



10/11

MAGIX AG 3-MONTH-REPORT



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Key figures

MAGIX Group financial performance according to IFRS for December 31, 2010

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR	Change in %
Profit & Loss			
Sales revenue	10,736	9,543	+13%
Gross margin	9,098	8,185	+11%
as % of revenues	85%	86%	
Earnings before interest and taxes	1,985	1,204	+65%
as % of revenues	18%	13%	
Earnings before tax	2,054	1,303	+58%
as % of revenues	19%	14%	
Net income of the Group	1,400	1,180	+19%
as % of revenues	13%	12%	
Earnings per share in EUR	0.13	0.11	+19%
Balance sheet			
Balance sheet total	60,197	55,421	+9%
Non-current assets	14,492	14,624	-1%
Current assets	45,705	40,797	+12%
of that amount liquid and financial assets (held to maturity)	33,888	29,637	+14%
Equity	49,623	44,917	+10%
% of total balance	82%	81%	
Non-current liabilities	593	970	-39%
Current liabilities and provisions	9,981	9,534	+5%
Cash flow			
Cash flow from operating activities	555	2,947	-81%
Cash flow from investment activities	-15,872	-522	-
Cash flow from financing activities	29	0	-
Other key figures			
Employees	335	304	+10%
Registered users at the close of the period	12,295,157	10,912,647	+13%
Conversion rate to direct customers	9.1%	8.6%	

1. Market environment

Accompanied and supported by expansive fiscal politics and state stimulus packages, the world economy has increasingly recovered in 2010. Growth was accelerated by dynamics on the emerging markets. Development in industrialized countries remained far behind. Recovery was comparatively slow in Western Europe, whereby Germany took on a special role with stronger growth.

Registering a growth of 3.6%, German economy expanded in 2010 at a faster rate than it ever has since the reunification. Only a year ago, Germany experienced the worst recession of the post-war period. The economic recovery took place mostly in the spring and summer 2010. Growth tempo slowed towards the end of the year. According to the estimates of the Federal Bureau of Statistics, domestic gross product increased by 0.4% in the fourth quarter.

Among other factors, private consumer spending delivered a marked contribution to the growth. According to preliminary results of the Federal Bureau, retail revenue in non-perishables (excluding motorized vehicles) rose by 2.6% in 2010. At the same time, Internet and mail

retail and so-called "other" retail with various goods (such as malls and department stores) were declining in sales, with -1.3% and -0.2%, respectively.

Market research and consulting company Gartner predicted a 5.1% growth for the IT market in 2010. According to EITO (European Information Technology Observatory), software market development clearly slowed by 2.8% worldwide and by 2.4% in Germany alone. Of the cumulative 2010 revenue volume of the German software market of EUR 14.6 billion, circa 15% fall to private user software. The remaining 85% include software for companies, administrations and other organizations.

2. Business development

2.1 Results

Overview of the MAGIX Group's earnings situation after three months

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR	Change in %
Sales revenue	10,736	9,543	+13%
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Profits development

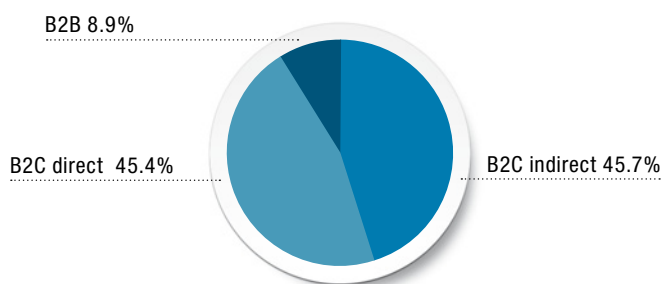
The MAGIX Group has used the positive environment in the first quarter of the 2010/2011 fiscal year to create strong revenues growth. In addition to rising revenues in all areas, sinking operative costs had a positive effect.

In the reporting period from October to December 2010, MAGIX earnings before interest and taxes rose to EUR 2.0 million from last year's EBIT of EUR 1.2 million, indicating a 65% increase. EBIT margin rose from 13% to 18%.

With EUR 0.1 million, the financial result was at last year's levels, so that and EBT of EUR 2.1

million was also clearly above last year's value of EUR 1.3 million. With a tax rate of 32%, a consolidated income surplus of EUR 1.4 million (+19%) resulted.

For a more differentiated view of the results please refer to the segment reporting in the Notes to the Interim Consolidated Financial Statement.



Revenues

In the first three months of the current fiscal year, the Group's earnings rose by 13% from EUR 9.5 million to EUR 10.7 million. Business developments in all divisions and segments were extremely positive. Looking at business development in individual regions, revenues in Western Europe fell slightly, while the German-speaking region, the USA and the rest of the world rose markedly.

Revenue by division and segment

MAGIX AG has organized segment reporting based on IFRS 8 regulations. Revenues in the segments created therein, Multimedia and Ventures, have developed extremely positive in the reporting period. The Venture segment, made up of the Online Services, Xara Graphics and web design products as well as the marketing of the music recognition and recommendation technology mufin grew in revenue by 11% from EUR 1.3 million to EUR 1.5 million. The Multimedia segment, which reflects other software products for creation, editing, presentation and management of music, photos and videos, making up the core business of MAGIX, rose by 13% in revenue from EUR 8.2 million to EUR 9.3 million.

To provide a more detailed representation, the development of business areas B2C indirect, B2C direct and B2B, all newly structured in this fiscal year, will be explained below. Revenues earned by the Group through consumers indirectly through retailers such as Media Markt and Fnac, as well as through Internet retailers

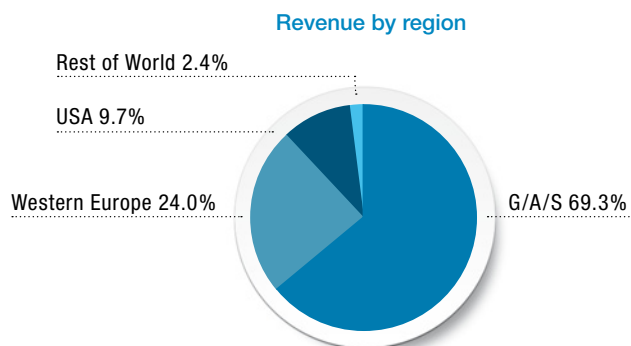
such as Amazon or Softwareload (t-online), are assigned to B2C indirect. In contrast, the B2C direct area generates its revenues through consumers accessing the Group's own web pages such as www.magix.com and www.magix-online.com, which distribute the full range of MAGIX products online.

The third area, B2B, generates MAGIX revenues through business customers. This includes hardware manufacturers who distribute their hardware as a package together with MAGIX software, as well as business users of MAGIX professional software such as Samplitude and Sequoia in audio, and Xara Designer Pro for photo, graphics and web as well as Video Pro X in video editing.

With a revenue share of 9% in this reporting period, the B2B area is comparatively small. With 46% and 45%, respectively, B2C indirect and B2C direct had roughly equal shares and were correspondingly much stronger. This notwithstanding, the B2B area has a significant strategic position. For one, its distribution via hardware manufacturers (OEM) enables a significant widening of the customer base, since in this fashion MAGIX can reach users, who are not specifically informed via retailers or multimedia products. Products for professional users also contribute to the continuous positioning of MAGIX as an innovative leader, since these high-end applications best represent the power of innovation, key to continuous meeting of the highest demands.

Revenue development according to business areas was as follows:

	Oct 1 to Dec 31, 2010		Oct 1 to Dec 31, 2009		+ / -	
	kEUR	%	kEUR	%	kEUR	%
B2C indirect	4,908	45.7	4,294	45.0	+614	+14.3
B2C direct	4,869	45.4	4,416	46.3	+453	+10.3
B2B	959	8.9	833	8.7	+126	+15.1
Total	10,736	100.0	9,543	100.0	1,193	+12.5



In comparison to the previous year, quarterly revenue in all business areas rose by a double-digit percentage point. In the B2C indirect area, increase was by 14%, with revenues of EUR 4.9 million reached after last year's revenue of EUR 4.3 million. While revenue in the German-speaking region clearly rose, due to the weaker economic developments in the rest of Western Europe, following an excellent previous year, this region indicated a decline in revenues.

The B2C area showed growth in all regions. Here, revenue rose overall by 10% from EUR 4.4 million to EUR 4.9 million. During the 2010 calendar year, the customer ranks have risen by 13%, or by 1.4 million to 12.3 million registered users. In the reporting period from the beginning of October until the end of December alone, their numbers rose by 0.3 million.

Development in the B2B area, with an increase by 15% from EUR 0.8 million to EUR 1.0 million was also very welcome. This was in particular traceable to higher revenues with OEM partners, while earnings with professional software were in decline.

Revenue by region

Looking at regional distribution, MAGIX earned its biggest revenue share on the German-speaking market (G/A/S) with 64%. This was followed by the region Western Europe (24%), the US (10%) and the rest of the world (2%).

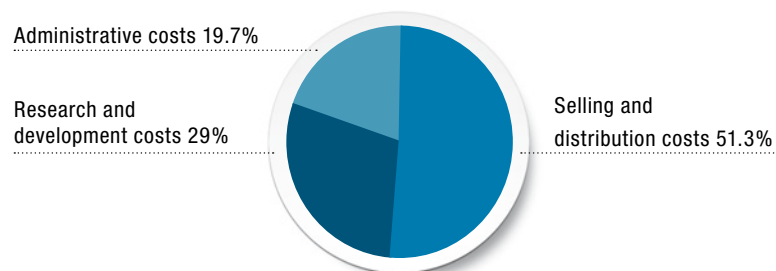
The rise in the Group's revenues was in large part attributable to a rise in the German-speaking region. Here, revenue increased by EUR 1.1 million, or by 19% to EUR 6.9 million. Clearly rising deliveries in retail and associated earnings in the B2C indirect area contributed to this development.

After a great first quarter in the previous year, business in Western Europe region was cautious. Revenue sank here by 5% from EUR 2.7 million to EUR 2.6 million, and while direct sales in the region increased slightly, B2C indirect was slightly weaker. A decisive reason for this was the somewhat weaker economic development of the region in comparison to Germany.

In the USA, the increase by 10% to EUR 1.0 million was attributable to stronger direct sales, while sales in US retailer rose steadily. Development in the rest of the world was extremely positive, with revenues of EUR 0.3 million nearly doubled.

Compared to the same period in the previous year, the change in revenue during the first quarter of 2010/2011 can be represented as follows:

	Oct 1 to Dec 31, 2010		Oct 1 to Dec 31, 2009		+ / -	
	kEUR	%	kEUR	%	kEUR	%
G/A/S	6,857	63.9	5,769	60.5	+1,088	+18.9
Western Europe	2,582	24.0	2,715	28.4	-133	-4.9
USA	1,037	9.7	939	9.8	+98	+10.4
Rest of World	260	2.4	120	1.3	+140	+116.7
Total	10,736	100.0	9,543	100.0	+1,193	+12.5



Gross margin

Driven by an increase in revenues, gross margin increased correspondingly. After EUR 8.2 million in previous year, it lay at EUR 9.1 million in this year, having risen by 11%. Correlated to the revenues, the gross margin of 85% was just below last year's levels of 86%. As a result, cost of sales showed a sharper rise than revenue in this quarter.

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. The licensed codecs include standard media formats, for example, the MP3 format. Because it would not be sensible to develop these standards ourselves, licensing fees are paid for their use. All other production steps are conducted by the MAGIX Group, so no separate costs of sales arise.

Cost structure

In addition to revenue increases, earnings were positive also due to the trimmed structures throughout the Group, and cost consciousness has been developed on every level. Operative costs and write-offs fell slightly from EUR 7.2 million to EUR 7.1 million. Write-offs rose from EUR 0.8 million to EUR 1.0 million, while operative costs fell by EUR 0.3 million to EUR 6.1 million.

The operative selling and distribution costs that make up a little more than half of the operative costs, comprise personnel costs for sales and distribution staff as well as marketing costs. Other selling and distribution costs such as those for shipping have to be included as well. In spite of a revenue jump, the operative distribution costs were below previous year's levels of EUR 3.4 million, at EUR 3.1 million (-9%).

Administration costs were also reduced. Following EUR 1.3 million in the previous year, they now were EUR 1.2 million (-10%). While personnel costs rose slightly here, other costs in the area fell slightly.

In contrast, operating costs for research and development rose from EUR 1.6 million to EUR 1.8 million. At the same time, many more development costs were activated in comparison to the previous year. Thanks to strengthened activity in the area of research and development, the Group expects mid-term higher sales and revenue results. Through targeted development of demanding and simultaneously easy-to-use multimedia software, MAGIX is not only ready to face the constantly changing entertainment electronics industry, but acts as one of its innovators.

Operative costs developed in the areas of distribution, administration and research as follows:

	Oct 1 to Dec 31, 2010		Oct 1 to Dec 31, 2009		+ / -	
	kEUR	%	kEUR	%	kEUR	%
Selling and distribution costs	3,136	51.3	3,449	53.6	-313	-9.1
Administrative costs	1,204	19.7	1,340	20.8	-136	-10.1
Research and development costs	1,771	29.0	1,648	25.6	+123	+7.5
Total	6,111	100.0	6,437	100.0	-326	-5.1

2.2. Financial and asset position

Balance Sheet

MAGIX AG, Berlin – Group balance on December 31, 2010 at a glance

	Dec 31, 2010 kEUR	Sep 30, 2010 kEUR	Change in %
Non-current assets	14,492	14,578	-1%
Current assets	45,705	46,527	-2%
of that amount liquid and financial assets (held until maturity)	33,888	34,780	-3%
Total assets	60,197	61,105	-1%
Equity	49,623	48,158	+3%
Non-current liabilities	593	738	-20%
Current liabilities and provisions	9,981	12,209	-18%
Total equity and liabilities	60,197	61,105	-1%

In comparison to the end of the last fiscal year, on September 30, 2010, the balance sum on December 31, 2010 fell by 1% and was EUR 60.2 million. While equity, mostly as a result of the earned consolidated period surplus, rose from EUR 48.2 million to EUR 49.6 million, borrowed capital was clearly reduced. Long-term liabilities and provisions sank by 20% from EUR 0.7 million to EUR 0.6 million. Short-term liabilities were reduced by 18% from EUR 12.2 million to EUR 10.0 million. The reasons for this were elevated value added tax liabilities following a traditionally sales-strong fourth quarter of the last fiscal year, which were due on the course of the reporting period. The equity ratio at the end of the quarter was at 82% from 79% at the end of the last fiscal year.

On the asset side of the balance sheet the value of non-current assets dropped slightly from EUR 14.6 million to EUR 14.5 million. Investments in non-current assets (especially self-created immaterial assets) rose from EUR 0.6 million in the previous year to EUR 0.9 million. Simultaneously write-offs rose from EUR 0.8 million to EUR 1.0 million.

Current asset values fell especially due to borrowed capital repayments. They fell from EUR 46.5 million to EUR 45.7 million in the course of the quarter. Due to high sales, specifically in the B2C indirect area, claims rose from EUR 9.7 million to EUR 10.2 million, while inventories fell by EUR 0.4 million to EUR 0.9 million. Other financial assets to the amount of EUR 0.7 million remained unchanged. Significant movements were caused by a fixed deposit of EUR 15.0 million. Because its term is longer than 90 days, this amount is to be attributed to financial assets held until maturity. In total, this balance position rose from EUR 1.0 million to EUR 15.4 million. In parallel, liquid assets fell by EUR 15.2 million to EUR 18.5 million.

Cash flow

MAGIX AG, Berlin – Cash flow after three months on December 31, 2010 at a glance

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR	Change kEUR
Cash flow from operating activities	555	2,947	-2,392
Cash flow from investment activities	-15,872	-522	-15,350
Cash flow from financing activities	29	0	+29
Foreign exchange differences	40	22	+18
Change in cash and cash equivalents	-15,248	2,447	-17,695
Cash and cash equivalents at the beginning of the period	33,773	26,749	+7,024
Cash and cash equivalents at the end of the period	18,525	29,196	-10,671

Operative cash flow with EUR 0.6 million was clearly down from previous year's value of EUR 2.9 million in spite a rise in earnings. Unfavorable development of working capital was the reason, especially the repayment of liabilities as well as higher income tax payments.

Cash flow from investment activities in the amount of EUR -15.9 million (previous year: EUR -0.5 million) includes a special effect of a fixed deposit in the amount of EUR 15.0 million. Additionally, cash flow included payments for investments into non-current assets to the amount of EUR -0.9 million (previous year: EUR -0.6 million) as well as incoming interest payments in practically unchanged amount of EUR 0.1 million.

Personnel development

MAGIX-Group – Employees according to sectors

	Dec 31, 2010	Sep 30, 2010	Dec 31, 2009
Sales & Marketing	116	112	102
Administration & logistics	47	42	38
Research & development	172	171	164
Total	335	325	304

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

After the employee force was expanded in 2009/2010 to 325 (here and in following figures calculated in full-time employees) employee numbers rose in the first quarter of 2010/2011 by 10 to reach 335. As before, the Management Board of MAGIX AG consists of three members.

The Group's aim of positioning itself as an innovator is reflected in its personnel structure: more than half of all employees work in research and development, thus ensuring a continuous development of new and existing MAGIX products. Compared to the end of the first quarter of the previous year, the area has been expanded by 8 positions, to now include 172 employees. Additionally, distribution was expanded by 14 to 116, and administration by 9 to 47 coworkers.

3. The Share

Key data on the MAGIX AG shares

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

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

The MAGIX share also followed a volatile, but all in all stable upward path in the first quarter of the 2010/2011 fiscal year, which ended during the 2010 calendar year. After a 16% increase in 2009/2010, the share exited the exchange on September 30, 2010 at EUR 5.10. In an overall positive market environment, the share increased by an additional 29% to EUR 6.56. Comparative indices such as the DAX (+11%), TecDAX (+9%) and DAXsector Software (+6%) also closed in the green, but rose less.

Key figures of the MAGIX share (all figures taken from Xetra)

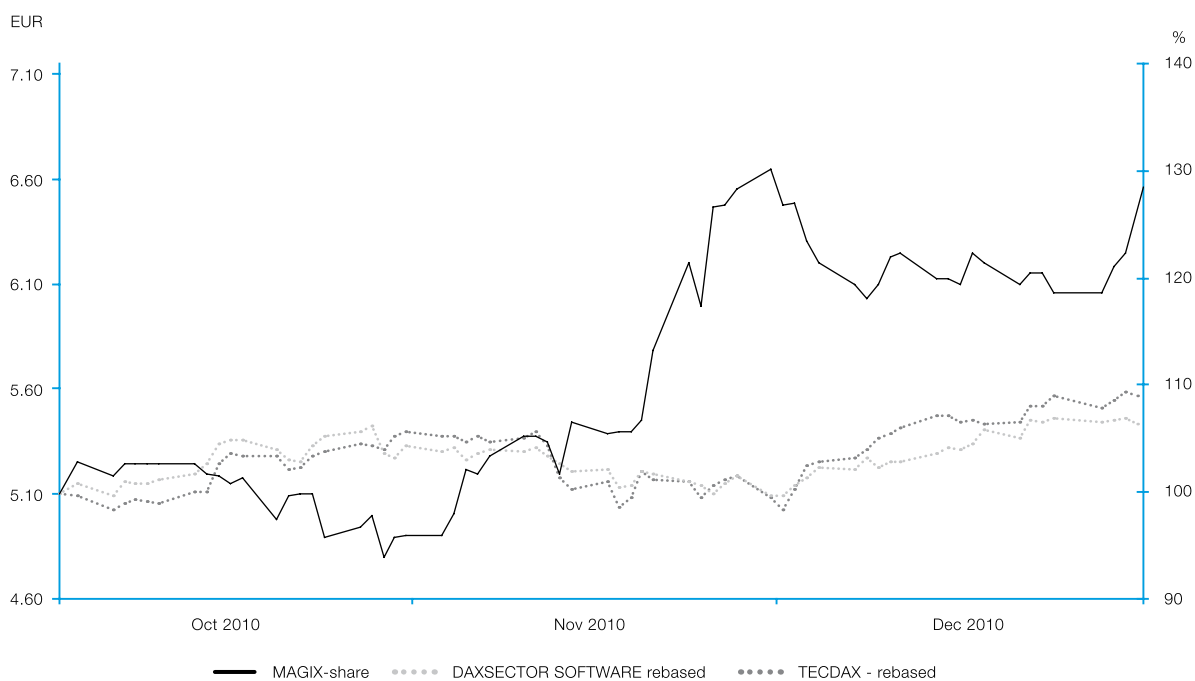
	Oct 1, 2010 – Dec 31, 2010	Oct 1, 2009 – Dec 31, 2009
Share price at the start of the fiscal year in EUR	5.25	4.90
Highest price in EUR	6.65	4.90
Lowest price in EUR	4.80	3.60
Share price at the end of the reporting period in EUR	6.56	3.60
Equity per share at the end of the reporting period in EUR	4.76	4.31
Earnings per share after three months in EUR	0.13	0.11
Market capitalization at the end of the reporting period in EUR	68,439,883	37,558,472
Average revenue per trading day in EUR	35,337	51,507
Average revenue per trading day in shares	6,179	11,979
Number of shares at the end of the period	10,432,909	10,432,909
Nominal capital in EUR	12,662,038	12,662,038

Market liquidity fell in comparison to the first quarter of the previous year. On average, 6,179 MAGIX shares were traded on Xetra each day of trading. The average daily revenue amounted to approximately kEUR 35.

We are obliged to report on one transaction by a MAGIX management member that took place in the reporting period.

Nov 19, 2010 Dierk Borchert / Member of Supervisory Board			
Purchase	Xetra	10,000 shares	
5.7979	EUR	57,979 EUR	

Development of the MAGIX share in Q1 2010/11



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

4. Outlook

Looking at the global economy, the International Monetary Fund (IMF) predicts a 4.2% economic growth for 2011. Because the growth will be mostly experienced in the emerging markets, the outlook for industrialized nations is noticeably weaker at 2.2%. Predictions for Western Europe lie at only 1.5%. Germany remains an exception, which should recover stronger in 2011 at 2.0%.

The EITO (European Information Technology Observatory) predicts a growth of 5.3% for the global software market. The increase on the German market will be somewhat weaker with 4.2%. The current market volume should return to the pre-crisis levels in the course of the year. It should be noted that the market for multimedia software solutions represents a comparatively small portion of the software market and is influenced by special, changing factors.

Against this background, expectations for the business development of MAGIX are all in all positive: If economic development remains stable, the Group's management expects a further revenue increase for the two financial years of 2010/2011 and 2011/2012. Both the Venture segment, with the Online Services, the Xara graphic and web design products and marketing of the music recognition and recommendation technology mufin, and the Multimedia segment, with additional language versions and distribution channels in new markets, are expected to provide a strong impetus. A revenue increase of 7-14% to EUR 39.7-42.3 million is expected for the 2010/2011 financial year.

Moderate growth is expected in the area B2C indirect. The situation in the German-speaking region as well as in Western Europe is estimated to be stable. Considering the already dominant position of MAGIX, a stable development of revenue is expected here. After the valley in retail sales may have passed in the USA, moderate growth is expected here. MAGIX wants to generate strong growth on new markets in the

second half of the fiscal year through additional localized versions and distribution channels.

Growth in the area B2C direct should continue and gain in stability. 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 B2B area addresses a market hardly approached by MAGIX before. While strong growth is expected from professional software solutions for business customers, little growth is expected from OEM business in view of the revenue. Since margins will presumably stay low here, deals will serve more to increase recognition of the MAGIX brand and to increase the number of registered users, thus indirectly contributing to the Portal business. However, with mufin, the Group owns technology with incredible potential, even with small margins.

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

Consolidated Interim Financial Report as of December 31, 2010 (IFRS)

MAGIX AG, Berlin – Consolidated Balance Sheet as of December 31, 2010 (unaudited)

ASSETS	Dec 31, 2010 kEUR	Sep 30, 2010 kEUR
Non-current assets		
Property, plant and equipment	958	901
Intangible assets	11,418	11,561
Goodwill	2,116	2,116
Total non-current assets	14,492	14,578
Current assets		
Inventories	931	1,359
Trade accounts receivable	10,186	9,688
Financial assets (held until final maturity)	15,363	1,007
Other financial assets	700	700
Cash and cash equivalents	18,525	33,773
Total current assets	45,705	46,527
Total assets	60,197	61,105

MAGIX AG, Berlin – Consolidated Balance Sheet as of December 31, 2010 (unaudited)

EQUITY & LIABILITIES	Dec 31, 2010 kEUR	Sep 30, 2010 kEUR
Equity attributable to equity holders of the parent		
Nominal capital	12,662	12,662
Capital reserve	26,213	26,188
Retained earnings	10,476	9,076
Reserves for currency translation adjustment	272	232
Shareholders' equity, total	49,623	48,158
Long-term liabilities		
Other liabilities (long-term portion)	89	122
Deferred tax liabilities	504	616
Long-term liabilities, total	593	738
Short-term liabilities and provisions		
Provisions	5,033	4,889
Other liabilities (short-term portion)	2,809	4,775
Trade accounts payable	1,265	1,431
Tax liabilities	874	1,114
Total short-term liabilities and provisions	9,981	12,209
Total equity and liabilities	60,197	61,105

**MAGIX AG, Berlin – Consolidated Income Statement
from October 1, 2010 to December 31, 2010 (unaudited)**

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR
Sales revenue	10,736	9,543
Costs of goods sold	-1,638	-1,358
Gross margin	9,098	8,185
Selling and distribution costs	-3,271	-3,637
Administrative costs	-1,229	-1,446
Research and development costs	-2,639	-2,156
Other income	26	258
Earnings before interest and taxes	1,985	1,204
Interest income	70	100
Interest expenses	-1	-1
Earnings before taxes	2,054	1,303
Income taxes	-654	-123
Net income of the Group	1,400	1,180
<i>Attributable to</i>		
shareholders of the parent	1,400	1,180
Earnings per share in EUR (diluted and basic)	0.13	0.11

**MAGIX AG, Berlin – Statement of Comprehensive Income
from October 1, 2010 to December 31, 2010 (unaudited)**

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR
Net income of the Group	1,400	1,180
Foreign currency translation of foreign operations	40	22
Comprehensive income after taxes	1,440	1,202
<i>Attributable to</i> shareholders of the parent	1,440	1,202

**MAGIX AG, Berlin – Consolidated Cash Flow Statement
from October 1, 2010 to December 31, 2010 (unaudited)**

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR
CASH FLOW FROM OPERATING ACTIVITIES		
Earnings before taxes	2,054	1,303
<i>Adjustments for:</i>		
Amortization and depreciation on non-current assets	1,028	800
Interest income	-70	-100
Interest expenses	1	1
Other non-cash-related expenses and income	-95	186
	2,918	2,190
Change in trade receivables	-498	1,351
Change in inventories	428	241
Change in other assets	644	193
Change in trade payables	-166	171
Change in provisions	144	205
Change in other liabilities	-2,351	-1,149
Cash generated from operating activities	1,119	3,202
Interest paid	-1	-1
Income tax paid	-563	-254
Net cash from operating activities	555	2,947
CASH FLOW FROM INVESTMENT ACTIVITIES		
Cash outflow from investment of cash and cash equivalents in financial assets	-15,000	0
Cash paid for investments in non-current assets	-942	-622
Interest received	70	100
Net cash used in investment activities	-15,872	-522
CASH FLOW FROM FINANCING ACTIVITIES		
Investment subsidies and grants received	29	0
Net cash used for financing activities	29	0
Foreign exchange differences	40	22
Changes in cash and cash equivalents	-15,248	2,447
Cash and cash equivalents at beginning of period	33,773	26,749
Cash and cash equivalents at end of period	18,525	29,196

**MAGIX AG, Berlin – Development of Shareholders' Equity
from October 1, 2010 to December 31, 2010 (unaudited)**

	Equity				
	Nominal capital KEUR	Capital reserve KEUR	Retained earnings KEUR	Reserves for currency translation adjustment KEUR	Total KEUR
September 30, 2009	12,662	26,030	4,647	321	43,660
Currency translation				-89	-89
Net income for period			4,429		4,429
Comprehensive income			4,429	-89	4,340
Offsetting of costs from the stock option plan		158			158
September 30, 2010	12,662	26,188	9,076	232	48,158
Currency translation				40	40
Net income for period			1,400		1,400
Comprehensive income			1,400	40	1,440
Offsetting of costs from the stock option plan		25			25
December 31, 2010	12,662	26,213	10,476	272	49,623

Addendum to the Consolidated Interim Financial Report as of December 31, 2010

pursuant to International Financial Reporting Standards (IFRS)

Information about the company

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

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. MAGIX also sells licenses for professional software to industrial users such as music producers and TV and radio stations. Revenues with trade partners are generated in all important countries via own sales companies or distributors.

As of December 31, 2010 MAGIX AG employed 335 employees (previous year: 304).

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

The enclosed interim financial statement of the Group is based on the use of different accounting policies and methods of computation, as described in the addendum to the consolidated financial statements of September 30, 2010.

Basis for preparation

The consolidated financial report of MAGIX AG and its subsidiaries has been prepared in accordance with the International Financial Reporting Standards (IFRS), including IAS 34 "Interim Financial Reporting". The accounting policies and methods of computation used correspond with the accounting policies and methods of computation used in the consolidated financial statement of September 30, 2010, as published by the company on January 31, 2011.

The operative results for the three-month period ending on December 31, 2010 should not necessarily be regarded as indicative for the results achieved during the entire financial year that ends on September 30, 2011.

All values are rounded to the nearest thousand (kEUR) except when otherwise indicated.

Valuations and estimations

For the tabulation of the interim financial statements in accordance with the IAS/IFRS it is required that valuations and estimations be made that have a bearing on the amount and information shown in the reported assets and liabilities, the income and expenditure as well as contingent liabilities. The actual values may deviate from the estimations.

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 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.

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

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR
Net income attributable to the shareholders of the parent	1,400	1,180
Weighted average number of common shares used for the calculation of the basic and diluted earnings per share	10,433	10,433
Earnings per share (diluted and basic) in EUR/share	0.13	0.11

Shareholders' equity

Common stock

The nominal capital of MAGIX AG amounted to kEUR 12,662 on Dec 31, 2010, and Sep 30, 2010, and is divided into 10,432,909 no-par shares with a calculated par value of EUR 1.21 per share.

Authorized capital

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

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

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

Conditional capital

A resolution was passed at the Shareholders' Meeting on January 19, 2006 to increase the nominal capital of the company conditionally by up to EUR 700,000.00 by the issue of up to 700,000 new registered no-par shares. The conditional capital increase serves solely to grant up to 700,000 subscription rights (stock options) to members of the Management Board of the company and to employees of the company as well as to managing directors and employees of Group entities pursuant to the authorization for the "stock option plan 2006" which was passed at the Shareholders' Meeting on January 19, 2006. 392,500 share options were issued as part of the stock option plan up until the cut-off date of the annual report, with 76,000 issued during the 2006/2007 fiscal year. Of this figure, 121,000 stock options subsequently lapsed due to employees leaving the company. As a result there are currently 271,500 options outstanding.

Share buyback

The Shareholders' Meeting on March 10, 2010 authorized the Management Board to purchase shares in MAGIX AG. Authorization applies to the acquisition of Company shares limited to a calculated amount of ordinary nominal capital of up to EUR 1,266,203.00 in total, being almost 10% of the existing ordinary nominal capital of EUR 12,662,038.00 at the time of authorization. Authorization can be exercised fully or partially, once or several times. The authorization is valid until March 9, 2015. The acquisition may not be executed as a means of trading in own shares. At no time shall it be permitted that the acquired shares together with other shares in the company's ownership or that can be allocated to it according to §§ 71a et seq. of the German 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 has been additionally empowered with the approval of the Supervisory Board to use own shares bought as a result of the preceding authorization in ways other than the stock exchange or an offering announced to all shareholders under the exclusion of subscription rights of shareholders,

- to offer as a service in return to third parties within the framework of a merger or acquisition of a company, company parts or company stakes, or
- to offer them to third parties, in case the selling price to be paid in cash is not much lower than the stock exchange price, and the number of shares sold in this manner, together with the number of other shares sold

or issued during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporations Act, or which may be the result of stock options and/or conversion privileges and/or convertible bonds and/or bonds with warrant during the validity period of the authorization according to Article 186, section 3, sentence 4 of the Stock Corporations Act excluding the subscription right, 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 [Aktengesetz (AktG)] (Art. 237, Sec. 3, No. 3, AktG). In this case, the Management Board has been authorized to change the specified amount of shares in the Articles of Association depending on the scope of the retirement.

The above-mentioned authorizations of sales via the stock market or outside the stock market can be exercised once or several times, wholly or partially, individually or collectively. Authorizations, with the exception of authorization to retire own shares, may also be exercised through third parties to be credited to the company.

Revenues with related parties and companies

	Oct 1, 2010 to Dec 31, 2010 kEUR	Oct 1, 2009 to Dec 31, 2009 kEUR
Revenues of Future GmbH with MAGIX AG	214	298
Revenues of MN Soft Corp. with MAGIX Computer Products International Corp.	438	371
Revenues of MAGIX AG with MN Soft Corp.	413	354
Revenues of ERSO Media GmbH with MAGIX AG	582	530
Revenues of MAGIX AG with ERSO Media GmbH	419	392
Revenues of Presto Capital Management GmbH & Co. KG with MAGIX AG	24	24

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

Liabilities to related parties and companies

	Dec 31, 2010 kEUR	Dec 31, 2009 kEUR
Liabilities to Future GmbH	54	82
Liabilities to ERSO Media GmbH	406	365

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 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 music, the biggest potential lies in market entry with new large customers like manufacturers of mobile telephones and mp3 players.

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

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

MAGIX Group	Multimedia		Ventures		Reconciliation statement		MAGIX-Group	
Segment reporting (kEUR)	Q1 2010/11	Q1 2009/10	Q1 2010/11	Q1 2009/10	Q1 2010/11	Q1 2009/10	Q1 2010/11	Q1 2009/10
External sale revenues	9,250	8,206	1,486	1,337			10,736	9,543
Internal sale revenues	104	80	85	404			189	484
Sales revenue	9,354	8,286	1,571	1,741			10,925	10,027
Gross margin of external earnings	7,850	7,043	1,248	1,142			9,098	8,185
EBITDA	3,213	1,984	73	363	-273	-343	3,013	2,004
Segment result (EBIT)	2,341	1,337	-83	210	-273	-343	1,985	1,204
Financial result	0	0	0	0	69	99	69	99
EBT	2,341	1,337	-83	210	-204	-244	2,054	1,303
Taxes	0	0	0	0	-654	-123	-654	-123
Net period income	2,341	1,337	-83	210	-858	-367	1,400	1,180
Segment assets	16,598	17,869	9,374	7,656	34,225	29,896	60,197	55,421
includes intangible assets	7,774	7,241	5,760	6,288	0	0	13,534	13,529

Subsequent Events

Following approval by the Supervisory Board on January 11, 2011, the Management and Supervisory Boards of MAGIX AG have decided to suggest to the next regular Shareholders' Meeting, which is planned for March 16, 2011, to vote for paying out this year dividends of EUR 0.88 per share and distributing funds to shareholders of the company amounting to further EUR 1.12 per share, which is to be accomplished by partially converting reserves.

A special distribution will require a nominal capital increase resulting from the capital reserve as well as a subsequent reduction of nominal capital in order to pay out the released funds to the shareholders. According to the stipulations of the stock corporation law, in order to protect the creditors the special distribution may not be effected for a period of six months at the earliest following the publication of the entry of the decision into the commercial register.

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Financial Calendar:

