MAGIX AG

ANNUAL REPORT 2011/2012

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MAGIX AT A GLANCE

We have been developing, producing and distributing multimedia software since 1993. In addition to PC and Mac software, the product spectrum also includes mobile applications, online and cloud services as well as digital content. Here at MAGIX we pride ourselves on being able to offer perfect solutions for the creation, design, presentation and archiving of digital photos, graphics, websites, video and music. According to retail sales figures, MAGIX is the market leader in the field of multimedia software in Germany and in most important European markets; it is also regarded as one of the most successful market participants in the USA.

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

The company's cornerstone was laid by founders Jürgen Jaron, Dieter Rein and Erhard Rein together with developers Tilman Herberger and Titus Tost. This founding team continues to work closely together to this day and places equal importance on continuity and innovation.

Today, the MAGIX team is made up of more than 340 employees, half of which are developers. They are dedicated to continually improving products and services. Thanks to the largely uniform platform on which MAGIX software is based, innovations can be easily transferred from one product to another, allowing them to be made available ahead of competition.

MAGIX products can be purchased worldwide in more than 20 languages from the online shop www.magix.com, international hardware manufacturers, trading partners and more than 6,500 retail outlets. Over 14.5 million registered users and more than a thousand awards from around the world are testament to the company's innovative power.

MAGIX – passion for innovation!

KEY RATIOS OF THE MAGIX GROUP ACCORDING TO IFRS

	2011/2012 kEUR	Change in %	2010/2011 kEUR
Profit & Loss			
Revenues	**28,816**	-20.2%	36,094
Gross margin	**24,968**	-19.7%	31,078
as % of revenues	**86.6%**	-	86.1%
Earnings before interest and taxes (EBIT)	**2,846**	-46.1%	5,284
as % of revenues	**9.9%**	-	14.6%
Net income	**1,876**	-47.0%	3,541
as % of revenues	**6.5%**	-	9.8%
Earnings per share in EUR	**0.18**	-47.0%	0.34
Balance sheet			
Balance sheet total	**37,511**	-28.4%	52,419
Current assets	**23,039**	-38.8%	37,630
thereof cash position and other financial assets	**16,425**	-39.0%	26,911
Non-current assets	**14,472**	-2.1%	14,789
Current liabilities	**5,619**	-73.2%	20,978
of that liabilities to shareholders	**0**	-100.0%	11,685
additional current liabilities	**5,619**	-39.5%	9,293
Non-current liabilities	**1,237**	145.9%	503
Equity	**30,655**	-0.9%	30,938
Equity ratio	**81.7%**	-	59.0%
Equity ratio after deduction of liabilities to shareholders	**81.7%**	-	76.0%
Cashflow			
Cash flow from operating activities	**6,488**	28.7%	5,041
Cash flow from investing activities	**11,754**	162.3%	-18,854
of that cash paid (received) for purchase (from sale) of other financial assets	**15,000**	200.0%	-15,000
Cash flow from financing activities	**-14,074**	-54.0%	-9,140
of that amount dividends paid	**-11,685**	-27.3%	-9,181
Employees			
Total	**342**	-0.3%	343
Sales & marketing	**121**	-0.8%	122
Research & development	**168**	-2.3%	172
Administration & Production/Logistics	**53**	8.2%	49
Key Ratios			
Registered users at the close of the period	**14,545,879**	10.4%	13,176,990
Conversion rate to direct customers	**9.7%**	-	9.6%
Number of transactions per year	**359,216**	-8.0%	390,415
Average size of transaction	**45.38 €**	10.2%	41.20 €

GREETINGS FROM THE MANAGEMENT BOARD

DEAR SHAREHOLDERS,

The 2011/2012 business year was a difficult period, marked by upheavals in the market. The financial crisis in most of western Europe caused an increased loss of confidence among consumers. While Internet and mail order business were able to hold their ground, retail sales suffered. Many consumers were hesitant to make PC and software purchases, instead preferring other devices such as smartphones and tablets.

Clearly influenced by these developments, Group sales sank from EUR 36.1 million to EUR 28.8 million. Growth in consumer direct sales, as well as in the business customer sector, was unable to compensate for the considerable losses in retail. Looking at regional numbers, the US market proved robust, while western Europe and the German-speaking region remained clearly below last year's levels.

Two circumstances had a positive effect: Sales of product packages including third-party hardware, associated with high cost of sales, fell, and simultaneously sales volume of the business customer sector increased. The gross margin rose from 86% to 87%.

The fact that earnings decreased comparatively moderately in spite of clear sales losses was due to maintained lean cost and human resource structure and especially to the fact that other income came about from liquidation of provisions. After earning EUR 5.3 million during the previous year, the Group's EBIT this year was EUR 2.8 million. Without this special effect the EBIT would have been negative at EUR -1.0 million.

The MAGIX share lost value during 2011/2012 and at the end of the financial year was listed at EUR 2.29. Comparative indices such as TecDAX and DAXsector Software did better, even if the dividend payout of March 2012 in the amount of EUR 1.12 is taken into consideration.

We have viewed the calamities on the market as an opportunity to make a new start. We would like to list some examples here:

In December 2011 we founded simplitec GmbH as a subsidiary, opening the PC system tools market for us. simplitec products developed in the past year ensure optimal performance, stability, security and dependability. Ultimately, as simplitec targets all PC users, the market for simplitec is much larger than the multimedia software market MAGIX previously targeted.

Our subsidiary mufin focused on licensing its technologies to business customers and broached new territory with new product developments in 2011/2012. The audio recognition technology's application field has been especially optimized for TV. Using mufin technology, mobile applications can be synchronized on a smartphone or tablet in realtime with the TV program being broadcast. The current sales development of mufin gives us confidence that mufin GmbH will turn a profit in 2012/2013.

Development of applications for Android, Windows 8 and iOS operating systems, which run predominantly on mobile end devices, addressed the growing market for smartphones and tablets. These are closely connected to MAGIX online services and bring the Group new application areas and customer groups.

Additionally, we have reoriented our Group in 2011/2012 toward reducing structural and procedural complexity. By transferring the operating business to MAGIX Software GmbH, MAGIX AG has established itself as the holding company which provides centralized services such as bookkeeping, human resources and legal services. By transferring foreign distribution companies to MAGIX Software GmbH, the subsidiaries with operational activities remaining, such as mufin GmbH, simplitec GmbH or MAGIX Online Services GmbH, in MAGIX AG gained in profile.

The continuing difficult situation in the market demands our decisiveness, full effort and patience. Due to the initiatives named above and a full product pipeline, our profit expectations for the following two business years are overall positive. Together with our coworkers, we will do everything to maintain MAGIX's profile as an established innovator in 2012/2013 and beyond. We would like to thank you for believing in MAGIX's success.

Sincerely,

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

MAGIX – PASSION FOR INNOVATION

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. 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 demand for simple and high-quality solutions is rising. MAGIX offers everyone a fitting all-around solution for creating, archiving and presenting photos, graphics, videos, music and much more.

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 as well as mobile applications (also known as apps).

In addition to technology you need passion more than anything else to create digital content and present it 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. For these and many other reasons MAGIX stands for passion for innovation

The range of products offered by MAGIX targets private and business users both at home and abroad. MAGIX products are offered worldwide in more than 20 languages through 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'S ORGANIZATION

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 from 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 from 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. Revenues from this division are growing continuously and in the 2011/2012 year have surpassed the B2C indirect division.

B2C INDIRECT

The B2C indirect division comprises sales through retailers. These include classic stationary retailers such as Saturn/Media Markt, Dixons, Fnac and Best Buy, online retailers such as Amazon and Softwareload, as well as Internet platforms such as Google Play and the Microsoft Windows Store. With these and many other strong retail partners with whom MAGIX has maintained long-standing business relationships as well as through its 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. MAGIX has been one of the leading manufacturers of multimedia software for many years.

B2B

MAGIX generates revenues with business clients in the B2B division. These include:

- Companies and organizations that employ MAGIX 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 software for commercial purposes.

More and more corporations are discovering multimedia technology as a very powerful and efficient method of communication and advertising. Technology that was prohibitively expensive only a few years ago is now affordable even for SMEs and essential to ensure a competitive advantage. MAGIX offers a portfolio that is customized to meet the specific needs of any company or organization.

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.

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 strengthen contact with these manufacturers, MAGIX founded a dedicated subsidiary based in Taiwan in 2010.

The prestigious professional applications of the third B2B group are perfect for bringing forward the innovative power of MAGIX that is required to continuously meet high demands and develop MAGIX products at a 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 Digital 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.


MUSIC STUDIO 2013
VIDEO DELUXE 2013 PREMIUM
FOTO & GRAFIK DESIGNER 2013
MAGIX
RETTEN SIE IHRE SCHALL-PLATTEN 2013 UND KASSETTEN!
MAGIX
VIDEO DELUXE 2013 PLUS
MAGIX
MUSIC MAKER 2013 PREMIUM
MAGIX
AUDIO CLEANING LAB 2013
MAGIX
VIDEO DELUXE 2013 PLUS
MAGIX
VIDEO DELUXE 2013 PREMIUM
MAGIX
FOTO & GRAFIK DESIGNER 2013
MAGIX
MAGIX
MAGIX
RETTEN SIE IHRE

360° MULTIMEDIA

STRATEGIC ORIENTATION

360° MULTIMEDIA

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 14.5 million consumers are registered with MAGIX and are characterized by high brand loyalty. MAGIX feels 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 and excite them by great results, which in turn leads to their long-term loyalty to the MAGIX brand.

For technical implementation, software from MAGIX is placed on a common technological platform for both consumer and business customers. 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. The correct response to consumer behavior and the retail situation is to be determined regionally and in a market-specific manner. Product, distribution and service strategies will be decided on and regularly adjusted in a specifically differentiated manner.

In the future, more Internet platforms such as Google Play, Windows Store from Microsoft and App Store from Apple, which market mobile applications from MAGIX, will supplement stationary retailers. These applications are closely connected to MAGIX online services and bring the Group new application areas and customer groups.

SUSTAINABILITY IN THE GROWING DIRECT 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. Because the full spectrum of MAGIX products is available on the company's own web pages, the direct division profits directly from new and further developments in consumer software. At the same time, the Group's websites will be made more entertaining and informative with the help of Internet videos.

New customers are added through mobile applications, among other sources. In addition, MAGIX will continue to operate in online advertising activities. To this end, innovative online marketing campaigns are developed and search engine optimization is used to reach new customers.

The online, mobile 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.

With the simplitec Powersuite, MAGIX now has a comprehensive and competitive 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 from around the world for MAGIX using the Internet.

B2C STRATEGY

From the beginning, MAGIX has focused on creating solutions for pros and by pros. Today, MAGIX stands for innovative, high-performance software in the areas of audio, video, 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 with 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 via this channel, 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.

SUPERVISORY BOARD REPORT

DEAR SIR OR MADAM,

The 2011/2012 financial year was exciting and challenging due to a weak economy and slow development in the PC market. MAGIX has introduced new strategies to enter additional markets; the Group has gained a clearer structure by classifying its operative business as MAGIX Software GmbH; additionally, the balance sheet structure has continued to be optimized by the dividend pay-out in March 2012 and the share buyback in September 2012. In this context, we see MAGIX well prepared for the challenges that lie ahead.

COOPERATION BETWEEN THE MANAGEMENT BOARD AND SUPERVISORY BOARD

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 Supervisory Board has specifically 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 the MAGIX Group and its subsidiaries. The Management Board has informed the Supervisory Board punctually and comprehensively about important events deemed crucial for assessment of the situation, development, as well as day-to-day management of the Group. Supervisory Board Chairmen and the Management Board remained in continuous communication between meetings and have communally discussed the questions concerning business development of the Group (including risks, risk management and compliance), business planning as well as strategic Group orientation.

The Supervisory Board extensively discussed significant business processes based on written and oral Management Board reports. The Management Board involved the Supervisory Board directly in all decisions of fundamental importance to MAGIX AG. The Management Board's proposals were accepted by the Supervisory Board following careful checks and consultation. The documents necessary for a decision were forwarded to the Supervisory Board in due time.

STRUCTURE OF THE SUPERVISORY BOARD

According to the statute the Supervisory Board continues to consist of three members. 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. The term of office for all three Supervisory Board members ends with the Shareholders' meeting deciding the discharge for the 2014/2015 financial year.

SUPERVISORY BOARD MEETINGS

During the 2011/2012 financial year, five Supervisory Board meetings took place. Two resolutions of the Supervisory Board were agreed upon by email outside of the meetings. 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.

The following topics were the main focus of the meetings:

- The preliminary figures of the 2010/2011 financial year and planning for 2011/2012 were the main focus of the meeting on October 13, 2011. Strategy for the MAGIX Group was firmly discussed based on current market observations. Additionally, the founding and orientation of new Group companies, specifically simplitec GmbH and OpenSeminar GmbH were discussed and decided upon.
- During the January 23, 2012 meeting, the Financial Report for September 30, 2011 as well as the Management Board's suggestions for earnings implementation were the focus of discussion. The results of the efficiency review of the Supervisory Board were discussed. Additionally, the current German Corporate Governance Code was discussed in detail and a declaration of conformity issued. The meeting also served as a preparation for the 2012 shareholders' meeting. To this end, the Group restructuring process was discussed in detail and decisions were made about profit transfer agreements with MAGIX Audio GmbH, MAGIX Online Services GmbH, simplitec GmbH and OpenSeminar GmbH.
- On March 14, 2012, a decision was made per email about the spin-off agreement between MAGIX AG and MAGIX Software GmbH, as well as the agenda of the 2012 shareholders' meeting.
- At the meeting on April 30, 2012, the discussion mainly followed up the shareholders' meeting that had taken place earlier the same day.
- The June 27, 2012 meeting was concerned with the progress of newly launched projects such as simplitec and OpenSeminar.
- On June 20, 2012 a decision was reached per email about the stock exchange segment switch from Prime Standard to Entry Standard as well as about the share buyback.
- In the course of the September 25, 2012 meeting, the preliminary 2011/2012 fiscal year figures were discussed in detail along with the plan for 2012/2013.

All members of the Supervisory Board were present in all meetings of the Supervisory Board during the financial year 2011/2012. Informal conversations took place between the Management Board and the Supervisory Board as well as between the Supervisory Board members outside 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 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 23, 2012 of the previous financial year and the meeting on January 22, 2013 of the current financial year.

Both bodies have taken the necessary steps to follow the recommendations of the Code as closely as possible. In 2011/2012 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 2011/2012 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 2011/2012

At the Shareholders' Meeting of MAGIX AG on April 30, 2012 it was decided that Ernst & Young AG Auditing Company, headquartered in Stuttgart and with an office in Berlin, be appointed the auditor and group auditor for the Financial Year 2011/2012. 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, 2012 as well as the Group Report, prepared according to the IFRS, as of September 30, 2012 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 for the assets, finance and revenue situation of the Group and was available for additional information. The auditor also reported that the Management Board has implemented in a suitable manner the measures required according to §91 Section 2 (Stock Corporation Act), in particular regarding the installation of a monitoring system, and that the monitoring system is suitable to reveal at an early stage developments that may jeopardize the continuation of the Group.

The statements and reports have been carefully checked by the Supervisory Board. This includes the 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 2011/2012 financial year. With this, the Supervisory Board has approved the annual report set up by the Management Board during its meeting on January 22, 2013. Additionally, the Supervisory Board has discussed the suggestion for earnings implementation with the Management Board and has rallied behind the Board's suggestion.

THANK YOU

The Supervisory Board would like to extend thanks to the Management Board as well as all of the Group's employees for their dedication and work during the completed financial year. In conclusion, we would like to thank the shareholders of MAGIX AG for the confidence placed in us.

The Supervisory Board

Karl Heinz Achinger
Chairman of the Supervisory Board

Berlin, January 2013

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 2012, 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, or since its validity in the amended version from May 15, 2012 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.

- **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 2013, 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	16.965
Dieter Rein	1,592,967.5	16.965
Tilman Herberger	225,000	2.396
Presto Capital Management GmbH & Co. KG**	2,896,000	30.842

** 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 64.772% of the company's voting rights.

Supervisory Board	Number of held shares	Stake in %
Karl Heinz Achinger	25,000	0.266
Dr. Peter Coym	30,000	0.319
Dierk Borchert	30,000	0.319

TRANSACTIONS BY MEMBERS OF THE MAGIX AG MANAGEMENT SUBJECT TO NOTIFICATION SINCE SEPTEMBER 30, 2011

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

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
2012-04-02	**Karl Heinz Achinger / Member of Supervisory Board**		
	Sale	Frankfurt	1,000 shares
	4.005	EUR	EUR 4,005
2012-04-03	**Karl Heinz Achinger / Member of Supervisory Board**		
	Purchase	Düsseldorf	1,000 shares
	4.06	EUR	EUR 4,060

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. These 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 financial year. In the event of extraordinary achievements, the Supervisory Board may also approve a special bonus.

Total compensation of the Management Board in the 2011/2012 financial year comprised kEUR 474. Success-independent components totaled kEUR 474 (fixed salaries: kEUR 421, fringe benefits: kEUR 53). Performance-dependent Management Board earnings did not apply. During the reporting period, no share options were assigned to Management Board members. Loans or similar services were not given. In addition, Board members were not promised or granted benefits by third parties with regard to their activity as members of the Management Board.

The remunerations were apportioned as follows (in kEUR):

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous year
Fixed remuneration	180	180	114	474	450
Profit-based remuneration	0	0	0	0	84
Total	**180**	**180**	**114**	**474**	**534**

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 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 these 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 2011/2012 financial year.

Berlin, January 2013

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


2. Spiel
nicht
Werder
gelten
Republik
für eine
Erste
Roms

THE MAGIX SHARE


MAGIX-SHARE
DAXSECTOR SOFTWARE - rebased
TECDAX - rebased
DAX - rebased
%
200
175
150
125
100
75
50
25
0
Aug. 11
Oct. 11
Dec. 11
Feb. 12
Apr. 12
Jun. 12
Aug. 12
Oct. 12

THE MAGIX SHARE

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

On July 20, 2012 the Management Board of MAGIX AG with the approval of the Supervisory Board decided to switch the registration of the company from the regulated market of the Frankfurt Stock Exchange (Prime Standard) to the Entry Standard segment (Open Market). The admission to the regulated market will be revoked at the close of March 27, 2013. The switch to Entry Standard should therefore take place on March 28, 2013.

GENERAL MARKET DEVELOPMENT

Despite worldwide economic uncertainty and the worsening debt crisis in Europe, the German stock market was still able to achieve gains during the reporting period between from October 2011 to September 2012. On September 30, 2012 the DAX closed at 7,216 points which was 31% higher than the previous year.

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

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

	2011-10-01 – 2012-09-30	2010-10-01 – 2011-09-30
Share price at the start of the fiscal year in EUR	5.30	5.25
Highest price in EUR	6.60	9.60
Lowest price in EUR	2.11	4.50
Share price at the end of the reporting period in EUR	2.29	5.25
Earnings per share in EUR	0.18	0.34
Price-earnings-ratio at the end of the reporting period	13	15
Payout per share in EUR	1.12	0.88
Market capitalization at the end of the reporting period in EUR	21,502,383	54,772,772
Average revenue per trading day in EUR	33,818	86,733
Average revenue per trading day in shares	6,809	12,688
Number of shares at the end of the reporting period	9,389,687	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	2.95	2.97

DEVELOPMENT OF THE SHARE

The MAGIX share started the 2011/2012 financial year at EUR 5.25. This corresponded exactly to the value at which it started in the previous year. The share gained noticeably in the first quarter of the financial year and ended the 2011 calendar year at EUR 6.10.

After an intermediate peak price of EUR 6.60 in January 2012, the share came under pressure in the first half of 2012. On March 28, 2012 a deduction for the dividend payout of EUR 1.12 took place. As a result, the MAGIX share was listed at just EUR 2.38 on June 29, 2012, nine months after the financial year start. During the following fourth quarter the price stabilized between EUR 2.20 and EUR 2.30. At the end of the financial year the share exited the exchange at EUR 2.29. Comparable indices such as TecDAX and DAXsector Software did comparatively better, even if the dividend payout is taken into consideration.

Market liquidity fell in comparison to the previous year. On average, 6,809 MAGIX shares were traded on Xetra each day of trading. The average daily revenue amounted to approximately kEUR 34.

SHARE BUYBACK AND RETIREMENT

Authorized by the resolution of the Shareholders' Meeting on March 10, 2010, the Management Board with the support of the Supervisory Board decided on July 20, 2012 to submit a voluntary public buyback offering to MAGIX shareholders covering 1,043,290 shares at a price of EUR 2.30 per share. In September 11, 2012, 1,043,222 own shares were acquired this way. With effect as of September 18, 2012, these shares were retired in a simplified form in accordance with Art. 71, sec. 1, no. 8, sentence 6 German Stock Corporation Act. After collection the share capital of the company remains unchanged at this time at EUR 12,662,038, and is divided into 9,389,687 common shares without nominal value (no-par-value shares).

STOCK HELD BY BOARD MEMBERS

During the 2011/2012 financial year, the following transactions subject to notification were conducted by members of MAGIX AG management:

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
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	Sale	Frankfurt	1,000 shares
	4.005	EUR	EUR 4,005
2012-04-03	**Karl Heinz Achinger / Member of Supervisory Board**		
	Purchase	Düsseldorf	1,000 shares
	4.06	EUR	EUR 4,060

As of September 30, 2012, 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	16.965
Dieter Rein	1,592,967.5	16.965
Tilman Herberger	225,000	2.396
Presto Capital Management GmbH & Co. KG**	2,896,000	30.842

Supervisory Board	Number of held shares	Stake in %
Karl Heinz Achinger	25,000	0.266
Dr. Peter Coym	30,000	0.319
Dierk Borchert	30,000	0.319

SHAREHOLDER STRUCTURE

During the 2011/2012 financial year the following trades took place concerning shareholders with a stake that exceeds the threshold level of 3%:

As a result of the share buyback, ownership of own shares by MAGIX AG on September 11, 2012 has exceeded the threshold of 3% and 5% and was on this day 9.9993% (1,043,222 shares). On the same day the voting share of Heidelberg Private Equity Fund I GmbH & Co. KG dropped below the thresholds of 10%, 5% and 3% and amounted on this day to 2.99% (312,949 voting shares).

On September 18, 2012, as a result of share retirement, the ownership of own shares by MAGIX AG dropped below the threshold of 5% and 3% and amounted to 0% (0 shares). On the same day the voting share in MAGIX AG held by HeidelbergCapital Private Equity Fund I GmbH & Co. KG, Heidelberg/Germany exceeded the threshold of 3% and amounted to 3.33% (312,949 voting rights).

INVESTOR RELATIONS

Transparent and open communication is a cornerstone of our corporate culture. Providing our current and potential investors with timely and comprehensive information about our business activities and all topics concerning our share is of the utmost importance to MAGIX AG.

Current information on the MAGIX share is available online on the Investor Relations page at http://ir.magix.com/gb/the-share/.

** 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 64.772% of the company's voting rights.


JÜRGEN JARON
16.965 %
DIETER REIN
16.965 %
PRESTO CAPITAL MANAGEMENT GMBH & CO. KG**
30.842 %
FREEFLOAT
35.228 %

MUFIN


cnn
3G
4:20 PM
NEW!
The next generation
continuous
mufin

MUFIN – INNOVATIVE TECHNOLOGIES AS THE MAIN FOCUS

With its audio recognition software, mufin is Germany's first tech company to enter the second screen market.

By focusing on licensing its technologies to business customers and developing new products in the area of audio recognition, mufin has broached new territory with a big growth potential. The technology for analysis, characterization and identification of audio signals has been further developed and expanded to the TV and radio industry. In addition to audio identification, mufin's second mainstay, music recommendation, has also gained maturity on the market.

POTENTIAL ON THE SECOND SCREEN MARKET

Whereas living room TVs could once count on our full attention, they now have to compete against parallel usage of smartphones and tablets — mobile end devices with a "second screen". Advertisers, TV stations and producers didn't make us wait for their reaction: why not combine media and create a synergy?

mufin recognized the potential of the second screen phenomenon early and optimized existing recognition technology for the TV sector. Using mufin audio recognition technology, mobile applications (apps) can be synchronized on a second screen in realtime with a TV program being broadcast. This way the user can get timely information accompanying the program. This is of use to TV channels for marketing shows or to advertisers, for identifying their ad spots, combining them with contests on smartphones or for simple statistical evaluation.

NEW PRODUCTS AND TECHNOLOGIES BEING USED

- audioid live channel detection
- audioid in-app recognition
- audioid server

This trio is based on audioid from mufin, which enables quick and unambiguous audio signal recognition. To accomplish this, a compact data set from the audio is first generated and then saved as a uniquely identifiable acoustic fingerprint inside a database. Later, a short segment of the audio is sufficient for identification by comparison against the acoustic fingerprint in the database.

audioid live channel detection was created for live TV and radio broadcasts and lets an app recognize the channel as well as the exact time of a broadcast in seconds. The app makes it possible to display second-screen content in a coordinated, timely fashion.

audioid in-app recognition is targeted to a similar user scenario, recognition of TV and radio programs. The difference is that the audioid in-app recognition isn't meant for live broadcasts, but rather for pre-produced content such as TV series or ads. Recognition takes place directly on the device. This means that no Internet connection or special server is required. This makes it suitable for ad campaigns with a wide coverage, where many users simultaneously attempt to recognize a spot.

audioid server is the all-round talent for server-based audio recognition from mufin. This creates a wide range of application scenarios, such as

- 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.

All described technologies are property of the Group subsidiary mufin GmbH. The market for audio recognition and second screen applications targeted by this technology is still young and harbors enormous growth potential. As part of the venture segment, mufin will proportionately contribute to the future growth of the MAGIX Group.


simplitec
Software
Help
Company
Our PC, as stable as on day one
Buy now
£29.99
Your PC is a trusted partner
Microsoft Gold Partner
What our customers say

SIMPLITEC

SIMPLITEC – WE SIMPLIFY TECHNOLOGY

simplitec system tools provide optimal performance, stability, security and reliability for any Windows PC.

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

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.

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. You will find newly developed solutions at www.simplitec.com.

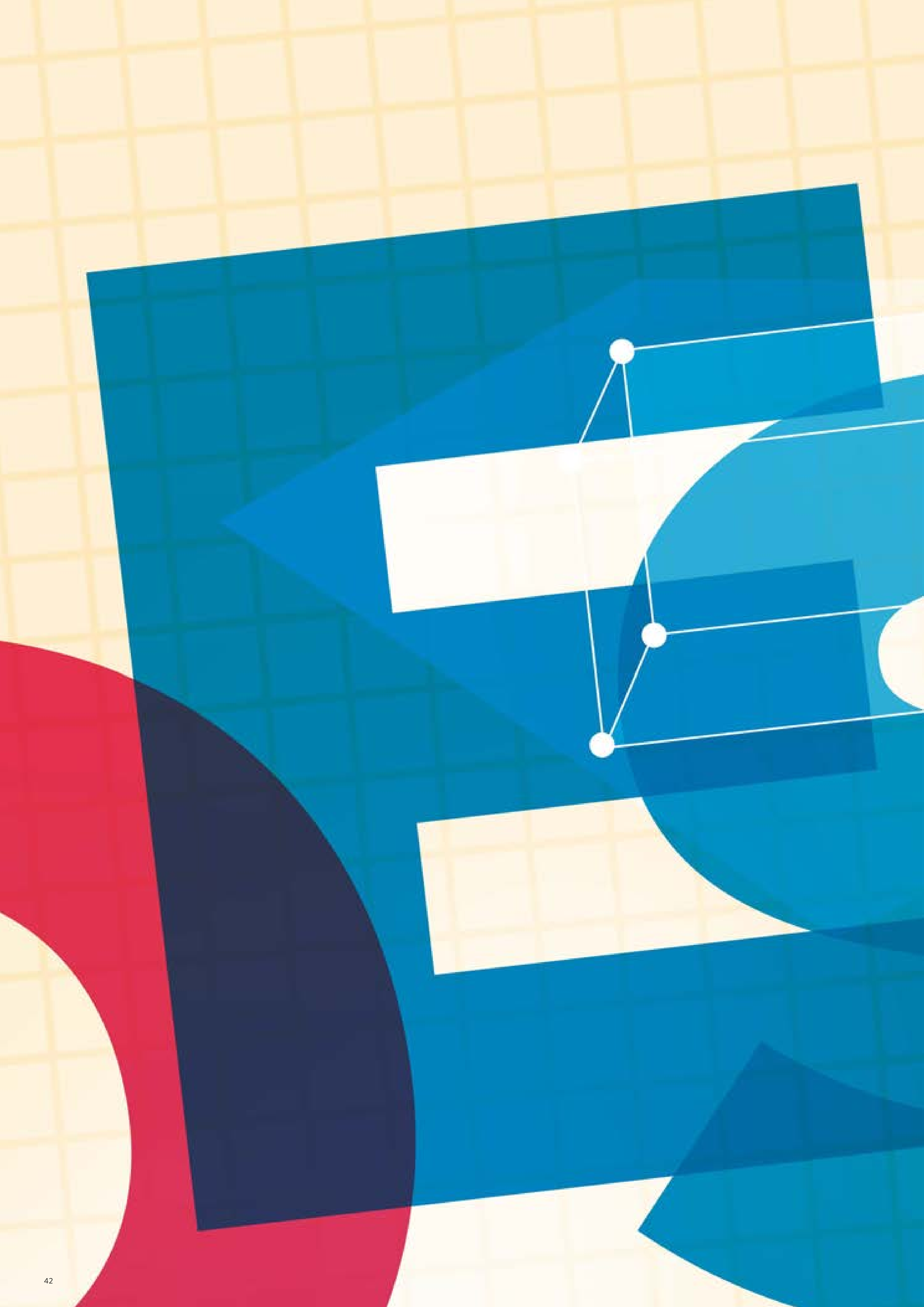
simplifast accelerates PCs by improving PC performance and optimizing system launch and web settings. Plus, the high-speed mode enables additional performance improvement.

simpliclean improves your PCs stability and cleans it thoroughly. This includes professional cleanup and defragmentation of the Windows Registry and secure deletion of unnecessary files.

simplisafe ensures your privacy is safe, improves PC security and updates the system. This takes place through repair or safe removal of files you no longer need, as well as by keeping all drivers and software up-to-date.

The **simplitec Power Suite** brings the strengths of simplifast, simpliclean and simplisafe together in a high-performance package. The Power Suite is a perfect solution that takes care of all PC problems simply, quickly and effectively.

In cooperation with OpenSeminar GmbH, a company that focuses on training seminars, also founded in December 2011, simplitec GmbH expanded the venture segment of MAGIX in the 2011/2012 financial year, making it an important element in position to make a major contribution to the Group's future growth.



XARA

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

MAGIX has begun to expand the professional product portfolio in recent years in order to better serve the B2B market. With these packages, MAGIX enables businesses to create their own digital content in order to be able to communicate their products and services over the Internet more efficiently for marketing purposes. Xara plays a major role in this context.

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, impressive results can be achieved 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 everyone!

The UK-based **Xara Group Limited** (or Xara) has belonged 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 three 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 is 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.

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

MAGIX ONLINE WORLD

ALL YOU NEED FOR YOUR HOMEPAGE

THE ONLINE WORLD FROM MAGIX OFFERS EVERYTHING FOR CREATING AND RUNNING A WEBSITE: SOFTWARE, WEBHOSTING, DOMAINS AND EMAIL STORAGE.

If you want to create with the help of your computer, you're at the right address with MAGIX. Thanks to the new MX function found in all MAGIX programs, you can publish photos, videos and music directly on the web and upload them to MAGIX Online World.

With its Web Designer, MAGIX additionally offers a very successful program for creating your own web pages. Finished web pages can be uploaded to MAGIX Online World directly from the program to be published on the web. For this, MAGIX offers an ideal entryway with its free webhosting, and for those who want more, additional offers such as domain addresses, email storage and extra disk space can be added at any time.

MAGIX Online World can be used at www.magix-online.com even without installing a MAGIX product on your PC. MAGIX Online Album as well as the MAGIX Website Maker are pure online applications, which run directly in the Internet browser. This eliminates not just the installation, but also regular updates, enabling these applications to run on PCs, Macs, netbooks or tablets via the Internet from any location in the world. Additionally, MAGIX Online Album can be accessed with the mobile app using an iPhone, iPad, an Android device or new Windows 8 devices on the go.

MAGIX Online World is a true cloud service, connecting the offline, online and mobile worlds to each other and is seamlessly integrated into MAGIX software products. MAGIX is a pioneer in cloud services, software-as-a-service and mobile apps.

In order to present the MAGIX Online World cost and earnings situation in a transparent and precise way, MAGIX Online Services GmbH was founded in 2009 as a 100 % subsidiary of MAGIX AG with registered offices in Berlin. It has repeatedly made a positive contribution to the Group's earnings during the past financial year, and together with mufin GmbH, simplitec GmbH, OpenSeminar GmbH as well as Xara Group Ltd. belongs to the Venture segment, which significantly contributes to the growth of MAGIX.

GROUP MANAGEMENT REPORT

1. QUICK OVERVIEW OF THE 2011/2012 FINANCIAL YEAR

With its subsidiaries (MAGIX Group or simply MAGIX), MAGIX AG is an international provider of software, online services and digital content. In the 2011/2012 financial year lasting from October 2011 until September 2012 (reporting period) MAGIX faced the increasing challenges of a worsening market.

Thanks to its development efforts of past years, MAGIX occupies the position of a multimedia software, online services, systems tools and mobile applications innovator. New developments are driven strictly by the market. Product developers and at the end, MAGIX customers, profit from the fact that the Group's offer is increasingly based 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 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.

Influenced by the difficult situation in retails as well as by the drastic slump in consumer PC sales, the Group revenue sank from EUR 36.1 million to EUR 28.8 million. The proportion of sales involving product packages containing third-party hardware and associated with higher sales costs continued to fall in 2011/2012. Simultaneously, the proportion of revenue coming from software for business customers rose. This had a positive effect on the gross margin, which further improved from 86% to 87%.

The fact that earnings decreased comparatively moderately in spite of clear sales losses was due to maintained lean cost and human resource structure and especially to the fact that other income came about from the reduction of provisions. After earning EUR 5.3 million in 2010/2011, the Group's EBIT this year was EUR 2.8 million.

The financial result was unchanged at EUR 0.1 million. The tax burden of 37% was slightly above the previous year's level of 34%. The Group's net income was therefore EUR 1.9 million, or 47% lower than the previous year's value.

Operating cashflow definitely rose by 29% to EUR 6.5 million in spite of lowered Group earnings. Positive development of working capital was characteristic, especially the clear reduction in accounts receivable compared to the previous year. Even after the dividend payout in March 2012 in the amount of EUR 11.7 million and the share buyback for EUR 2.4 million in September 2012, MAGIX continues to have enough financial assets for possible acquisitions. The Group's capital structure remains solid.

Based on some initial indicators, such as clearly expanded direct sales in the fourth quarter of 2011/2012, MAGIX has a positive outlook on business in 2012/2013 and 2013/2014. As long as the industry doesn't surprise with extremely negative impulses, both coming financial years are expected to bring revenue growth. Growth potential is seen particularly in the direct and B2B divisions.

With respect to costs, an unchanged gross margin and constant operating costs are expected. While short-term earnings development is to a high degree dependent on further developments in the PC market and introduction of the Microsoft Windows 8 operating system, great potential for marketing new products for small and medium-sized businesses and mobile application is seen, which is expected to bring substantially higher earnings.

2. BASIC FINANCIAL CONDITIONS

2.1 OVERALL ECONOMIC ENVIRONMENT

In 2011/2012 the global economy continued to grow weaker. Following a plus of 3.8% in 2011, the International Monetary Fund (IMF) lowered its expectations and now predicts a 3.3% rise in global economy in 2012 (as of October 2012). Growth slowed in the industrial as well as emerging and developing countries. This is explained specifically by government budget cost-cutting measures as well as continued instability of the global financial system.

While the USA was able to resist this trend (here, growth rose from 1.8% in 2011 to 2.2% in 2012) developments in Western Europe remained clearly behind in industrial countries. For 2012, the IMF expects a fall in economic expansion by 0.3%, whereby the region grew by 1.4% only in the previous year.

Within Western Europe, economic developments were very variable. The German economy again assumed a leading role, but was increasingly influenced by the pressures of the weak economic environment. Following the strong economic growth in 2011 of 3.1%, the local economy showed decisively weaker dynamics in 2012 with growth of only 0.9%.

According to the Federal Office of Statistics, in the final quarter of 2011 the gross domestic product in Germany decreased by 0.1% compared to the previous quarter. In 2012 the economy gained 0.5% in the first quarter, 0.3% in the second quarter and 0.2% in the third quarter. Growth was driven by export industries, which benefited from strong demand from outside of Europe. Recently, the demand for German industrial exports noticeably weakened outside the European region.

The trend in consumer spending was also positive. However, revenues in retail in the non-foods sector fell by 0.2% between January and September 2012. While Internet and mailorder sales increased by 1.8%, business in so-called "other retail with various products" (such as department stores) shrank by 2.5%.

2.2 SECTOR DEVELOPMENT

The global IT market developed overall positively in 2011 and 2012. In its "ICT Market Report 2012/13" the European Information Technology Observatory (EITO) expects 5% growth during 2012 in global IT revenue. Growth will be seen increasingly in emerging countries, while Western Europe is expected to produce the lowest growth rates.

The German Association for Information Technology, Telecommunications and New Media e.V. (BITKOM) predicts 2.3% growth in the German IT market in 2012 (2011: 3.1%). The software market will be slightly stronger than the overall market, growing by 4.4% (2011: 4.9%). Here it should be taken into account that the market for consumer software represents only around 15% of the total software market. The market for multimedia software comprises a relatively small part of the software market and is subject to special, dynamic influences.

A significant factor is the development of the PC market for consumers. According to Gartner market research, the PC market showed no or minimal growth for the seventh time in a row in the third quarter of 2012. Specifically in Western Europe, demand for PCs in all countries was considerably weaker than in the previous year. Consumers were especially hesitant, on the one hand because they were interested in other devices such as smartphones and tablets, on the other because they waited for the new Microsoft Windows 8 release before making new PC purchases.

3. BUSINESS DEVELOPMENT

3.1 EARNINGS

PROFITS DEVELOPMENT

Earnings Before Interest and Taxes (EBIT) of EUR 2.8 million for the MAGIX Group in the 2011/2012 financial year were 46% below the previous year's level. The EBIT margin dropped from 15% to 10%. The fact that earnings sank comparatively moderately in spite of sales falling by EUR 7.3 million to EUR 28.8 million is partially attributed to a reduction of the Group's other accruals by EUR 4.0 million in favor of other income. Additionally, the Group's lean cost structure and rising proportion of high-margin revenue in the business customer sector had a positive effect on earnings.

Xara Group Ltd. enjoyed continued success. While MAGIX Online Services GmbH also made a positive contribution to the Group's EBIT, mufin GmbH for music recognition and recommendation technologies as well as simplitec GmbH for system tools were still in an early phase in relation to marketing solutions in 2011/2012. For a more differentiated view of the results, please refer to the segment reporting in the consolidated financial statement.

Thanks to continued low interest levels, the financial result reached the previous year's value of EUR 0.1 million. The Group's net income was EUR 1.9 million, 47% below the previous year's levels. The tax burden rose slightly from 34% in 2010/2011 to 37%.

REVENUES

The Group's revenues dropped in all four quarters of the financial year and, totaling EUR 28.8 million, remained clearly below last year's EUR 36.1 million. The low sales are attributed to the difficult retail situation as well as the weak PC market. Growth in consumer direct sales as well as in the B2B sector was unable to compensate for the considerable losses in retail. Looking at regional numbers, the US market proved robust, while western Europe and the German-speaking region remained clearly below last year's levels.

Due to the publication cycle of MAGIX products, revenue distribution across the individual quarters has always been and remains varied: Quarters one and four of the fiscal year usually have stronger sales than the quarters in between. This continued to be the case in 2011/2012. Group sales fell in the first quarter by 25% to EUR 8.1 million, in the second quarter by 19% to EUR 6.7 million, in the third quarter by 1% to EUR 6.0 million and in the fourth quarter by 27% to EUR 8.0 million.

Revenue by Division and Segment

MAGIX has organized segment reporting based on IFRS 8 regulations. During the reporting period, revenue was down in both segments created based on these regulations, Multimedia and Ventures.

The revenue for the Venture segment made up of Online Services, music recognition and recommendation technology mufin, Xara Graphics and web design products as well as products and services that are offered by simplitec GmbH and OpenSeminar GmbH, founded in December 2011, fell by 8% from EUR 6.9 million to EUR 6.3 million. The Multimedia segment, which includes all other software products that serve to create, edit, present and manage music, photos and videos, representing the core business of MAGIX, showed a clearer loss in revenue, falling by 23% from EUR 29.2 million to EUR 22.5 million.

OVERVIEW OF THE MAGIX GROUP'S RESULTS

	Oct 1, 2011 to Sep 30, 2012 kEUR	Oct 1, 2010 to Sep 30, 2011 kEUR	Change %
Revenues	28,816	36,094	-20.2
Gross margin as% of revenues	24,968 86.6 %	31,078 86.1 %	-19.7
Earnings before interest and taxes as% of revenues	2,846 9.9 %	5,284 14.6 %	-46.1
Earnings before taxes as% of revenues	2,975 10.3 %	5,336 14.8 %	-44.2
Net income of the Group as% of revenues	1,876 6.5 %	3,541 9.8 %	-47.0

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. 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,
www.simplitec.com or
www.magix-online.com,
which distribute the full range of MAGIX products online.

The third division, B2B, generates MAGIX revenues through business customers. These include:

- hardware manufacturers (OEM) that distribute their products in packages including MAGIX software;
- companies and organizations that implement solutions from MAGIX, e.g. Xara Designer Pro, for all aspects of presenting the company image or MAGIX Video Pro X for professional editing of video material;
- professional users who employ MAGIX software, such as Samplitude and Sequoia, for commercial purposes.

With a revenue share of 8.6% in this reporting period, the B2B area is comparatively small. The B2C indirect and B2C direct divisions were unevenly stronger, with a revenue share of 33.0% and 58.4%. 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 that is the 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 development in MAGIX' three business areas was as follows:

MAGIX GROUP – REVENUE ACCORDING TO BUSINESS DIVISIONS AS OF SEPTEMBER 30, 2012

	Oct 1, 2011 to Sep 30, 2012		Oct 1, 2010 to Sep 30, 2011		+ / -	
	kEUR	%	kEUR	%	kEUR	%
B2C indirect	9,516	33.0	17,373	48.1	-7,857	-45.2
B2C direct	16,822	58.4	16,555	45.9	+267	+1.6
B2B	2,478	8.6	2,166	6.0	+312	+14.4
Total	**28,816**	**100.0**	**36,094**	**100.0**	**-7,278**	**-20.2**


B2C DIRECT
58.4%
B2C INDIRECT
33.0%
B2B
8.6%

Revenue in the B2C indirect division dropped considerably in all four quarters compared to the previous year. Revenues here were EUR 9.5 million, 45% below the previous year. Retail sales in the German-speaking region and Western Europe were weaker, while regional revenue in the USA remained stable.

In spite of the difficult situation in the consumer PC market, the B2C direct division rose to EUR 16.8 million. This corresponds to an increase of 2%. Revenues in the Western Europe region fell slightly, while gains were noted in the German-speaking region and the USA. Overall, the trend towards increased use of MAGIX online services and the MAGIX online shop has continued. The number of registered users rose by 10% to 14.5 million. The conversion rate (registered users to direct customers) even rose from 9.6% in the previous year to 9.7%.

Revenues increased in the B2B division, too. In general, earnings here are more volatile, since revenues from business customers depend on comparatively few orders. Segment revenues were EUR 2.5 million, 14% above the previous year. Revenues for professional software increased in particular. In contrast, OEM business proved weaker, but continued to be an important means of expanding the customer base.

REVENUE BY REGION

MAGIX received by far the strongest revenue (63.5%) in the German-speaking region (Germany/Austria/Switzerland). This was followed in unchanged order by the region Western Europe (20.3%), the US (12.0%) and the rest of the world (4.2%).

Regional revenue development was as follows:

Over the course of the year, revenue in both regions with the strongest revenue, G/A/S and Western Europe, fell. Revenues in the USA, in contrast, were robust. In the so-called Rest of the World, business benefited from increased internationalization of the Group's product range.

In the German-speaking region, revenue especially suffered from the weak retail cycle. Direct revenue as well as the business customer revenue, on the other hand, rose slightly. Falling by 20% to EUR 18.3 million, the region still remained clearly behind last year's figures.

In Western Europe retail sales fell even more. In addition, direct sales as well as the B2B division were also weaker than the previous year. Revenue in the region fell by 36% to EUR 5.9 million.

In the USA, a strong fourth quarter ensured revenue growth after the first three quarters brought a slight drop in sales. US revenues were EUR 3.5 million, 7% above the previous year. Moderate sales increases were achieved in both retail and direct business.

The Rest of the World region also developed in a positive fashion, rising by 52% to EUR 1.2 million. This region showed strong growth in all three business divisions.

MAGIX GROUP – REVENUE ACCORDING TO REGIONS AS OF SEPTEMBER 30, 2012

	Oct 1, 2011 to Sep 30, 2012		Oct 1, 2010 to Sep 30, 2011		+ / -	
	kEUR	%	kEUR	%	kEUR	%
G/A/S	18,296	63.5	22,960	63.6	-4,664	-20.3
Western Europe	5,853	20.3	9,096	25.2	-3,243	-35.7
USA	3,457	12.0	3,242	9.0	+215	+6.6
Rest of World	1,210	4.2	796	2.2	+414	+52.0
Total	**28,816**	**100.0**	**36,094**	**100.0**	**-7,278**	**-20.2**


G/A/S
63.5 %
WESTERN EUROPE
20.3 %
USA
12.0 %
REST OF WORLD
4.2 %


SELLING & DISTRIBUTION COSTS
51.0 %
ADMINISTRATIVE COSTS
17.8 %
R&D COSTS
31.2 %

GROSS PROFIT AND GROSS MARGIN

A revenue decrease of EUR 7.3 million was accompanied by a fall in gross profit from EUR 31.1 million to EUR 25.0 million. Consequently, the costs of goods dropped disproportionately from EUR 5.0 million to EUR 3.8 million, which improved the relative gross margin slightly from 86% to 87%.

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

The Group's cost structure remained slim. Amortizations, depreciations and operating costs fell slightly from EUR 26.0 million to EUR 25.9 million. Amortization and depreciation stayed at EUR 3.8 million, while operating costs fell from EUR 22.2 million to EUR 22.1 million.

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

Selling and distribution costs, which comprise almost half of the operating costs, sank slightly by EUR 0.1 million to EUR 11.3 million. While marketing costs as well as marketing personnel costs rose slightly, other distribution costs, such as for shipping, fell.

Clear savings were achieved in the administrative department. The department's operating costs amounted to EUR 3.9 million. This corresponds to a reduction of 8%. Reduced personnel costs and other administration operating costs were decisive for this.

Operating costs in research and development, which mainly includes personnel costs and other expenses, rose by 4% to EUR 6.9 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.

MAGIX GROUP – OPERATING COSTS AS OF SEPTEMBER 30, 2012

	Oct 1, 2011 to Sep 30, 2012		Oct 1, 2010 to Sep 30, 2011		+ / -	
	kEUR	%	kEUR	%	kEUR	%
Selling & distribution costs	11,251	51.0	11,319	51.0	-68	-0.6
Administrative costs	3,924	17.8	4,277	19.3	-353	-8.3
R&D costs	6,878	31.2	6,582	29.7	+296	+4.5
Total	**22,053**	**100.0**	**22,178**	**100.0**	**-125**	**-0.6**

BALANCE SHEET

MAGIX AG, BERLIN – AN OVERVIEW OF THE CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2012

	Sep 30, 2012 kEUR	Sep 30, 2011 kEUR	Change %
Non-current assets	14,472	14,789	-2.1
Current assets	23,039	37,630	-38.8
thereof cash position and other financial assets	16,425	26,911	-39.0
Total assets	**37,511**	**52,419**	**-28.4**
Equity	30,655	30,938	-0.9
Non-current liabilities	1,237	503	+145.9
Current liabilities and provisions	5,619	20,978	-73.2
of that liabilities to shareholders	0	11,685	-100.0
additional current liabilities	5,619	9,293	-39.5
Total equity and liabilities	**37,511**	**52,419**	**-28.4**

In annual comparison, the balance sheet total fell by EUR 14.9 million to EUR 37.5 million. The dividend payout from March 2012 as well as the share buyback in September 2012 had a clear influence.

The Group's equity shrank by EUR 2.4 million due to the share buyback. This reduction was largely compensated by the consolidated net profit of EUR 1.9 million, resulting in equity falling by only 1% to EUR 30.7 million.

Borrowed capital was markedly reduced. While long-term liabilities rose by EUR 0.7 million to EUR 1.2 million due to growing latent tax liabilities, short-term liabilities sank by EUR 15.4 million to EUR 5.6 million. Two factors were of particular importance for this. Firstly, the amount set apart for the dividend payout in March was balanced as a liability to the MAGIX AG shareholders already on September 30, 2011; as a result of the payout, the short-term borrowed capital sank by EUR 11.7 million. Secondly, accruals, especially for licensing fees to be paid out, could be reduced by EUR 4.0 million to EUR 1.0 million.

The development of the Group's capital structure was accordingly positive: A reduction in borrowed capital had the effect of increasing equity ratio from 59% to 82%. Cleared of short-term liabilities to shareholders, equity ratio was at 76% at the end of last year.

Investments in long-term assets were reduced by EUR 0.6 million to EUR 3.5 million. Self-generated immaterial assets played an important role in investments, as in previous years. For additional information on this subject, please refer to the Research and Development section. Balanced against investments were write-offs in the amount of EUR 3.8 million, so that the value of long-term assets fell by EUR 0.3 million to EUR 14.5 million compared to the previous year.

Current assets dropped sharply by EUR 14.6 million to EUR 23.0 million. Decisive for this were the dividend payout and share buyback, which brought about a liquidity outflow of EUR 11.7 million and EUR 2.4 million. In this context, liquidity and other financial assets (mostly time deposits with a term of six months) fell moderately by EUR 10.5 million to EUR 16.4 million. Additionally, inventories were reduced by EUR 0.4 million to EUR 0.7 million and accounts receivable by EUR 4.2 million to EUR 5.3 million.

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

	Oct 1, 2011 to Sep 30, 2012 kEUR	Oct 1, 2010 to Sep 30, 2011 kEUR	Change %
Cash flow from operating activities	6,488	5,041	+28.7
Cash flow from investment activities	11,754	-18,854	+162.3
of which cash paid for purchase of other financial assets	15,000	-15,000	+200.0
Cash flow from financing activities	-14,074	-9,140	-54.0
of that amount dividends paid	-11,685	-9,181	+27.3
Foreign currency exchange differences	210	5	+4,100.0
Change in cash and cash equivalents	**4,378**	**-22,948**	**+119.1**
Cash and cash equivalents at the beginning of the period	10,825	33,773	-67.9
Cash and cash equivalents at the end of the period	15,203	10,825	+40.4

CASH FLOW

Operating cashflow rose in comparison to the previous year by EUR 1.4 million to EUR 6.5 million in spite of lowered Group earnings. Key to this was the development of working capital, especially trade receivables as well as inventories.

Cashflow stemming from investments in the amount of EUR 11.8 million (previous year EUR -18.9 million) was strongly influenced by an investment of EUR 15.0 million, which took place in 2010/2011 and in 2011/2012 led to an inflow of liquid assets of the same amount. Moreover, cashflow from investment activity included payment for investments in long-term assets in the amount of EUR 3.5 million (previous year EUR 4.1 million) as well as incoming interest income in the amount of EUR 0.2 million (previous year EUR 0.2 million).

Cashflow stemming from financing activity in the amount of EUR -14.1 million (previous year EUR -9.1 million) resulted from a dividend payout in March 2012 in the amount of EUR -11.7 million as well as payment for the share buyback in the amount of EUR 2.4 million.

MAGIX Group financing is secured by its own resources. In the 2011/2012 fiscal year, MAGIX was always in the position to fulfill its existing financial obligations. Surplus financial resources are generally invested in banks to earn interest 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. Mobile applications (apps), products for the Apple operating system Mac OS and systems tools are new arrivals. The range covered by the topics of research and development in the 2011/2012 financial year was correspondingly wide.

Development of applications for Android, Windows 8 and iOS operating systems, which run predominantly on mobile end devices, addressed the growing market for smartphones and tablets. These are closely connected to MAGIX online services and bring the Group new application areas and customer groups.

MAGIX Rescue Your Videotapes! and MAGIX Audio Cleaner Pro are two new products for the Apple operating system Mac OS developed in 2011/2012. Together with MAGIX Digital DJ and MAGIX Website Maker, the Group has an appropriate and competitive product portfolio for this increasingly important platform.

The simplitec Powersuite has also been newly developed and brought on the market in 2011/2012. The Group opens a new market segment for itself with this system tool for Windows PCs, in whose development ease of use and speed have been the main focus. Ultimately, as simplitec targets all PC users, the market for simplitec is much larger than the multimedia software market MAGIX previously targeted.

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, 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, the interconnection of multiple consumer products in the MAGIX Online World plays an important role.

The mufin technology for analysis, characterization and identification of audio signals has been further developed in 2011/2012 and expanded to the TV and radio segment. The audioid live channel detection, audioid in-app recognition and audioid server were developed based on audioid, which enables a fast and clear recognition of audio signals. The application field of these products is wide: They can be used in mobile applications especially to deliver timely additional information about a broadcast to TV viewers on smartphones. This is of use to TV channels for marketing shows or to advertisers, for identifying their ad spots, combining them with contests on smartphones or for simple statistical evaluation.

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:

Mobile applications and online services:

- Music Maker Jam (Windows 8 App)
- Movie Edit Touch (Windows 8 App)
- Camera MX (for Android and iPhone)
- MAGIX Online Album mobile (for Android and iPhone)
- magix-online.com – the MAGIX Online World

Software products:

- simplitec Powersuite
- MAGIX Audio Cleaner Pro (Mac OS)

EMPLOYEES

As a creative and innovative group, MAGIX places great importance on 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 acquisition, 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 the vocational training of young adults. As of September 30, 2012 the Group employed 60 vocational trainees (previous year: 59).

Following expansion of personnel by 18 to 343 employees (here and elsewhere converted to the number of full-time positions) in 2010/2011, no big changes were made in 2011/2012. As of September 30, 2012 the Group had 342 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 the MAGIX product range. While the number of employees in this area fell by four to 168, in Administration and Logistics it rose by four to a total of 53. The number of employees in the area of Marketing & Distribution sank by one to 121.

Still, personnel expenses rose slightly from EUR 11.6 million in the previous year to EUR 11.8 million.

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

	Sep 30, 2012		Sep 30, 2011		+ / -	
Sales & marketing	121	35.4 %	122	35.6 %	-1	-0.8 %
Administration & logistics	53	15.5 %	49	14.3 %	+4	+8.2 %
Research & development	168	49.1 %	172	50.1 %	-4	-2.3 %
Total	**342**	**100.0 %**	**343**	**100.0 %**	**-1**	**-0.3 %**

GROUP STRUCTURE

The following table shows the MAGIX Group's companies as of September 30, 2012, listed alphabetically:

Company	Registered office	Equity share
APPIC LABS 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%
OpenSeminar GmbH	Zossen, Germany	100%
simplitec GmbH	Berlin, Germany	100%
The Xara Group Ltd.	Basingstoke, Hampshire, United Kingdom	100%

The 2011/2012 financial year saw the founding of the following 100% MAGIX Group subsidiaries: OpenSeminar GmbH with registered offices in Zossen as well as simplitec GmbH with registered offices in Berlin, each with a starting capital of kEUR 25. Furthermore, Catooh Corp. was renamed as APPIC LABS Corp. in 2011/2012.

As a result of segmentation of the MAGIX AG operating business into MAGIX Software GmbH, the following Group companies were transferred to MAGIX Software GmbH, each to 100%:

- MAGIX Computer Products International Corp., USA,
- MAGIX Entertainment B.V., Netherlands,
- MAGIX Entertainment S.A.R.L., France,
- MAGIX Entertainment S.r.l., Italy,
- MAGIX Ltd., the UK and
- MAGIX Ltd., Taiwan.

Direct participation in the following subsidiaries remained with MAGIX AG:

- APPIC LABS Corp. (formerly Catooh Corp.), USA,
- MAGIX Audio GmbH, Berlin,
- MAGIX Online Services GmbH, Berlin,
- MAGIX Software GmbH, Berlin,
- mufin GmbH, Berlin,
- OpenSeminar GmbH, Zossen,
- simplitec GmbH, Berlin,
- The Xara Group Ltd., the UK.

4. SUPPLEMENTARY REPORT

No events took place between the reporting date and the preparation of the Consolidated Financial Statement and the Group Management Report.

5. CHANCES AND 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 decision making:

- 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 by third parties.

5.2 CHANCE MANAGEMENT

MAGIX is active within a dynamic market field where new chances reveal themselves continuously. Recognizing and using these opportunities systematically while avoiding or minimizing risk is an important factor for sustainable company growth.

To enable successful chance management, company management conducts market and competition analysis and orients the product portfolio, cost drivers and the industry's critical success factors. Specific market opportunities are derived from this, which the Management agrees upon as part of company planning. As a rule, MAGIX aspires towards a balance between chances and risks.

To learn more about the specific chances that present themselves to MAGIX at this time, please refer to the strategies explained in the outlook.

5.3 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, process 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 control 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 control and risk management system are communicated through organization instructions and adapted to current developments at regular intervals.

With regard 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 operating 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.

5.4 SPECIFIC RISKS

RISKS OF BUSINESS ACTIVITY

Business developments at the MAGIX Group are especially 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, offering an extensive 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 2012/2013 and 2013/2014 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 that is 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 2011/2012 financial year, the global economy was troubled specifically by the European financial crisis. After growing in 2011 by 3.8%, in October 2012 the International Monetary Fund (IMF) expected the world economy to expand by 3.3% in 2012 and by 3.6% in 2013. In emerging nations, the growth rate is 5.3% or 5.6%, while industrial nations are well below, with 1.3% and 1.5%.

In Western Europe the IMF predicts a slight growth of 0.4% only in 2013, after predicting a contraction of 0.3% in 2012. In Germany growth should be slightly higher, but still below the average for industrial nations, at 0.9% for 2012 and 2013.

The "Council of Experts for Appraisal of Economic Development" predicts similar growth rates (0.8%) in its 2012/2013 report for both 2012 and 2013. In it, the Council also sees the situation in the German employment market as continuing to be favorable, in spite of losing its dynamics. Unemployment rates are predicted to rise from 6.8% in 2012 to 6.9% in 2013. For private consumer spending, growth rates are expected to fall from 0.9% in 2012 to 0.8% in 2013, although a rise in consumer prices by 2.0% is predicted.

INDUSTRY

The IT market is expected to grow by middle single digits in 2012 and 2013. Mobile technology sales (smartphones and tablets) show above-average sales, while PC sales grow only cautiously. Looking at regions, large emerging countries such as China, Russia, India and Brazil will continue to exhibit clearly higher growth rates compared to industrial nations. Especially in Western Europe, the market will continue growing only moderately.

Markedly, the German market is positioned slightly outside this development. The German Association for Information Technology, Telecommunications and New Media (BITKOM) expects the IT market to grow by 2.3% in 2012 and by 3.0% in 2013. In the software market segment growth is expected to be somewhat higher with 4.4% in 2012 and 5.1% in 2013.

Here it should be taken into account that the market for consumer software represents only around 15% of the total software market. The market for multimedia software comprises a relatively small part of the consumer software market and is subject to special, dynamic influences. Predictions made for the entire software market cannot be applied to it without some adjustments.

A significant factor is the development of the PC market for consumers. For 2012, BITKOM expects German PC sales to drop by 0.7%, and for notebooks and netbooks by 2.2%. It is expected that the Western European market will shrink even further in 2012. The following year a slight recovery is predicted. The effect of Microsoft's Windows 8 operating system release on the PC and PC software market will be an important factor.

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 divisions: 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 platforms. 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 with easy to use tools and to impress them with results that will make them loyal 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 more strongly to the MAGIX brand.

B2C indirect

The situation with stationary retail is generally difficult. This is especially valid for European retail. 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 continue to be the focus. 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. This includes Internet platforms such as Google Play, Windows Store from Microsoft and App Store from Apple, where mobile applications from MAGIX, such as Music Maker Jam, are marketed. These applications are closely connected to MAGIX online services and bring the Group new application areas and customer groups.

B2C direct

Direct sales to consumers have established themselves over the last years as a powerful growth engine at MAGIX. It is desirable to capitalize on the upturn seen here in the fourth quarter of the last financial year.

Because the full spectrum of MAGIX products is available on the Group's own web pages, the B2C direct division profits directly from new and further developments in consumer software. At the same time, the Group's websites will be made more entertaining and informative with the help of Internet videos.

New customers are added through mobile applications, among other sources. In addition, MAGIX will continue to operate in online advertising activities. To this end, innovative online marketing campaigns are developed and search engine optimization is used. The MAGIX Magazine, an online guide for day-to-day technical problems, 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.

With the simplitec Powersuite, MAGIX now has a comprehensive and competitive 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 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 with 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 content 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 through this channel, 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 the 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.

MAGIX taps into a new market with its mufin technology in the area of so-called "second screen applications". These newly developed products may be used in mobile applications for example to deliver information about a broadcast to viewers on their smartphone or tablet in a timely fashion. This targets TV channels, producers and advertisers, who can better market their broadcasts with the help of mufin technology.

6.3 EXPECTED PROFITABILITY

MAGIX is well positioned with the shown strategic orientation and a full product pipeline. In spite of an extremely unstable global economy and a persistently difficult situation in retail, the expectations for MAGIX for 2012/2013 and 2013/2014 are overall positive. As long as no extraordinary negative impulses arrive from without, which at this time cannot be excluded with complete certainty, continued revenue growth is expected for the 2012/2013 and 2013/2014 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 form simplitec. 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 business. While stationary sales are expected to remain weak, Internet sales, and especially Internet platforms for mobile applications, should introduce new dynamics.

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 from simplitec should also have a positive effect.

In the B2B division, MAGIX has until now targeted customer groups that include mid-sized and small businesses and second-screen providers. These markets promise 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 for distribution through hardware manufacturers (OEM). Transactions here will remain unchanged and serve primarily to elevate MAGIX brand recognition and to increase the number of registered users, which in turn serves direct sales.

With regard to costs, an unchanged relative gross margin is predicted. Due to the continued growing significance of online advertising, marketing costs can increasingly be adjusted to revenue developments. Overall, constant operating costs are expected. While the Group earnings in 2012/2013 will depend on the development in the PC market even stronger, which doesn't exclude lower earnings, the new initiatives, such as the system tools, mufin technologies as well as mobile applications will continue to contribute to substantial earnings growth in the following years.

6.4 EXPECTED FINANCIAL SITUATION

The Group's financial situation can be estimated as extremely solid. Therefore, no financing measures are planned.

A stable, profit-dependent development of the operating 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. Additionally, new markets such as the PC systems tools market, mobile applications and second screen solutions reveal extraordinary chances.

In spite of the unstable global economy and continuing difficult situation in retail, overall revenue expectations for 2012/2013 and 2013/2014 are positive. As long as no extraordinary negative impulses arrive from without, revenue growth is expected for 2012/2013 and 2013/2014.

An unchanged strong gross margin is expected at the cost level. Constant operating costs are expected. While lower earnings are not to be excluded in 2012/2013, the Group profit in the following years will clearly benefit from started initiatives and grow accordingly.

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

SHARE CAPITAL COMPOSITION

The nominal capital of MAGIX AG amounted to EUR 12,662,038 on September 30, 2012, and is divided into 9,389,687 no-par shares with a calculated par value of EUR 1.3485 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 issued capital of the company conditionally by up to EUR 700,000.00 by the issue of new shares, namely by issue of up to 576,766 new shares. The conditional capital increase serves solely to grant subscription rights (stock options) to members of the Management Board of the company and to employees of the company as well as to managing directors and employees of Group entities pursuant to the authorization for the "stock option plan 2006" which was passed at the Shareholders' Meeting on January 19, 2006.

SHARE BUYBACK

The Shareholders' Meeting on March 10, 2010 authorized the Management Board to purchase shares in MAGIX AG. Authorization applies to the acquisition of Company shares limited to a calculated amount of nominal share capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing nominal share capital of EUR 12,662,038.00 at the time of authorization. Authorization can be exercised fully or partially, once or several times. The authorization is valid until March 9, 2015. The acquisition may not be executed as a means of trading in own shares. At no time shall it be permitted that the acquired shares together with other shares in the company's ownership or that can be allocated to it according to §§ 71a et sqq. of the 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.

During the reporting period the company took advantage of its authorization to purchase own shares. In September 2012 the company acquired 1,043,222 MAGIX shares at a price of EUR 2.30 per share by means of a public buyback offer. Additional costs of this transaction amounted to kEUR 28. The company implemented the approval from the March 10, 2010 Shareholders' Meeting in order to retire its own shares. 1,043,222 own registered shares were retired by simplified form according to § 71, subsection 1, no. 8 sentence 6 AktG [German Securities Act]. The retirement came into effect on September 25, 2012 and was carried out subsequent to § 237, Sec. 3, no. 3 of the AktG without reducing the share capital, i.e. the retirement results in an increase of the portion of the other shares in the share capital subsequent to § 8 Sec. 3 AktG

After the retirement the nominal capital of the company amounts to EUR 12,662,038.00, and is divided into 9,389,687 common shares without nominal value (no-par-value shares). Effective September 24, 2012 the availability of the share capital, ISIN DE 0007220782, on the regulated market of the Frankfurt stock exchange and in the sub-section of the regulated market with additional requirements (Prime Standard) has been adjusted accordingly.

SHAREHOLDER STRUCTURE

The following shareholders held direct or indirect stakes in the company's capital exceeding 10% as of September 30, 2012:

Presto Capital Management GmbH & Co. KG**	30.842 %
Jürgen Jaron	16.965 %
Dieter Rein	16.965 %

** 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 64.772% of the company's voting rights.

NAMING/DISMISSAL OF MANAGEMENT BOARD MEMBERS AS WELL AS CHANGES TO THE ARTICLES OF ASSOCIATION

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

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

REGULATIONS IN RESPECT TO A CHANGE OF CONTROL

There are no significant agreements made for the case of a change of company 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. These 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 2011/2012 fiscal year comprised kEUR 474. Success-independent components totaled kEUR 474 (fixed salaries: kEUR 421, fringe benefits: kEUR 53). No profit-based Management pay-outs took place. During the reporting period, no share options were assigned to Management Board members.

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 viewed at the following Internet address http://ir.magix.com/gb/corporate-governance/declaration-of-corporate-governance-289a-hgb/.

Berlin, December 19, 2012

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

AUDITOR'S OPINION

We have provided the following auditor's report concerning the Consolidated Financial Statement and the Group Management Report:

"We have audited the consolidated financial statements prepared by MAGIX AG, Berlin, comprising the balance sheet, the income statement, the cash flow statement, the statement of changes in equity, 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, 2011 to September 30, 2012. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": German Commercial Code] is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

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

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Berlin, January 17, 2013
Ernst & Young GmbH
Auditing firm

Seidel	Mattner
Auditor	Auditor

MAGIX AG CONSOLIDATED FINANCIAL STATEMENTS SEPTEMBER 30, 2012

MAGIX AG, BERLIN
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2012

ASSETS	Note	Sep 30, 2012 kEUR	Sep 30, 2011 kEUR
Non-current assets			
Property. plant and equipment	(1)	796	880
Intangible assets	(1)	11,560	11,793
Goodwill	(1)	2,116	2,116
Non-current assets. total		**14,472**	**14,789**
Current assets			
Inventories	(2)	741	1,119
Trade accounts receivable	(3)	5,292	9,462
Current tax receivables		581	138
Other financial assets	(4)	1,222	16,086
Cash and cash equivalents	(5)	15,203	10,825
Current assets. total		**23,039**	**37,630**
Total assets		**37,511**	**52,419**

MAGIX AG, BERLIN
CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2012

EQUITY & LIABILITIES	Note	Sep 30, 2012 kEUR	Sep 30, 2011 kEUR
Equity attributable to equity holders of the parent			
Nominal capital	(6)	12,662	12,662
Additional paid-in capital		14,633	14,603
Retained earnings		2,913	3,436
Reserves for currency translation adjustment		447	237
Shareholders' equity, total		**30,655**	**30,938**
Non-current liabilities			
Other liabilities (non-current portion)		38	71
Deferred tax liabilities	(13)	1,199	432
Non-current liabilities, total		**1,237**	**503**
Current liabilities and provisions			
Provisions	(7)	969	4,944
Other liabilities (short-term portion)	(8)	2,394	14,608
Trade accounts payable		1,076	792
Tax liabilities		1,180	634
Current liabilities and provisions, total		**5,619**	**20,978**
Total equity and liabilities		**37,511**	**52,419**

MAGIX AG, BERLIN
CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

	Note	2011/2012 kEUR	2010/2011 kEUR
Sales revenue	(9)	28,816	36,094
Costs of goods sold	(10)	-3,848	-5,016
Gross margin		**24,968**	**31,078**
Selling and distribution costs	(11)	-11,573	-11,727
Administrative costs	(11)	-4,035	-4,405
Research and development costs	(11)	-10,254	-9,896
Other income	(12)	3,740	234
Earnings before interest and taxes		**2,846**	**5,284**
Interest income		246	207
Interest expenses		-117	-155
Earnings before taxes		**2,975**	**5,336**
Income taxes	(13)	-1,099	-1,795
Net income of the Group		**1,876**	**3,541**
Attributable to			
shareholders of the parent		1,876	3,541
Earnings per share (diluted and basic)	**(14)**	**0.18**	**0.34**
Average number of shares outstanding		**10,378,753**	**10,432,909**

MAGIX AG, BERLIN
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

	2011/2012 kEUR	2010/2011 kEUR
Net income of the Group	1,876	3,541
Foreign currency translation of foreign operations	210	5
Comprehensive income after taxes	**2,086**	**3,546**
Attributable to		
shareholders of the parent	2,086	3,546

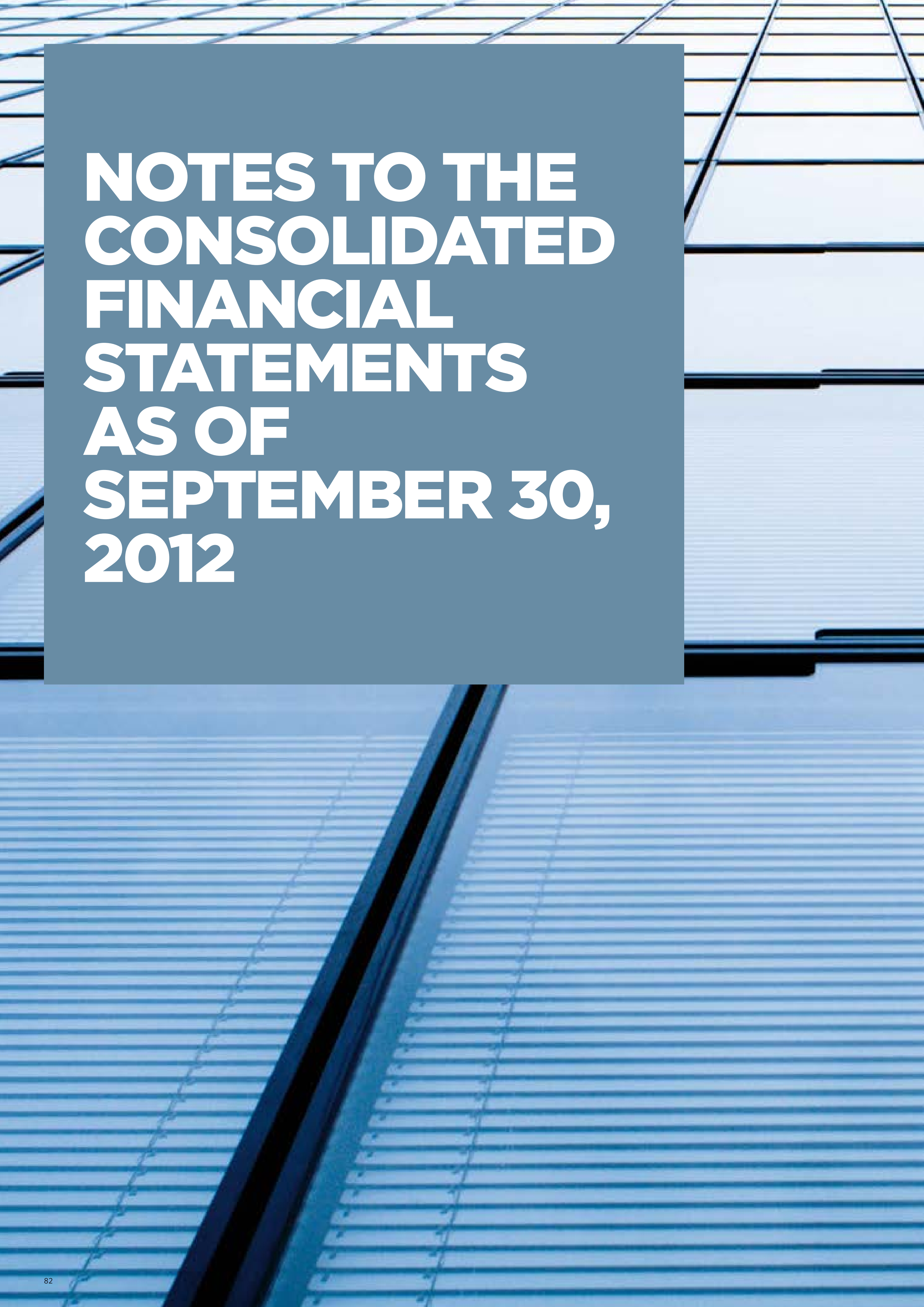
MAGIX AG, BERLIN
CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

	2011/2012 kEUR	2010/2011 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before taxes	2,975	5,336
Adjustments for:		
Amortization and depreciation on non-current assets	3,809	3,850
Interest income	-246	-207
Interest expenses	117	155
Other non-cash-related expenses and income	-563	11
	6,092	**9,145**
Change in trade accounts receivables	4,170	226
Change in inventories	378	240
Change in other assets	-579	483
Change in trade accounts payable	284	-639
Change in provisions	-3,975	55
Change in other liabilities	751	-2,567
Cash generated from operating activities	**7,121**	**6,943**
Interest paid	-16	-4
Income tax paid	-617	-1,898
Net cash from operating activities	**6,488**	**5,041**
CASH FLOW FROM INVESTMENT ACTIVITIES		
Cash paid for purchase of other financial assets	0	-15,000
Cash generated from sale of other financial assets	15,000	0
Cash paid for investments in non-current assets	-3,492	-4,061
Interest received	246	207
Net cash used in investment activities	**11,754**	**-18,854**
CASH FLOW FROM FINANCING ACTIVITIES		
Cash paid to shareholders of the parent company	-11,685	-9,181
Cash paid for the purchase of treasury shares	-2,399	0
Investment subsidies and grants received	10	41
Net cash used for financing activities	**-14,074**	**-9,140**
Foreign currency exchange differences	210	5
Changes in cash and cash equivalents	4,378	-22,948
Cash and cash equivalents at beginning of period	10,825	33,773
Cash and cash equivalents at end of period (see note (5))	**15,203**	**10,825**

MAGIX AG, BERLIN
DEVELOPMENT OF SHAREHOLDERS' EQUITY
FOR THE FINANCIAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

	Equity					
	Nominal capital kEUR	Additional paid-in capital kEUR	Retained earnings kEUR	Treasury shares kEUR	Reserves for currency translation adjustment kEUR	Total kEUR
September 30, 2010	**12,662**	**26,188**	**9,076**	**0**	**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**	**0**	**237**	**30,938**
Currency translation					210	210
Net income for period			1,876			1,876
Comprehensive income			**1,876**		**210**	**2,086**
Offsetting of costs from the stock option plan		30				30
Repurchase of treasury shares			-2,399	2,399		0
Retirement of treasury shares				-2,399		-2,399
September 30, 2012	**12,662**	**14,633**	**2,913**	**0**	**447**	**30,655**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2012



MAGIX AG, BERLIN NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2012

ACCORDING 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 through its own sales companies or distributors.

The reporting date is September 30, 2012. The financial year 2011/2012 covers the period from October 1, 2011 to September 30, 2012.

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, 2012 on December 19, 2012 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 financial year. The financial statements of the subsidiaries are prepared as of the same reporting 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 entities belong to the MAGIX Group and were included in the consolidated financial statements:

Company	Registered office	Equity share
APPIC LABS Corp. (formerly 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%
OpenSeminar GmbH	Zossen, Germany	100%
simplitec GmbH	Berlin, Germany	100%
The Xara Group Ltd.	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 financial years beginning on or after October 1, 2011.

Changes to the accounting and evaluation principles result from the first application of the following new or revised IFRS standards and IFRIC interpretations:

- Improvements to IFRS 2010
- IAS 24 – Related party disclosures (revised 2009)
- Amendments to IFRIC 14 - Prepayments of a minimum funding requirement
- Changes to IFRS 7 - Information about the transfer of financial assets

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, 2012, whereby it was not yet compulsory to apply them on the cut-off date:

- IAS 19 Employee Benefits (amended 2011 - as of Jan. 1, 2013)
- Amendment to IAS 1 - Presentation of items of other comprehensive income (as of July 1, 2012)

Implementation takes place at the latest in the year of the first-time compulsory application. 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 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, and thereby gained the customer following, development costs and goodwill of the acquired companies. For first-time valuation of immaterial assets acquired with company acquisitions, the company has stated the fair value at acquisition date. For this, future cash flows expected from the assets were discounted. The identified and valuated assets are written off during the course of their useful life. When there is an indication of impairment of value, the assets' recoverable amount is 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. For the transaction value or company value and intangible assets that have not yet been completed, this check is carried out annually before the reporting period deadline. The sum of carrying values of company acquisitions as of September 30, 2012 was kEUR 4,661 (previous year: kEUR 5,136). 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, 2012 or on September 30, 2011.

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. When there is an indication of impairment of value the company checks the recoverability of activated development costs by comparing their carrying value with the recoverable amount. For this, the asset's value in use is calculated by discounting future cash flows expected from the asset. As of September 30, 2012 self-created software development costs, outlined in section 1. 4. in the assets analysis, have a carrying value of kEUR 8,022 (previous year: kEUR 7,819).

Provisions for licenses: The MAGIX Group uses licensed 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, 2012 these provisions have a carrying amount of kEUR 520 (prior year: kEUR 4,270).

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, 2012 and as of September 30, 2011.

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 financial 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

- MAGIX Computer Products International Corp., Reno, Nevada as well as APPIC LABS Corp. (formerly 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 financial 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 financial 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.

Company value
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 business combination must be allocated to a cash-generating unit. An impairment loss is recorded if the recoverable amount of the cash-generating unit is lower than its carrying amount.

Research and development costs

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 financial 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 cash flow 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, 2012 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. During the entire observation period the determined liquidity surpluses were discounted with a weighted average cost of capital (WACC) of 6% (previous year 9.5%) after taxes (9% before taxes (previous year 12%)) 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, 2012, nor as of September 30, 2011.

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 financial 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, 2012 and September 30, 2011, all financial assets included in the MAGIX Group consolidated financial statement were grouped under loans and receivables. As of the balance sheet call date on September 30, 2012, the MAGIX Group shows financial assets totaling kEUR 6,514 (previous year kEUR 25,548). These are subject to default risk. Due to the short-term duration and the interest rate standard 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.

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, minus 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 after the deduction of transaction costs and debt discounts from the nominal value 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, 2012, financial liabilities amount to kEUR 3,508 (previous year: kEUR 15,471), including liabilities to the shareholders of the parent company to the amount of kEUR 0 (previous year: kEUR 11,685), 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 and revenue recognition mainly depends on the terms and conditions agreed with the end customers. 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 the accounts with its business partners with reliably transferred amounts for returned shipments and sales returns derived from the product revenue when returned shipments and sales returns 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 financial 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 2011/2012 financial year, the MAGIX Group received investment subsidies and grants amounting to kEUR 10 (prior year: kEUR 41). The investment subsidies are tied to conditions for subsidized non-current assets, and the Management Board of the MAGIX Group assumes that these conditions will be met. Grants involve cost allowances, which are reported as earnings during the period in which the expenditures took place in a timely manner.

TAXES

Current Tax Assets and Liabilities

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

Deferred Taxes

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

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

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

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

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

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled. 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. OpenSeminar GmbH and simplitec GmbH were both newly added to the Venture segment during the 2011/2012 financial year. The two companies were founded in December 2011 and will tap new markets for MAGIX. Whilst OpenSeminar deals with training, simplitec targets activities in the market for PC system tools.

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.

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.

MAGIX Group	Multimedia		Ventures		Reconciliation statement		MAGIX Group	
Segment information (kEUR)	**2011/2012**	**2010/2011**	**2011/2012**	**2010/2011**	**2011/2012**	**2010/2011**	**2011/2012**	**2010/2011**
External sale revenues	22,490	29,239	6,326	6,855			28,816	36,094
Internal sale revenues	883	392	502	421			1,385	813
Sales revenue	23,373	29,631	6,828	7,276			30,201	36,907
Gross margin of the external sale revenues	**20,235**	**26,279**	**4,733**	**4,799**			**24,968**	**31,078**
EBITDA	**8,423**	**9,691**	**-985**	**153**	**-783**	**-710**	**6,655**	**9,134**
Segment result (EBIT)	**5,162**	**6,466**	**-1,533**	**-472**	**-783**	**-710**	**2,846**	**5,284**
Financial result	0	0	0	0	129	52	129	52
EBT	**5,162**	**6,466**	**-1,533**	**-472**	**-654**	**-658**	**2,975**	**5,336**
Taxes	0	0	0	0	-1,099	-1,795	-1,099	-1,795
Net income for the year	**5,162**	**6,466**	**-1,533**	**-472**	**-1,753**	**-2,453**	**1,876**	**3,541**
Segment assets	15,528	18,331	5,558	7,177	16,425	26,911	37,511	52,419
includes intangible assets	8,688	8,547	4,988	5,362	0	0	13,676	13,909

SEGMENT ASSETS 2011/2012

37,511 kEUR

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 financial years ending on September 30, 2012 and on September 30, 2011, 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	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011
Segment revenues	18,296	22,960	3,457	3,242	7,063	9,892	28,816	36,094
Segment assets	33,192	48,561	748	494	3,571	3,364	37,511	52,419

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	
I. Intangible assets	**Oct 1, 2010**	**Additions**	**Disposals**	**Sep 30, 2011**	**Oct 1, 2010**	**Additions**	**Disposals**	**Currency translation**	**Sep 30, 2011**	**Sep 30, 2011**	**Oct 1, 2010**
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 Office equipment	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**

	Costs of acquisition and sales					Cumulative amortization					Carrying amount	
I. Intangible assets	**Oct 1, 2011**	**Additions**	**Disposals**	**Transfers**	**Sep 30, 2012**	**Oct 1, 2011**	**Additions**	**Disposals**	**Currency translation**	**Sep 30, 2012**	**Sep 30, 2012**	**Oct 1, 2011**
1. Software and industrial rights	9,985	276	0	0	10,261	6,933	465	0	-12	7,386	2,875	3,052
2. Goodwill	2,116	0	0	0	2,116	0	0	0	0	0	2,116	2,116
3. Customer base	1,503	0	0	0	1,503	701	139	0	0	840	663	802
4. Software development costs	21,507	2,921	0	0	24,428	13,568	2,832	0	6	16,406	8,022	7,939
Total	**35,111**	**3,197**	**0**	**0**	**38,308**	**21,202**	**3,436**	**0**	**-6**	**24,632**	**13,676**	**13,909**
II. Property, plant and equipment												
1. Leasehold improvements	376	3	0	0	379	214	40	0	0	254	125	162
2. Office equipment	160	0	0	0	160	120	7	0	0	127	33	40
3. Other Office equipment	4,502	292	101	0	4,693	3,824	327	96	0	4,055	638	678
Total	**5,038**	**295**	**101**	**0**	**5,232**	**4,158**	**374**	**96**	**0**	**4,436**	**796**	**880**

(2) INVENTORIES

	Sep 30, 2012 kEUR	Sep 30, 2012 kEUR
Raw materials (at acquisition costs)	673	1,277
Finished goods (at costs of sales)	800	722
Value adjustments	-732	-880
	741	**1,119**

On raw materials (at acquisition costs) and finished goods (at costs of sales) of kEUR 732 (previous year: kEUR 880) devaluations were carried out on the lower fair value.

(3) TRADE ACCOUNTS RECEIVABLE

	Sep 30, 2012 kEUR	Sep 30, 2012 kEUR
Due within one year, gross	6,188	10,380
Individual and general value adjustments	-896	-918
	5,292	**9,462**

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, 2012 trade accounts receivable with a nominal value of kEUR 2,800 (previous year: kEUR 3,920) were impaired. The value adjustment account developed as follows:

	Individual valuation kEUR		Value adjustments valuation kEUR		Total kEUR	
	2011/2012	2010/2011	2011/2012	2010/2011	2011/2012	2010/2011
Status - Start of Financial Year	844	610	74	76	918	686
Allowed expense allocation	108	320	75	91	183	411
Utilization	-107	-86	-98	-93	-205	-179
Status - End of Financial Year	**845**	**844**	**51**	**74**	**896**	**918**

On September 30, 2012, the age distribution of the trade accounts receivable was as follows:

	Total without losses kEUR	Neither past due nor impaired kEUR	Past due, but not impaired < 30 days kEUR	30-60 days kEUR	60-90 days kEUR	90-120 days kEUR	> 120 days kEUR
2011	10,380	8,762	19	73	110	180	318
2012	6,188	4,319	20	256	168	93	436

Receivables in USD from the USA subsidiary comprise kEUR 518 (kEUR 413 in the previous year). An equity fall of kEUR 25 (kEUR 21 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% higher. An equity rise of kEUR 27 (kEUR 21 in the previous year) would have taken place if the EUR/USD exchange rate had developed 5% lower. Gross receivables with a value of kEUR 6,188 were individually impaired by kEUR 108 during the current financial year.

(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, 2012 kEUR	Sep 30, 2011 kEUR
Bank balances	15,197	10,817
Cash on hand	6	8
	15,203	**10,825**

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 2011/2012 financial year. These are subject to interest at the respective interest rates applicable for short-term deposits.

On the balance sheet date there were guaranteed credits from lease liabilities amounting to kEUR 149 (previous year kEUR 149), a payment guarantee in favor of a supplier amounting to kUSD 300 (previous year kUSD 300) as well as a guaranteed credit for supplier credit orders amounting to kEUR 57 (previous year kEUR 0).

(6) EQUITY

The share capital of MAGIX AG amounted to kEUR 12,662 on September 30, 2012, and is divided into 9,389,687 no-par shares with a calculated par value of EUR 1.35 per share.

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 576,766 new shares. The conditional capital increase serves solely to grant 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 financial year. Of this figure, 143,000 stock options subsequently lapsed due to employees leaving the company. As a result there are currently 249,500 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 share capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing nominal share capital of EUR 12,662,038.00 at the time of authorization. Authorization can be exercised fully or partially, once or several times. The authorization is valid until March 9, 2015. The acquisition may not be executed as a means of trading in own shares. At no time shall it be permitted that the acquired shares together with other shares in the company's ownership or that can be allocated to it according to §§ 71a et sqq. of the 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.

During the reporting period the company took advantage of its authorization to purchase own shares. In September 2012 the company acquired 1,043,222 MAGIX shares at a price of EUR 2.30 per share by means of a public buyback offer. In September 2012 the company also took advantage of the authorization granted by the Shareholders' Meeting on March 10, 2010 to retire own shares. The auxiliary costs of this transaction amounted to kEUR 28. 1,043,222 own registered shares were retired by simplified form according to § 71, sub-section 1, no. 8 sentence 6 AktG [German Securities Act]. The retirement came into effect on September 25, 2012 and was carried out subsequent to § 237, Sec. 3, no. 3 of the German Stock Corporation Act (AktG) without reducing the share capital, i.e. the retirement results in an increase of the portion of the other shares in the share capital subsequent to § 8 Sec. 3 AktG. After the retirement the nominal capital of the company amounts EUR 12,662,038.00, and is divided into 9,389,687 common shares without nominal value (no-par-value shares). After September 24, 2012 the availability of the share capital, ISIN DE 0007220782, on the regulated market of the Frankfurt stock exchange and in the sub-section of the regulated market with additional requirements (Prime Standard) has been adjusted accordingly.

(7) PROVISIONS

The table below shows the development of the provisions:

	Sep 30, 2011 kEUR	Resolutions kEUR	Utilization kEUR	Addition kEUR	Sep 30, 2012 kEUR
Royalties	4,270	-3,830	-272	352	520
Bonuses / vouchers	654	-15	-643	417	413
Legal counsel	20	0	-20	36	36
	4,944	**-3,845**	**-935**	**805**	**969**

The provisions for licenses 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.

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)

The other short-term liabilities amounted to kEUR 2,394 (previous year: kEUR 14,608). In the previous year this primarily included liabilities to MAGIX AG shareholders. This was in correlation with the special distribution of funds amounting to kEUR 11,685 or EUR 1.12 per share, respectively, which was paid in March 2012. 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

	2011/2012 kEUR	2010/2011 kEUR
Product deliveries	25,916	33,168
Services and licenses	2,900	2,926
	28,816	**36,094**

(10) COSTS OF GOODS SOLD

	2011/2012 kEUR	2010/2011 kEUR
Raw materials	2,404	3,381
Royalties and other	1,444	1,635
	3,848	**5,016**

The costs of goods sold essentially include material costs for packaging, hardware components included with products, and costs arising for third party licenses.

The research and development activity related to amortization from software, trade mark rights, software development costs and other business equipment in the amount of kEUR 3,376 (previous year kEUR 3,314) was not classified as costs of goods sold, but credited as research and development costs due to the separate disclosure of research and development costs in the profit and loss statement.

(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.

	2011/2012 kEUR	2010/2011 kEUR
Selling and distribution costs		
Personnel expenses	4,856	4,837
Marketing expenses	2,682	2,635
Write-downs	322	408
Other expenses	3,713	3,847
	11,573	**11,727**
Administrative costs		
Personnel expenses	1,910	2,077
Write-downs	111	128
Other operating costs	186	398
Other expenses	1,828	1,802
	4,035	**4,405**
Research and development costs		
Personnel expenses	5,064	4,664
Write-downs	3,376	3,314
Other expenses	1,814	1,918
	10,254	**9,896**
	25,862	**26,028**

Personnel expenses totaled kEUR 14,751 (kEUR 14,692 in the previous year), thereof kEUR 2,921 were capitalized (kEUR 3,114 for the previous year). Depreciations totaled kEUR 3,809 (kEUR 3,850 for the previous year).

(12) OTHER INCOME

Other income includes earnings from the release of provisions for licenses to be paid, as well as revenue from currency conversions in the amount of kEUR 240 (previous year kEUR 318), compared with expenses from currency conversion in the amount of kEUR 536 (previous year kEUR 425).

(13) TAXES ON INCOME AND DEFERRED TAXES

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

Consolidated Income Statement	2011/2012 kEUR	2010/2011 kEUR
Current income tax expense	-334	-1,976
Deferred income taxes	-765	181
Income tax expenditure recorded in the Consolidated Income Statement	**-1,099**	**-1,795**

The theoretic income tax expense based on earnings before taxes of kEUR 2,975 (previous year: kEUR 5,336) can be consolidated with the recorded income tax expense using the tax rate of 29.2% as it applies to the group holding company (including 15.0% corporate taxes, 0.8% solidarity tax addition to the corporate tax and an effective business tax of 13.4 %):

	2011/2012 kEUR	2010/2011 kEUR
Earnings before taxes	2,975	5,336
Average tax rate	29.2 %	29.2 %
Theoretical income tax expense	-869	-1,558
Non-deductible expenses and income	-17	-67
Use of non-capitalized tax carry forwards	0	27
Non-capitalized tax losses of the financial year	-109	-75
Loss carry back to previous year	-81	0
Tax refund for previous years	47	0
Other	-70	-122
Income tax expense	**-1,099**	**-1,795**

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:

	2011/2012 kEUR	P & L statement kEUR	2010/2011 kEUR
Active deferred taxes			
Timing differences between entries			
- Elimination of intercompany profits	88	-146	234
	88	**-146**	**234**
Deferred tax liabilities			
Timing differences between entries			
- Intangible assets in connection with company acquisition	-389	135	-524
- Exchange differences	-80	-10	-70
- Valuation allowances on loans to affiliated entities	-122	-48	-74
- Release of license accruals	153	153	0
- Self-provided assets	-882	-882	0
- Other	33	33	0
	-1,287	**-619**	**-668**
Deferred tax liability, net	**-1,199**	**-765**	**-434**

On September 30, 2012, the holding company had no tax loss carryforward. As of September 30, 2012, the MAGIX Group had tax loss carryforwards of kEUR 2,565 (previous year: kEUR 2,477).

(14) 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.

By retiring treasury shares the weighted average number of common shares was modified as follows:

	Shares in circulation	Number of days/366	Weighted number of shares
Number of shares on September 30, 2011	10,432,909	100 %	10,432,909
Retirement of treasury shares on September 11, 2012	-1,043,222	5.21 %	-54,352
Average, weighted number of common shares (October 1, 2011 to September 30, 2012)			**10,378,557**

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

	2011/2012 kEUR	2010/2011 kEUR
Net income attributable to the shareholders of the parent	1,876	3,541
Weighted average number of ordinary shares used for the calculation of the basic and diluted earnings per share	10,379	10,433
Earnings per share (diluted and basic) in EUR/share	**0.18**	**0.34**

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.

Due to the retirement of own shares the weighted average number of ordinary shares used for the calculation of the diluted and basic earnings per share declined in 2011/2012. If this low average share number had been used in 2010/2011 the result per share would have also been EUR 0.34. The earnings per share in 2011/2012 would have amounted to EUR 0.18, if the treasury shares had not been retired.

6. OTHER NOTES

SHARE-BASED PAYMENTS

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

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

The shareholders' meeting on March 23, 2007 reviewed the periods in which subscription rights can be granted. Accordingly, the individual tranches of the subscription rights can now be issued not only within a period of two months from the date of the Company's shareholders' meeting but also within two weeks of the date of publication of a quarterly or annual report. Subscription rights can be exercised within three years of the end of the vesting period and lapse at the end of the corresponding period. Stock option can be exercised within 10 stock exchange days after a scheduled shareholders' meeting of the Company or publication of a report of the Company describing the state of business in the second or third quarter of a financial year. The subscription rights can only be exercised if the average closing rate of the Company's share in electronic trading on the Frankfurt Stock Exchange during the twenty trading days preceding the respective exercise period has risen by an average of at least 0.8% per full month on the subscription price since the subscription rights were issued until the beginning of the exercise period.

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

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

The Company is entitled to fulfill its obligations to create shares after exercising of the subscription rights either by issue of shares from the conditional capital created for this purpose, by sale of treasury shares or by payment of the difference per share between the subscription price and the average closing rate of the Company's shares in electronic trading on the Frankfurt Stock Exchange during the ten trading days preceding the exercise of the subscription right. If fulfillment takes the form of paying the difference, the holder is no longer obliged to pay the subscription price. The Management Board of the Company currently assumes that the stock options will be fulfilled by issuing shares from the conditional capital and use will only be made of the option to pay a settlement in cash in cases where it is not legally possible to grant subscription rights (foreign entities of the MAGIX Group).

No stock options were issued in the course of the last financial 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, 19,000 in the 2009/2010 financial year, 19,000 in the 2010/2011 financial year and 3,000 in the last financial year, bringing the number of subscription rights to 249,500 options on September 30, 2012.

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 Jahre	2.5 – 5.5 Jahre
Risk-free interest rate (% p.a.)	4 %	4 %
Expected dividend (% p.a.)	0 %	0 %
Option value 1st tranche (Euro/option)	2.76	2.42
Option value 2nd tranche (Euro/option)	3.45	3.49
Option value 3rd tranche (Euro/option)	3.99	4.38

Expected volatility was determined using a comparison with a peer group of companies, as there was no historical information on the MAGIX Group. The expected life used in the model was adjusted by 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, 2012 breaks down into the following tranches and option plans:

	Tranche 2007 kEUR	**Tranche 2006 kEUR**
1st Tranche	0	0
2nd Tranche	0	0
3rd Tranche	7	23
	7	**23**
		30

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:

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

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 for the 2011/2012 financial year is:

	Jürgen Jaron	Dieter Rein	Tilman Herberger	Total	Previous year
Fixed remuneration	180	180	114	474	450
Profit-based remuneration	0	0	0	0	84
Total	**180**	**180**	**114**	**474**	**534**

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 in the 2011/2012 financial year.

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, German public auditor and tax advisor, Frankfurt/Main (ordinary member of the Supervisory Board)

The current remuneration of the members of the Supervisory Board for the 2011/2012 financial 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 Chairman 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)
- ERSO Immobilien GmbH, Zossen (100% owned by the shareholder Erhard Rein)

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

Revenues	2011/2012 kEUR	2010/2011 kEUR
Future GmbH with MAGIX AG	**0***	757*
Future GmbH with MAGIX Software GmbH	**538***	0*
MN Soft Corp. with MAGIX Computer Products International Corp.	**0**	437
MAGIX AG with MN Soft Corp.	**0**	413
ERSO Media GmbH with MAGIX AG	**0***	783*
ERSO Media GmbH with MAGIX Software GmbH	**894***	0*
ERSO Immobilien GmbH with MAGIX AG	**60**	10
MAGIX AG with ERSO Media GmbH	**0***	93*
MAGIX Software GmbH with ERSO Media GmbH	**77***	0*
Presto Capital Management GmbH & Co. KG with MAGIX AG	**108**	103
*Contract transferred from MAGIX AG to MAGIX Software GmbH in 2011/2012		
Liabilities	**Sep 30, 2012 kEUR**	**Sep 30, 2011 kEUR**
MAGIX AG to Future GmbH	**0**	32
MAGIX Software GmbH to Future GmbH	**23**	0
MAGIX AG to ERSO Media GmbH	**0**	227
MAGIX Software GmbH to ERSO Media GmbH	**297**	0

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

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 financial years:

	2012/13 kEUR	2013/14 kEUR	2014/15 kEUR	2015/16 kEUR	2016/17 kEUR
Rental agreements	1,170	972	967	870	10
Leases	35	29	0	0	0
	1,205	**1,001**	**967**	**870**	**10**

There are other financial obligations after the financial year 2016/2017 from rental agreements in Germany.

EMPLOYEES

On average in the course of 2011/2012, the Group employed 3 Management Board members (3 full time equivalents), 289 employees (277 full time equivalents) and 56 trainees (56 full time equivalents). In the previous year, on average there were 3 Management Board members (3 full time equivalents), 284 employees (276 full time equivalents) as well as 58 trainees (58 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 2012 has been made permanently available by MAGIX AG on the company's website http://ir.magix.com/gb/corporate-governance/report/2010-2011/.

The declaration of conformity is also printed in the Corporate Governance Report of the Financial Report.

AUDITOR'S FEES

In the 2011/2012 financial year, the following fees were recorded for the auditors, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft:

- Annual audits: kEUR 70 (previous year: kEUR 70)
- Tax Consulting: kEUR 23 (previous year: kEUR 0)

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 2011/2012 financial year in the amount of kEUR 922 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, 2012

Dieter Rein	Jürgen Jaron	Tilman Herberger
Management Board	Management Board	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, 2012 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

On the balance sheet date MAGIX AG participated in the following companies directly or indirectly through the MAGIX Software GmbH:

DIRECT PARTICIPATION

Company:	APPIC LABS Corp. (previously Catooh Corp.)
Registered office:	Las Vegas (USA)
Share of capital:	100 %
Equity:	kUSD 208 as of September 30, 2012
Annual results:	kUSD 95 profit as of September 30, 2012

Company:	MAGIX Audio GmbH
Registered office:	Berlin (Germany)
Share of capital:	100 %
Equity:	kEUR 29 as of September 30, 2012
Annual results:	kEUR 297 loss as of September 30, 2012

Company:	MAGIX Online Services GmbH
Registered office:	Berlin (Germany)
Share of capital:	100 %
Equity:	kEUR 441 as of September 30, 2012
Annual results:	kEUR 25 profit as of September 30, 2012

Company:	MAGIX Software GmbH
Registered office:	Berlin (Germany)
Share of capital:	100 %
Equity:	kEUR 14,856 as of September 30, 2012
Annual results:	kEUR 5,229 profit as of September 30, 2012

Company:	mufin GmbH
Registered office:	Berlin (Germany)
Share of capital:	100 %
Equity:	kEUR 225 as of September 30, 2012
Annual results:	kEUR 1,010 loss as of September 30, 2012

Company:	OpenSeminar GmbH
Registered office:	Zossen (Germany)
Share of capital:	100 %
Equity:	kEUR 25 as of September 30, 2012
Annual results:	kEUR 134 loss as of September 30, 2012

Company:	The Xara Group Ltd.
Registered office:	Basingstoke, Hampshire (United Kingdom)
Share of capital:	100 %
Equity:	kGBP 1,909 as of September 30, 2012
Annual results:	kGBP 521 profit as of September 30, 2012

Company:	simplitec GmbH
Registered office:	Berlin (Germany)
Share of capital:	100 %
Equity:	kEUR 25 as of September 30, 2012
Annual results:	kEUR 599 loss as of September 30, 2012

INDIRECT PARTICIPATION:

Company:	**MAGIX Computer Products International Corp.**
Registered office:	Reno, Nevada (USA)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kUSD 1,349 as of September 30, 2012
Annual results:	kUSD 364 profit as of September 30, 2012

Company:	**MAGIX Ltd.**
Registered office:	Hemel Hempstead, Hertfordshire (United Kingdom)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kGBP -153 as of September 30, 2012
Annual results:	kGBP 18 loss as of September 30, 2012

Company:	**MAGIX Entertainment B.V.**
Registered office:	Huizen (the Netherlands)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kEUR -134 as of September 30, 2012
Annual results:	kEUR 12 loss as of September 30, 2012

Company:	**MAGIX Ltd.**
Registered office:	Taipeh (Taiwan)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kTWD 372 as of September 30, 2012
Annual results:	kTWD 24 loss as of September 30, 2012

Company:	**MAGIX Entertainment S.A.R.L.**
Registered office:	Paris (France)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kEUR 400 as of September 30, 2012
Annual results:	kEUR 96 loss as of September 30, 2012

Company:	**MAGIX Entertainment S.r.l.**
Registered office:	Bozen (Italy)
Share of capital:	100 % (indirect via MAGIX Software GmbH)
Equity:	kEUR 193 as of September 30, 2012
Annual results:	kEUR 42 loss as of September 30, 2012

MAGIX AG, BERLIN
BALANCE SHEET AS OF SEP 30, 2012

ASSETS

				Sep 30, 2011
A.	**NON-CURRENT ASSETS**	**kEUR**	**kEUR**	**kEUR**
I.	**Intangible assets**			
1.	Purchased concessions. industrial property rights			
	and similar rights and values as well as licenses in such rights and values	17		8,544
2.	Down payments made	0		483
			17	**9,027**
II.	**Property. plant and equipment**			
1.	Leasehold improvements	2		157
2.	Technical equipment and machinery	0		43
3.	Other facilities. furniture. and office equipment	183		561
			185	**761**
III.	**Financial assets**			
1.	Shares in affiliated companies	19,786		7,588
2.	Loans to affiliated companies	923		747
			20,709	**8,335**
			20,911	**18,123**
B.	**CURRENT ASSETS**			
I.	**Inventories**			
1.	Raw materials and supplies	0		826
2.	Finished goods and merchandise	0		278
			0	**1,104**
II.	**Receivables and other assets**			
1.	Trade accounts receivable	24		10,868
2.	Receivables from affiliated companies	11,746		3,163
3.	Other assets	399		104
			12,168	**14,135**
III.	**Cash position. cash at banks and checks**		**15,086**	**26,091**
			27,254	**41,330**
C.	**ACCRUALS AND DEFERRALS**		**57**	**198**
			48,222	**59,651**

MAGIX AG, BERLIN
BALANCE SHEET AS OF SEP 30, 2012

EQUITY & LIABILITIES

				Sep 30, 2011
A.	**EQUITY**	**kEUR**	**kEUR**	**kEUR**
I.	Common stock		12,662	12,662
II.	Additional paid-in capital		14,430	14,072
III.	Retained earnings			
	Other revenue reserves		126	460
IV.	Balance sheet profit		922	2,371
			28,140	**29,105**
B.	**SPECIAL RESERVE FOR BONUSES**		**0**	**70**
C.	**PROVISIONS**			
1.	Provisions for taxes	838		411
2.	Other provisions	418		7,904
			1,256	**8,315**
D.	**LIABILITIES**			
1.	Trade accounts payable	139		722
2.	Liabilities to affiliated companies	17,788		8,106
3.	Other liabilities thereof taxes kEUR 4 (previous year kEUR 651)	17		12,659
			17,944	**21,487**
E.	**ACCRUALS AND DEFERRALS**		**0**	**61**
F.	**Deferred taxes**		**882**	**153**
			48,222	**59,191**

MAGIX AG, BERLIN
INCOME STATEMENT FOR THE FISCAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

MAGIX AG, BERLIN
INCOME STATEMENT FOR THE FISCAL YEAR FROM OCTOBER 1, 2011 TO SEPTEMBER 30, 2012

				2010/2011
		kEUR	kEUR	kEUR
1.	Revenues	2,024		35,552
2.	Costs of sales of the rendered services necessary for generating the sales revenue	-1,745		-9,983
3.	**Gross profit on sales**		**279**	**25,569**
4.	Selling and distribution costs	-19		-11,414
5.	General administrative costs	-1,943		-3,238
6.	Research and development costs	0		-6,786
7.	Other operational income thereof revenue from currency conversion kEUR 32 (Prev. year kEUR 224)	441		603
8.	Other operational expenses thereof expenses from currency conversion kEUR 32 (Prev. year kEUR 265)	-135		-546
			-1,656	**-21,381**
9.	Income from profit transfer agreements	5,254		74
10.	Revenues from other shares and loans of the financial assets thereof from affiliated companies kEUR 11 (Prev. year kEUR 58)	11		58
11.	Other interests and similar income	230		205
12.	Expenditures from transfer of losses	-2,040		-857
13.	Interests and similar expenditures thereof to affiliated companies kEUR 5 (Prev. year kEUR 131)	-107		-135
			3,348	**-655**
14.	Results from regular business activity		1,971	3,533
15.	Taxes on income and profit	-292		-1,157
16.	Other taxes	0		-5
17.	Deferred tax assets	-729		-9
			-1,021	**-1,171**
18.	**Net income for the year**		**950**	**2,362**
19.	Profit carried forward		2,371	9,190
20.	Reduction in assets due to retirement of shares		-2,399	0
21.	Reduction in assets due to payout of dividends		0	-9,181
22.	**Balance sheet profit**		**922**	**2,371**

FINANCIAL CALENDAR

FEBRUARY 28, 2013
RELEASE OF THE 2012/2013 THREE-MONTH REPORT

APRIL 30, 2013
SHAREHOLDERS' MEETING OF MAGIX AG LUDWIG ERHARD HAUS, BERLIN, GERMANY

MAY 31, 2013
RELEASE OF THE 2012/2013 SIX-MONTH REPORT

IMPRINT AND CONTACT

IMPRINT AND CONTACT INFORMATION

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Would you like additional information about MAGIX AG?
We're happy to help:

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