment		237	232
Shareholders' equity, total		**30,938**	**48,158**
Non-current liabilities			
Other liabilities (non-current portion)		71	122
Deferred tax liabilities	(12)	432	616
Non-current liabilities, total		**503**	**738**
Current liabilities and provisions			
Provisions	(7)	4,944	4,889
Other liabilities (short-term portion)	(8)	14,608	4,775
Trade accounts payable		792	1,431
Tax liabilities		634	1,114
Current liabilities and provisions, total		**20,978**	**12,209**
Total equity and liabilities		**52,419**	**61,105**

MAGIX AG, BERLIN
CONSOLIDATED INCOME STATEMENT
FOR THE FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	Note	2010/2011 kEUR	2009/2010 kEUR
Sales revenue	(9)	36,094	37,127
Costs of goods sold	(10)	-5,016	-5,590
Gross margin		**31,078**	**31,537**
Selling and distribution costs	(11)	-11,727	-11,945
Administrative costs	(11)	-4,405	-5,814
Research and development costs	(11)	-9,896	-8,825
Other income		234	658
Earnings before interest and taxes		**5,284**	**5,611**
Interest income		207	361
Interest expenses		-155	-4
Earnings before taxes		**5,336**	**5,968**
Income taxes	(12)	-1,795	-1,539
Net income of the Group		**3,541**	**4,429**
Attributable to			
shareholders of the parent		3,541	4,429
Earnings per share (diluted and basic)	(13)	**0.34**	**0.42**
Average number of shares outstanding		**10,432,909**	**10,432,909**

MAGIX AG, BERLIN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	2010/2011 kEUR	2009/2010 kEUR
Net income of the Group	3,541	4,429
Foreign currency translation of foreign operations	5	-89
Comprehensive income after taxes	**3,546**	**4,340**
Attributable to		
shareholders of the parent	3,546	4,340

MAGIX AG, BERLIN
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	2010/2011 kEUR	2009/2010 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before taxes	5,336	5,968
Adjustments for:		
Amortization and depreciation on non-current assets	3,850	3,494
Interest income	-207	-361
Interest expenses	155	4
Other non-cash-related expenses and income	11	280
	9,145	**9,385**
Change in trade accounts receivables	226	908
Change in inventories	240	97
Change in other assets	483	-373
Change in trade accounts payable	-639	458
Change in provisions	55	331
Change in other liabilities	-2,567	881
Cash generated from operating activities	**6,943**	**11,687**
Interest paid	-4	-4
Income tax paid	-1,898	-1,938
Net cash from operating activities	**5,041**	**9,745**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Cash paid for purchase of other financial assets	-15,000	0
Cash paid for investments in non-current assets	-4,061	-3,270
Interest received	207	361
Net cash used in investment activities	**-18,854**	**-2,909**
CASH FLOW FROM FINANCING ACTIVITIES		
Dividends paid to shareholders of the parent company	-9,181	0
Investment subsidies and grants received	41	277
Net cash used for financing activities	**-9,140**	**277**
Foreign currency exchange differences	5	-89
Changes in cash and cash equivalents	-22,948	7,024
Cash and cash equivalents at beginning of period	33,773	26,749
Cash and cash equivalents at end of period (see note (5))	**10,825**	**33,773**

MAGIX AG, BERLIN —
DEVELOPMENT OF SHAREHOLDERS' EQUITY
FOR THE FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

	Equity				
	Nominal capital kEUR	**Additional paid-in capital** kEUR	**Retained earnings** kEUR	**Reserves for currency translation adjustment** kEUR	**Total** kEUR
September 30, 2009	**12,662**	**26,030**	**4,647**	**321**	**43,660**
Currency translation				-89	-89
Net income for period			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**	**232**	**48,158**
Currency translation				5	5
Net income for period			3,541		3,541
Comprehensive income			**3,541**	**5**	**3,546**
Dividend distribution			-9,181		-9,181
Changes to additional paid-in capital for special payout		-11,685			-11,685
Offsetting of costs from the stock option plan		100			100
September 30, 2011	**12,662**	**14,603**	**3,436**	**237**	**30,938**

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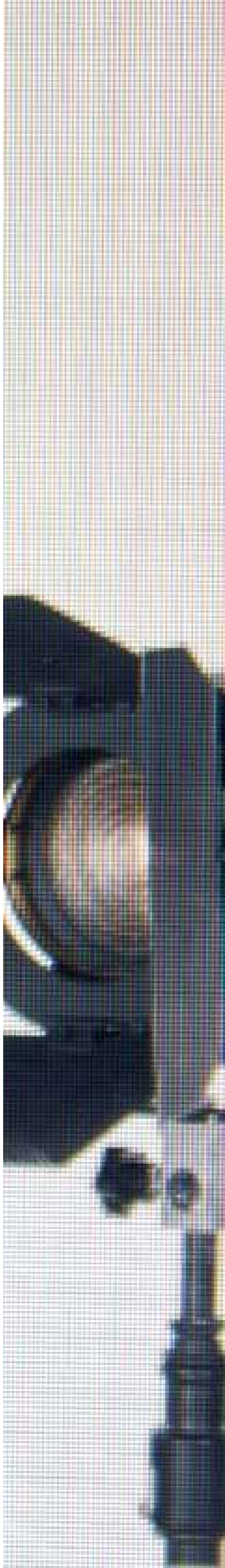
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2011

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.

With its subsidiaries (MAGIX Group), MAGIX AG is an international provider of software, online services and digital content for the use of multimedia products and services in the field of personal communication. MAGIX offers private and professional users technologically advanced and user-friendly software, online services and digital content for designing, editing, sharing and archiving digital photos, graphics, 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, 2011. The fiscal year 2010/2011 covers the period from October 1, 2010 to September 30, 2011.

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, 2011 on December 19, 2011 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 Audio GmbH	Berlin, Germany	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%
The 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, 2010.

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

- IFRS 1 - Initial application of the International Financial Reporting Standards (revised 2008)
- Amendment to IFRS 1 - Additional exceptions for first-time application
- Changes to IFRS 1 – Limited exemption of first-time users of comparison tables according to IFRS 7
- Changes to IFRS 2 – Group-internal, share-based remunerations with cash compensation
- Changes to IAS 32 - Classification of options
- Improvements to IFRS 2009
- Improvements to IFRS 2010
- IFRIC 15 - Agreements on the construction of buildings
- IFRIC 17 - Dividends payable in kind to owners
- IFRIC 18 - Transfer of assets by a customer
- IFRIC 19 - Redemption of financial liabilities by equity instruments

The listed standards and interpretations are not relevant to the consolidated financial statements of the MAGIX Group.

The following standards and interpretations relevant to the business activities of the Group were published on September 30, 2011, whereby it was not yet compulsory to apply them on the cut-off date:

- IFRS 7 - Financial Instruments: Disclosures (from/after July 7, 2011)
- IFRS 9 – Financial Instruments: Classification and evaluation (from/after January 1, 2013)
- IFRS 10 – Group Financial Reports (from/after January 1, 2013)
- IFRS 11 – Joint agreements (from/after January 1, 2013)
- IFRS 12 – Statement about participation in other companies (starting/after January 1, 2013)
- IFRS 13 – Measuring the fair value (starting/after January 1, 2013)
- IAS 1 (2011) – Presentation of financial statement (from/after July 1, 2012)
- IAS 19 (2011) – Benefits after employment termination (from/after January 1, 2013)
- IAS 27 (2011) – Separate individual financial statements (from/after January 1, 2013)
- IAS 28 (2011) – Shares in associated companies and joint ventures (from/after January 1, 2013)
- Change from IAS 12 – Income taxes (from/after January 1, 2010)

Implementation takes place at the latest in the year of the first-time compulsory application. The effects of IFRS 9 are still being analyzed. No changes to the consolidated financial statement result from the first-time implementation of IFRS 11 and changes to IAS 19 and IAS 28 because the Group has neither shares in associated companies and joint ventures nor does it maintain result-driven contribution plans. With the exception of additional or modified appendix data for first-time implementation, we expect no significant effects on the consolidated financial statement for the remaining new standards.

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 companies, which are linked to the acquired patents and associated software, gained customer following, development costs and goodwill of acquired companies. For first-time valuation of company acquisitions acquired with immaterial assets, the company has stated the fair value at acquisition date. For this, future cashflows expected from the assets were discounted. The identified and valuated assets are written off during the course of their useful life. The assets' recoverable amount is annually checked to see if it lies above the carrying value. As soon as this is no longer the case, a corresponding impairment loss is recognized. The sum of carrying values of company acquisitions as of September 30, 2011 was kEUR 5,136 (previous year: kEUR 5,585). To check the value retention of activated goodwill, the recoverable amount is calculated based on the value in use. Based on this impairment test, no impairment needed to be recognized either on September 30, 2011 nor on September 30, 2010.

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 company checks the recoverability of activated development costs by annually comparing their carrying value with the recoverable amount. For this, the asset's value in use is calculated by discounting future cashflows expected from the asset. As of September 30, 2011 software development costs have a carrying value of kEUR 7,819 (previous year: kEUR 7,149).

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, 2011 these provisions have a carrying amount of kEUR 4,270 (prior year: kEUR 4,074).

Tax advantages from loss carryforwards: The MAGIX Group capitalizes tax advantages from loss carryforwards to the amount that taxable profit will be likely to be available, against which the carryforward can be utilized. No capitalized deferred taxes from carried-forward losses existed as of September 30, 2011 and as of September 30, 2010.

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

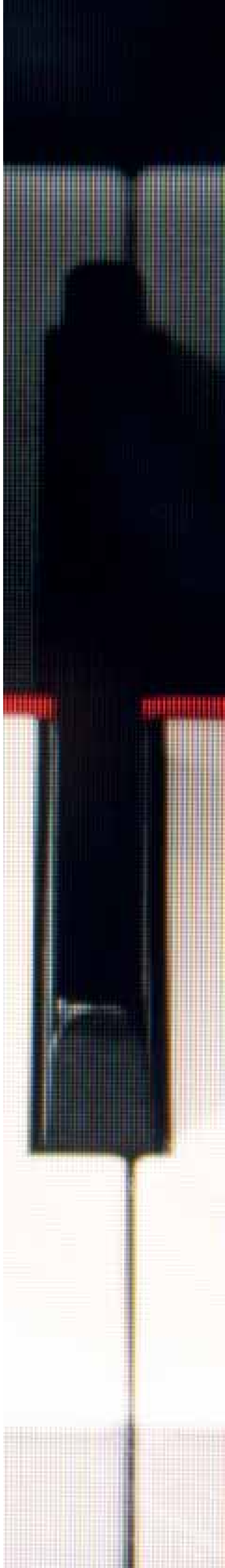
CURRENCY TRANSLATION

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.



COMPANY ACQUISITIONS

Company acquisitions are balanced using purchase accounting method. The purchase cost of an acquisition is calculated from the transferred consideration, valued as the fair value at the time of the acquisition. The company books costs associated with a merger as expenses in the periods when they are scheduled.

INTANGIBLE ASSETS

Software and industrial rights

Intangible assets acquired separately are initially measured at cost. The cost of an intangible asset acquired in a merger or company acquisition 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 merger or company acquisition 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 is initially valued at acquisition cost, measured by the amount by which the transferred consideration exceeds the identifiable assets and assumed liabilities. 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 merger or company acquisition 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 inflows that are largely independent of those from other assets or groups of assets. If the carrying amount of an asset exceeds its recoverable amount, the asset is described as impaired and written down to its recoverable amount. To calculate the value in use, the management discounts estimated future cashflow expected from the revenue and earnings projection within a planning period of three years to its present value based on a discount rate allowed before taxes which reflects current market expectations and the particular risks faced by 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.

As in the previous year, on September 30, 2011 a value impairment test based on the value in use was conducted for the Xara Group Ltd., a cash-generating unit to which goodwill has been assigned. To calculate the value in use, the plan approved for the Xara Group Ltd. by the MAGIX AG supervisory board for a 3-year detailed planning period was used along with a 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. The carrying amount of The Xara Group Ltd. goodwill remained kEUR 2,116, as in the previous year.

Accumulated impairment losses on non-current assets were not recorded, neither as of September 30, 2011, nor as of September 30, 2010.

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. A financial asset is derecognized if the company loses the power of control over the contractual rights that comprise the financial asset.

The Group's financial instruments without the stated fair value primarily include cash and cash equivalents, trade accounts receivable and payable, other short-term financial assets and short-term financial liabilities, current account loans and long-term loans. For trade accounts payable and receivable and other short-term financial liabilities, the stated fair value is very close to the carrying value based on continued procurement costs. The stated fair value of securities corresponds to their market value.

On September 30, 2011 and September 30, 2010, all financial assets included in the MAGIX Group consolidated financial statement were grouped under loans and receivables. On the balance sheet date of September 30, 2011, the MAGIX Group showed financial assets totaling kEUR 25,548 (previous year: kEUR 11,395). These are subject to default risk. Due to the short-term duration and the interest rate common for the market, the carrying amount of financial assets 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.

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.

The company balances assets in the "Loans & receivables" category according to IAS 39. The resulting net losses amounted to kEUR 958.

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 pursuant to IAS 39 are categorized either as financial liabilities, which are valued directly in the profit and loss accounts at fair value, as interest-bearing loans or as derivatives that were designated as a hedging instrument and are effective as such. All financial liabilities are initially valued at fair stated value, and in case of loans, plus directly attributable transaction costs. The Group's financial liabilities include trade accounts payable and other liabilities. 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. A financial liability is derecognized if the obligation underlying this liability has been fulfilled, terminated or has expired.

As of September 30, 2011, financial liabilities amount to kEUR 15,471 (previous year: kEUR 6,328), including liabilities to the shareholders of the parent company to the amount of kEUR 11,685 (previous year: kEUR 0), categorized as other financial liabilities pursuant to IAS 39. 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 balances reliably determined amounts for returns and reversed supplies from product revenue with its trading partners, if a return or reverse supply are probable.

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 2010/2011 fiscal year, the MAGIX Group received investment subsidies and grants amounting to kEUR 41 (prior year: kEUR 277). 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.

TAX

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. For this, tax rates (and tax prescriptions) which are valid or announced on the reporting date are used as a base. 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, management separates the new section, which is currently being set up (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 greatest potential for marketing lies with business clients who, due to the technology's broad sphere of application, are from diverse fields, such as manufacturers of portable devices, radio stations or online music shops.

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. 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)	**2010/2011**	**2009/2010**	**2010/2011**	**2009/2010**	**2010/2011**	**2009/2010**	**2010/2011**	**2009/2010**
External sale revenues	29,239	31,495	6,855	5,632			36,094	37,127
Internal sale revenues	392	358	421	892			813	1,250
Sales revenue	29,631	31,853	7,276	6,524			36,907	38,377
Gross margin of the external sale revenues	**26,279**	**27,166**	**4,799**	**4,371**			**31,078**	**31,537**
EBITDA	**9,691**	**9,950**	**153**	**249**	**-710**	**-1,094**	**9,134**	**9,105**
Segment result (EBIT)	**6,466**	**7,078**	**-472**	**-373**	**-710**	**-1,094**	**5,284**	**5,611**
Financial result	0	0	0	0	52	357	52	357
EBT	**6,466**	**7,078**	**-472**	**-373**	**-658**	**-737**	**5,336**	**5,968**
Taxes	0	0	0	0	-1,795	-1,539	-1,795	-1,539
Net income for the year	**6,466**	**7,078**	**-472**	**-373**	**-2,453**	**-2,276**	**3,541**	**4,429**
Segment assets	18,331	17,877	7,177	8,754	26,911	34,474	52,419	61,105
includes intangible assets	8,547	7,757	5,362	5,920	0	0	13,909	13,677

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 intercompany 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.

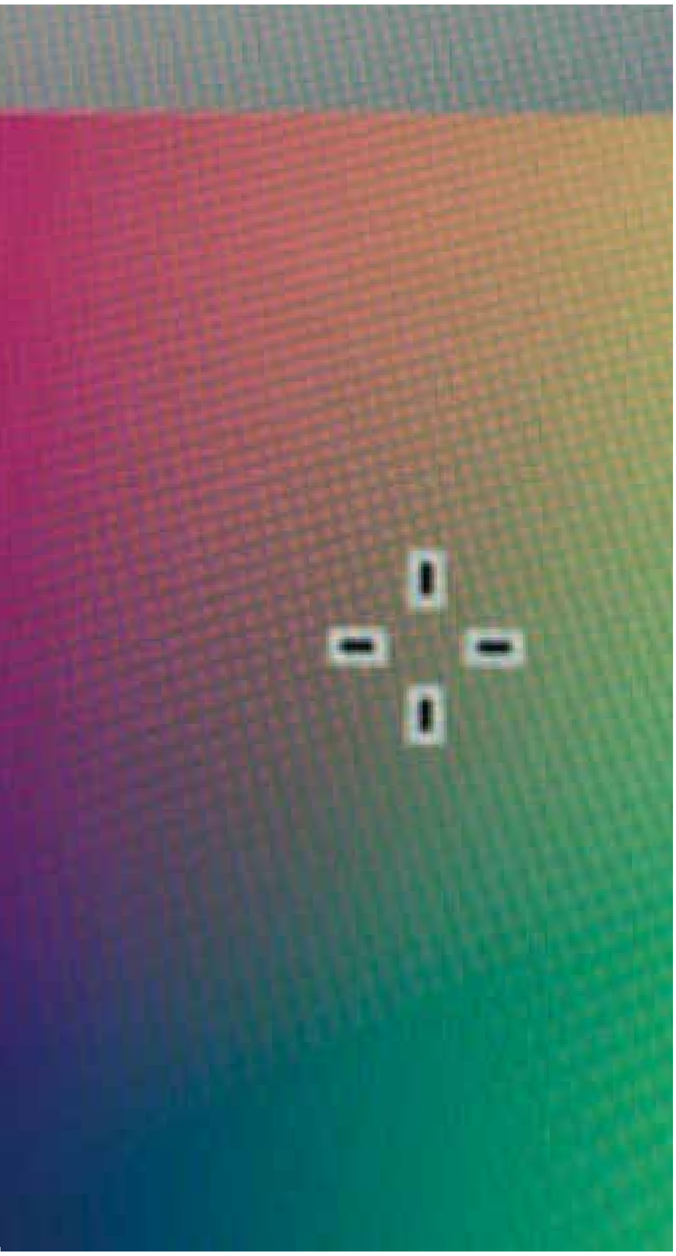
CUSTOMERS

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, 2011 and on September 30, 2010, 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	G/A/S		USA		Rest of World		Group	
In kEUR	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010	2010/2011	2009/2010
Segment revenues	22,960	23,171	3,242	3,894	9,892	10,062	36,094	37,127
Segment assets	48,561	56,498	494	833	3,364	3,774	52,419	61,105



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, 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**

	Costs of acquisition and sales				Cumulative amortization					Carrying amount	
	Oct 1, 2010	Additions	Disposals	Sep 30, 2011	Oct 1, 2010	Additions	Disposals	Currency translation	Sep 30, 2011	Sep 30, 2011	Oct 1, 2010
I. Intangible assets											
1. Software and industrial rights	9,517	468	0	9,985	6,271	662	0	0	6,933	3,052	3,246
2. Goodwill	2,116	0	0	2,116	0	0	0	0	0	2,116	2,116
3. Customer base	1,465	38	0	1,503	543	158	0	0	701	802	922
4. Software development costs	18,393	3,114	0	21,507	11,000	2,592	0	-24	13,568	7,939	7,393
Total	**31,491**	**3,620**	**0**	**35,111**	**17,814**	**3,412**	**0**	**-24**	**21,202**	**13,909**	**13,677**
II. Property, plant and equipment											
1. Leasehold improvements	344	32	0	376	175	39	0	0	214	162	169
2. Office equipment	142	18	0	160	111	9	0	0	120	40	31
3. Other fixtures	4,149	367	14	4,502	3,448	390	14	0	3,824	678	701
Total	**4,635**	**417**	**14**	**5,038**	**3,734**	**438**	**14**	**0**	**4,158**	**880**	**901**

(2) INVENTORIES

	Sep 30, 2011 kEUR	Sep 30, 2010 kEUR
Raw materials (at acquisition costs)	1,277	1,234
Finished goods (at costs of sales)	722	816
Value adjustments	-880	-691
	1,119	**1,359**

On raw materials (at acquisition costs) and finished goods (at costs of sales) of kEUR 880 (previous year: kEUR 691) devaluations were carried out on the lower fair value. Devaluation of inventories that have been recorded as expenses amounts to kEUR 457 (previous year: kEUR 420) and is shown in the costs of sales.

(3) TRADE ACCOUNTS RECEIVABLE

	Sep 30, 2011 kEUR	Sep 30, 2010 kEUR
Due within one year, gross	10,380	10,374
Individual and general value adjustments	-918	-686
	9,462	**9,688**

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, 2011 trade accounts receivable were impaired in value by kEUR 3,920 (2010: kEUR 3,064). The value adjustment account developed itself as follows:

	Individual valuation kEUR	Portfolio-based valuation kEUR	Total kEUR
As of Sep 30, 2010	610	76	686
Allowed expense allocation	320	91	411
Utilization	-86	-93	-179
As of Sep 30, 2011	**844**	**74**	**918**

On September 30, 2011, the age distribution of the trade accounts receivable was as follows:

			Past due, but not impaired				
	Total kEUR	Neither past due nor impaired kEUR	< 30 days kEUR	30-60 days kEUR	60-90 days kEUR	90-120 days kEUR	> 120 days kEUR
2010	10,374	8,605	266	163	226	166	262
2011	**10,380**	**8,762**	**19**	**73**	**110**	**180**	**318**

Receivables in USD from the USA subsidiary comprise kEUR 413 (kEUR 550 in the previous year). An equity fall of kEUR 21 (kEUR 27 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% higher. An equity rise of kEUR 21 (kEUR 26 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 fixed-income time deposits with a term of six months as well as overnight deposit accounts which are guaranteed against collateral with applicable standard interest rates. Due to the short term and standard interest, the carrying amount corresponds to the stated fair value. All other financial assets are categorized under the "Loans and receivables" pursuant to IAS 39.

(5) CASH AND CASH EQUIVALENTS

	Sep 30, 2011 kEUR	Sep 30, 2010 kEUR
Bank balances	10,817	33,767
Cash on hand	8	6
	10,825	**33,773**

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 2010/2011 financial year. These are subject to interest at the respective interest rates applicable for short-term deposits.

(6) EQUITY

The nominal capital of MAGIX AG amounted to kEUR 12,662 on September 30, 2011, and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share.

Authorised capital
By resolution dated March 16, 2011 the Shareholders' Meeting of the Company authorized the Management Board, subject to approval by the Supervisory Board, to increase the nominal capital of the Company by up to EUR 6,331,019.00 in total (authorized capital), in the period up until March 15, 2016 through the one-time or repeated issuance of new registered no-par shares against cash contributions and/or contributions in kind.

Shareholders shall, in principle, be granted a subscription right. In accordance with Article 186, Section 5, Sentence 1 of the German Stock Corporation Act, the shares may also be acquired by one or several financial institutions or companies that are determined by the Management Board on the condition that they offer the shares to the shareholders for subscription (indirect subscription right). However, the Management Board may, with the consent of the Supervisory Board, exclude the shareholders' subscription right

- to exclude fractional amounts from the shareholders' subscription right;
- if the new shares are issued against cash contributions and the issue price of the new shares is not significantly lower than the stock exchange price of the already listed, largely same-class stock. The number of shares sold in this manner, together with the number of other shares sold or issued during the validity period of this authorization excluding the subscription right directly or correspondingly according to Article 186, section 3, sentence 4 of the Stock Corporation Act and the number of shares, which may be the result of stock options and/or conversion privileges and/or convertible bonds and/or convertible bonds with warrant during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporation Act excluding the subscription right, may not exceed 10% of the nominal capital, neither on the date when the authorization takes effect nor at the time it is exercised;
- if the capital increase against contributions in kind occurs for the purpose of acquiring companies, parts of companies, stakes in companies or other assets related to acquisition plans or within the context of a business merger;
- if the new shares are issued to persons who are employed by the Company or one of its subordinate affiliated companies. The number of shares that are issued in this manner under exclusion of the subscription right may not exceed a proportionate amount of the nominal capital of EUR 633,101.90 in total.

Subject to approval by the Supervisory Board, the Management Board has been authorized to determine the contents of the share rights, further details concerning the capital increase as well as the conditions of share issue, especially the issue price. After utilization of the authorized capital or expiration of the deadline for utilizing the authorized capital, the Supervisory Board has been authorized to modify the Articles of Association accordingly.

Conditional capital
A resolution was passed at the Shareholders' Meeting on January 19, 2006 to increase the nominal capital of the company conditionally by up to EUR 700,000.00 by the issue of up to 576,766 new registered no-par shares. The conditional capital increase serves solely to grant up to 576,766 subscription rights (stock options) to members of the Management Board of the company and to employees of the company as well as to managing directors and employees of Group entities pursuant to the authorization for the "stock option plan 2006" which was passed at the Shareholders' Meeting on January 19, 2006. 392,500 stock options were issued as part of the stock option plan up until the cut-off date of the annual report, with

76,000 issued during the 2006/2007 fiscal year. Of this figure, 140,000 stock options subsequently lapsed due to employees leaving the company. As a result there are currently 252,500 options outstanding.

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 nominal capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing nominal 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 Stock Corporation Act amount to more than 10% of the nominal 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 also has been authorized, 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 them 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 nominal capital. The nominal capital at the time of the authorization resolution by the Shareholders' Meeting or the nominal capital at the time of the exertion of the present authorization is definitive if this number is lower.

The Management Board also has 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 nominal 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 the 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, 2010 kEUR	Resolutions kEUR	Utilization kEUR	Addition kEUR	Sep 30, 2011 kEUR
Royalties	4,074	0	-287	483	4,270
Bonuses / vouchers	793	0	-772	633	654
Legal counsel	22	-10	-2	10	20
	4,889	**-10**	**-1,061**	**1,126**	**4,944**

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.

(8) OTHER LIABILITIES (SHORT-TERM PORTION)

Other short-term liabilities in the amount of kEUR 14,608 (previous year: kEUR 4,775) primarily include liabilities to MAGIX AG shareholders. These are related to the special disbursement of funds, decided upon during the March 2011 Shareholders' Meeting and scheduled for March 2012 in the amount of EUR 1.12 per share and totaling kEUR 11,685 (previous year: kEUR 0). Due to the short-term nature of other liabilities, the carrying value is equal to the stated fair value.

5. NOTES TO THE CONSOLIDATED INCOME STATEMENT

(9) SALES REVENUE

	2010/2011 kEUR	2009/2010 kEUR
Product deliveries	33,168	33,841
Services and licenses	2,926	3,286
	36,094	**37,127**

(10) COSTS OF GOODS SOLD

	2010/2011 kEUR	2009/2010 kEUR
Raw materials	3,381	3,616
Royalties and other	1,635	1,974
	5,016	**5,590**

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

(11) OPERATING EXPENSES

The profit and loss statement of MAGIX includes an item for research and development costs in addition to administrative and sales expenses. They include personnel costs and other expenses, as well as depreciations on produced software developments. This separate disclosure will account for the importance of R&D to MAGIX.

	2010/2011 kEUR	2009/2010 kEUR
Selling and distribution costs		
Personnel expenses	4,837	4,586
Marketing expenses	2,635	3,167
Write-downs	408	693
Other expenses	3,847	3,499
	11,727	**11,945**
Administrative expenses		
Personnel expenses	2,077	2,406
Write-downs	128	317
Other operating costs	398	795
Other expenses	1,802	2,296
	4,405	**5,814**
Research and development expenses		
Personnel expenses	4,664	4,746
Write-downs	3,314	2,484
Other expenses	1,918	1,595
	9,896	**8,825**
	26,028	**26,584**

Personnel expenses for the 2010/2011 fiscal year totaled kEUR 14,692 (kEUR 14,555 for the 2009/2010 fiscal year), thereof kEUR 3,114 were capitalized (kEUR 2,817 for the 2009/2010 fiscal year). Amortizations and write-downs totaled kEUR 3,850 (kEUR 3,494 for the 2009/2010 fiscal year).

(12) TAXES ON INCOME AND DEFERRED TAXES

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

Consolidated income statement	2010/2011 kEUR	2009/2010 kEUR
Current income tax expense	-1,976	-1,850
Deferred income taxes	181	311
thereof from timing differences	181	311
Income tax expenditure recorded in the Consolidated Income Statement	**-1,795**	**-1,539**

The theoretic income tax expense based on earnings before taxes of kEUR 5,336 (previous year: kEUR 5,968) 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 %)

	2010/2011 kEUR	2009/2010 kEUR
Earnings before tax	5,336	5,968
Average tax rate	29.2%	29.2%
Theoretical income tax expense	-1,558	-1,743
Non-deductible expenses and income	-67	0
Use of non-capitalized tax carry forwards	27	182
Non-capitalized tax losses of the fiscal year	-75	-18
Other	-122	40
Income tax expense	**-1,795**	**-1,539**

Capitalized 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:

	2010/2011 kEUR	P & L statement kEUR	2009/2010 kEUR
Active deferred taxes			
Timing differences between entries			
- Elimination of intercompany profits	234	-108	342
	234	**-108**	**342**
Deferred tax liabilities			
Timing differences between entries			
- Intangible assets in connection with company acquisition	-524	257	-781
- Foreign currency exchange differences	-70	-2	-68
- Valuation allowances on loans to affiliated entities	-74	35	-109
	-668	**290**	**-958**
Deferred tax liability, net	**-434**	**182**	**-616**

On September 30, 2011, the holding company had no tax loss carryforward. As of September 30, 2011, the MAGIX Group had tax loss carryforwards of kEUR 2,477 (previous year: kEUR 2,772).

(13) EARNINGS PER SHARE

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

When calculating diluted earnings per share, the net profit for the year attributable to the shareholders 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.

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.

The following table shows the numbers used for the calculation of the basic and diluted earnings per share.

	2010/2011 kEUR	2009/2010 kEUR
Net income attributable to the shareholders of the parent	3,541	4,429
Weighted average number of ordinary shares used for the calculation of the basic and diluted earnings per share	10,433	10,433
Earnings per share (diluted and basic) in EUR/share	**0.34**	**0.42**

6. OTHER NOTES

SHARE-BASED PAYMENTS

The stock option plan created in 2005/2006 envisions a total of 700,000 options granted to four 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 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).

The following parameters were used in the Black Scholes model to valuate 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 2st tranche (Euro/option)	3.45	3.49
Option value 3st tranche (Euro/option)	3.99	4.38

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 2009/2010 financial year and 19,000 in the last financial year, bringing the number of subscription rights to 252,500 options on September 30, 2011.

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, 2011 breaks down into the following tranches and option plans:

	2007 kEUR	2006 kEUR
1st Tranche	0	0
2nd Tranche	15	0
3rd Tranche	19	66
	34	66
		100

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	25	43
3rd Tranche	20	65
	50	108
		158

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)

The current remuneration of the members of the Management Board of the 2010/2011 fiscal year is:

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous year
Fixed remuneration	167	169	114	450	450
Profit-based remuneration	31	31	22	84	640
Total	**198**	**200**	**136**	**534**	**1,090**

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 3 were reported as expenses from the 2010/2011 fiscal year onwards.

Supervisory Board of MAGIX AG:

- Mr. Karl Heinz Achinger, independent business consultant, Munich
  (Chairman of the Supervisory Board)
- Dr. Peter Coym, former member of a bank management board, Frankfurt/Main
  (Deputy Chairman of the Supervisory Board)
- Mr. Dierk Borchert, independent German public auditor, Frankfurt/Main
  (Ordinary Member of the Supervisory Board)

The current remuneration of the members of the Supervisory Board of the 2010/2011 fiscal year was kEUR 90 (previous year: kEUR 90). Supervisory Board members were not granted any stock options.

Apart from serving as chairman of the Supervisory Board of MAGIX AG, Mr. Karl Heinz Achinger does not hold seats on statutory Supervisory Boards or comparable supervisory bodies in other national or international commercial enterprises.

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:

	2010/2011 kEUR	2009/2010 kEUR
Revenues of Future GmbH with MAGIX AG	757	855
Revenues of MN Soft Corp. with MAGIX Computer Products International Corp.	437	1.364
Revenues of MAGIX AG with MN Soft Corp.	413	1.263
Revenues of ERSO Media GmbH with MAGIX AG	783	1.969
Revenues of ERSO Immobilien GmbH with MAGIX AG	10	-
Revenues of MAGIX AG with ERSO Media GmbH	93	1.508
Revenues of Presto Capital Management GmbH & Co. KG with MAGIX AG	103	96

	Sep 30, 2011 kEUR	Sep 30, 2010 kEUR
Liabilities to Future GmbH	32	50
Liabilities to ERSO Media GmbH	227	278

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. The following payments will be due in future fiscal years:

	2011/12 kEUR	2012/13 kEUR	2013/14 kEUR	2014/15 kEUR	2015/16 kEUR
Rental agreements	1,159	1,117	957	957	861
Leases	41	5	0	0	0
	1,200	**1,122**	**957**	**957**	**861**

There are other financial obligations after the fiscal year 2015/2016 from rental agreements in Germany.

EMPLOYEES

On average in the course of 2010/2011, the Group employed 3 Management Board members (3 full time equivalents), 284 employees (276 full time equivalents) and 58 vocational trainees (58 full time equivalents). In the previous year, on average there were 3 Management Board members (3 full time equivalents), 266 employees (258 full time equivalents) as well as 48 vocational trainees (48 full time equivalents).

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 2011 has been made permanently available by MAGIX AG on the company's website http://ir.magix.com/gb/corporate-governance/report/2009-2010/. The declaration of conformity is also printed in the Corporate Governance Report of the Financial Report.

AUDITOR’S FEES

In the 2010/2011 fiscal year, the following fees were recorded for the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft:

- Annual audits: kEUR 70 (previous year: kEUR 72)

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 suggests that the net accumulated profit of the MAGIX AG from the elapsed 2010/2011 fiscal year in the amount of kEUR 2,371 be carried forward.

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 19, 2011

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, 2011 according to HGB ["Handelsgesetzbuch": German Commercial Code] which has been awarded an unqualified auditor's certificate. Further information can be found on the company website at http://ir.magix.com/de/publikationen/jahresberichte/

INFORMATION ON SHARE OWNERSHIP

MAGIX AG owns shares in the following companies:

Company: **Catooh Corp.**
Registered office: Las Vegas (USA)
Share in capital: 100%
Equity: kEUR 148 as of September 30, 2011
Annual results: kUSD 24 profit as of September 30, 2011

Company: **MAGIX Audio GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 29 as of September 30, 2011
Annual results: kEUR 4 profit as of September 30, 2011

Company: **MAGIX Computer Products International Corp.**
Registered office: Reno, Nevada (USA)
Share in capital: 100%
Equity: kEUR 955 as of September 30, 2011
Annual results: kUSD 104 profit as of September 30, 2011

Company: **MAGIX Entertainment B.V.**
Registered office: Huizen (the Netherlands)
Share in capital: 100%
Equity: kEUR -122 as of September 30, 2011
Annual results: kEUR 34 profit as of September 30, 2011

Company: **MAGIX Entertainment S.A.R.L.**
Registered office: Paris (France)
Share in capital: 100%
Equity: kEUR 496 as of September 30, 2011
Annual results: kEUR 45 profit as of September 30, 2011

Company: **MAGIX Entertainment S.R.L.**
Registered office: Bozen (Italy)
Share in capital: 100%
Equity: kEUR 235 as of September 30, 2011
Annual results: kEUR 52 profit as of September 30, 2011

Company: **MAGIX Ltd.**
Registered office: Hemel Hempstead, Hertfordshire (United Kingdom)
Share in capital: 100%
Equity: kEUR -135 as of September 30, 2011
Annual results: kEUR 54 profit as of September 30, 2011

Company: **MAGIX Ltd.**
Registered office: Taipei City (Taiwan)
Share in capital: 100%
Equity: kEUR 396 as of September 30, 2011
Annual results: kEUR 158 profit as of September 30, 2011

Company: **MAGIX Online Services GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 441 as of September 30, 2011
Annual results: kEUR 147 profit as of September 30, 2011

Company: **MAGIX Software GmbH (previously MAGIX Development GmbH)**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 2,309 as of September 30, 2011
Annual results: kEUR 0 profit as of September 30, 2011

Company: **mufin GmbH**
Registered office: Berlin (Germany)
Share in capital: 100%
Equity: kEUR 225 as of September 30, 2011
Annual results: kEUR 0 profit as of September 30, 2011

Company: **Xara Group Ltd**
Registered office: Hampshire (United Kingdom)
Share in capital: 100%
Equity: kEUR 1,388 as of September 30, 2011
Annual results: kEUR 853 profit as of September 30, 2011

MAGIX AG, BERLIN

BALANCE S
SEPTEMBER

ASSETS

	kEUR	kEUR	September 30, 2010 kEUR
A. NON-CURRENT ASSETS			
I. Intangible assets			
1. Purchased concessions, industrial property rights and similar rights and values as well as licenses in such rights and values	8,544		8,337
2. Down payments made	483		558
		9,027	**8,895**
II. Property, plant and equipment			
1. Leasehold improvements	157		164
2. Technical equipment and machinery	43		33
3. Other facilities, furniture, and office equipment	561		598
		761	**795**
III. Financial assets			
1. Shares in affiliated companies	7,588		7,563
2. Loans to affiliated companies	747		599
		8,335	**8,162**
		18,123	**17,852**
B. CURRENT ASSETS			
I. Inventories			
1. Raw materials and supplies	826		979
2. Finished goods and merchandise	278		360
		1,104	**1,339**
II. Receivables and other assets			
1. Trade accounts receivable	10,868		10,606
2. Receivables from affiliated companies	3,163		2,041
3. Other assets	104		271
		14,135	**12,918**
III. Cash position, cash at banks and checks		**26,091**	**33,915**
		41,330	**48,172**
C. ACCRUALS AND DEFERRALS		**198**	**144**
		59,651	**66,168**

HEET AS OF R 30, 2011

EQUITY & LIABILITIES

			September 30, 2010
	kEUR	kEUR	kEUR
A. EQUITY			
I. Nominal capital		12,662	12,662
II. Capital reserve		14,072	25,662
III. Retained earnings			
Other retained earnings	460		126
		460	126
IV. Balance sheet profit		2,371	9,190
		29,565	**47,640**
B. SPECIAL RESERVE FOR BONUSES		**70**	**114**
C. PROVISIONS			
1. Provisions for taxes	411		834
2. Other provisions	7,904		9,130
		8,315	**9,964**
D. LIABILITIES			
1. Trade payables	722		1,165
2. Liabilities to affiliated companies	8,106		6,172
3. Other liabilities	12,659		1,113
thereof taxes kEUR 651 (previous year kEUR 726)			
thereof within the context of social security kEUR 1 (prev. year: kEUR 0)			
		21,487	**8,450**
E. ACCRUALS AND DEFERRALS		**61**	**0**
F. Deferred taxes		**153**	**0**
		59,651	**66,168**

MAGIX AG, BERLIN

INCOME STATEMENT FOR THE FISCAL YEAR FROM OCTOBER 1, 2010 TO SEPTEMBER 30, 2011

				2009/2010
		kEUR	kEUR	kEUR
1.	Sales revenue	35,552		37,323
2.	Costs of sales of the rendered services necessary for generating the sales revenue	-9,983		-9,596
3.	**Gross profit on sales**		**25,569**	**27,727**
4.	Selling and distribution costs	-11,414		-12,168
5.	General administrative costs	-3,238		-4,711
6.	Research and development costs	-6,786		-6,724
7.	Other operational income	603		1,179
8.	Other operational expenses thereof kEUR 31 from currency conversion	-546		-1,328
			-21,381	**-23,752**
9.	Income from profit transfer agreements	74		180
10.	Revenues from other shares and loans of the financial assets thereof from affiliated companies kEUR 58 (Prev. year kEUR 0)	58		15
11.	Other interests and similar income thereof from affiliated companies kEUR 0 (Prev. year kEUR 12)	205		357
12.	Expenditures from transfer of losses	-857		-984
13.	Interests and similar expenditures thereof to affiliated companies kEUR 51 (Prev. year kEUR 11)	-135		-15
			-655	**-447**
14.	**Results from regular business activity**		**3,533**	**3,528**
15.	Taxes on income and profit	-1,157		-1,350
16.	Other taxes	-5		-9
17.	Deferred tax assets	-9		0
			-1,171	**-1,359**
18.	**Net income for the year**		**2,362**	**2,169**
19.	Profit carried forward		9,190	7,021
20.	Reduction in assets due to payout of dividends		-9,181	0
21.	**Balance sheet profit**		**2,371**	**9,190**

GLOS

ANDROID, ANDROID-BASED

Android is an operating system for mobile devices such as mobile phones and tablet computers.

APP, APPLICATION

Application (or app in short) is commonly used as a synonym for a software application. In day-to-day use, however, it usually refers to smartphone or tablet applications (see below).

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

A community or online community refers to 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. 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

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.

SARY

MAC

Mac stands for Macintosh, a computer manufactured by Apple Inc.

MPEG7 STANDARD

In contrast to MPEG1, MPEG2 and MPEG4, MPEG7 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.

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 OR TABLET COMPUTER

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

WEBHOSTING

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

FINANCIAL CALENDAR

FEBRUARY 2012

29

February 29, 2012
Release of the 2011/2012
3-month report

MAY 2012

31

May 31, 2012
Release of the 2011/2012
6-month report

AUGUST 2012

31

August 31, 2012
Release of the 2011/2012
9-month report

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