ANNUAL REPORT 2009/2010

1 April 2009 to 31 March 2010

MAGNAT REAL ESTATE

Contents

Key Data at a Glance

	2009/2010	2008/2009	2007/2008
Key Data in EUR ’000			
Gains/losses relating to letting	2,413	1,547	2,041
Gains/losses relating to the sale of real estate companies	0	4,740	18
Gains/losses relating to asset management	204	–	–
Gains/losses relating to investments accounted for at equity	-5,768	2,738	10,600
Operating result (EBIT)	-9,976	2,720	7,124
Income before taxes (EBT)	-13,542	-6,452	8,088
Group result after minority interests	-11,216	-6,200	8,654
Equity	111,567	94,636	104,209
Balance sheet total	176,702	150,386	141,035
Equity ratio	63.1%	62.9%	73.9%
Cash flow from operating activities	-5,476	-1,235	-62,224
Cash flow from investing activities	5,866	-13,998	-52,382
Cash flow from financing activities	816	18,082	89,271
Cash and cash equivalents	8,822	7,625	4,827
Stock exchange data at 31/03			
Number of shares	13,894,651	52,900,000	52,900,000
Price at the end of the fiscal year	3.60	0.34	1.10
Market capitalisation in EUR	50,020,744	17,986,000	58,190,000
Earnings per share*	-1.35	-1.17	0.17
P/E ratio	-2.66	-2.83	6.47
Intrinsic value (NAV) per share	7.63	1.63	1.89
Free float (shareholders < 3%)	34.36%	74.68%	57.58%

* Weighted average of the number of shares outstanding

Sonstige Informationen

Name	MAGNAT Real Estate Oppurtunities GmbH & Co. KGaA
ISIN	DE000A0XFSF0 / DE000A1CRPG1
WKN	A0XFSF / A1CRPGF
Code	M5R (Bloomberg: M5RK, Reuters: M5RGK.DE
Market segment	General Standard
Open market	Berlin, Düsseldorf and Stuttgart
General Standard (regulated market)	Frankfurt Stock Exchange (Frankfurt and Xetra)

NAV: 7.63

MAGNAT's net asset value is EUR 7.63 at 31/03/2010

63.1%

MAGNAT's equity ratio remains very solid

176

Balance sheet total increased by about EUR 26 million to EUR 176.7 million due to integration of asset manager.

MAGNAT Umbrella Brand

Part of the realignment of the MAGNAT Group has involved combining the subsidiaries under one umbrella brand.

Joint Stock Corporation AG

It is planned to convert MAGNAT into a joint stock corporation in the 3rd quarter of 2010.

8,822

MAGNAT's cash position at 31/03/2010 amounts to about EUR 8.8 million.

MAGNAT Real Estate is the first real estate group with a focus on property development in Eastern European, Austrian and German metropolitan areas to be listed in Frankfurt.

The MAGNAT Group covers the entire value chain – from acquisition across development through to the sale of projects and land.

MAGNAT is a modern company with professional, dedicated and highly qualified staff who focus on sustained entrepreneurial performance.

The goal of the MAGNAT Group is to create enduring added value for its shareholders and clients.

JÜRGEN GEORG FAÈ
CFO

JAN OLIVER RÜSTER
CEO

MAGNAT at a Glance

Dear Shareholders,
Ladies and Gentlemen,

We look back on a fiscal year which has been turbulent both politically and economically and has brought greater challenges than in previous years. The effects of one of the worst economic crises of recent history have become deeply rooted in the national economies and have had a significant impact on our fiscal year. While it is encouraging to see that some of our markets, such as Poland and Turkey, have marched robustly through the crisis and are now back on a growth trajectory, other markets, such as the Ukraine, are still struggling with deep recessionary cutbacks.

Hope in this environment is provided by the fact that the economy in Eastern Europe has began to enjoy slight growth since the spring of 2010 and is growing a little faster than the euro zone. This means that this region appears to be slowly resuming her former role as a growth engine of Europe. However, in the next two years none of the countries will be in a position to latch onto the growth rates of 2006 and 2007. This is due to a continuing lack of liquidity in these markets and the still very low level of foreign direct investment. In our assessment, we have reached or passed through the low point in this region; nevertheless, we must continue to closely observe the uncertain developments in individual countries such as the Ukraine.

Crisis leaves a deep mark in the figures

The effects of the recessionary environment have left a deep mark in the figures of the past fiscal year. Despite the best efforts of Management and all of our employees and partners, who we would like to take this opportunity to thank for their commitment, we close our fiscal year with a deficit of EUR 11.2 million. The largest share of this loss originates from unrealised changes in fair value amounting to EUR 9.5 million. Similarly, the MAGNAT share was unable to recover from the crisis-induced level and at the end of the fiscal year was quoted at only marginally above its price at the end of the previous year.

The result and development of the share price are not satisfactory for Management and equally as disappointing for you, esteemed shareholders. However, we would like to draw attention to the significant changes and accomplishments we have made, which in our view have created a solid foundation for the further development of MAGNAT.

Close scrutiny reveals positive developments

Once again, the progress of our commitment in Turkey is very encouraging and we have been able to record some significant accomplishments in Istanbul with respect to our exploitation activities in the past year. The reflow of funds from our Turkey portfolio has been very encouraging and made an important contribution to maintaining adequate liquidity for the company. Promising opportunities for exploitation are currently being reviewed for the remainder of the assets in Turkey and we are expecting substantial reflows in the next two years.

Our German portfolio, which accounts for 30 per cent of the overall portfolio, is developing satisfactorily. We succeeded in raising the occupancy rate to over 90 per cent in the spring of 2010 through active asset management. In doing so, we have now created the basis for offering our residential portfolio for sale to institutional investors as a highly profitable asset. These developments are also reflected in income from letting real estate inventory, which has also improved considerably as compared with the previous year because of the package of measures.

Initial contributions from our new Asset Management segment have also been recorded. In that respect, one positive example is our 'Schumanngasse' Bauherrenmodell in Vienna, a co-proprietor's building scheme which we have succeeded in placing very quickly with a gratifying return on investment. We have since acquired two other such schemes, which are currently being marketed. The sale of an apartment building in Vienna in January 2010, which generated a respectable return, also reflects the success of the integration. Asset Management has thus already delivered a positive contribution to earnings even though it was only integrated in September 2009.

Strategic foundations laid in the past fiscal year

The most important step in the past fiscal year was acquisition of the hitherto external real estate asset manager. In addition to increasing the size of its company, we have also strengthened liquidity, brought future growth and integrated real estate expertise into the Group. Integration of the real estate asset manager has created the prerequisites for converting MAGNAT into a joint stock corporation (AG) in the current fiscal year.

The significantly improved corporate governance structure and substantially increased market capitalisation in the third quarter, i.e. following approval of the prospectus and after the conversion, which results from the integration will create a new basis for approaching investors and therefore bring new impetus to the MAGNAT shares.

Integration of the new companies in the MAGNAT brand family was also successfully implemented on an operational level. The company has operated under the umbrella brand 'MAGNAT Real Estate' since April 2010. The new umbrella brand stands for transparency, clear structures and a desire for professional performance across the Group both outwardly and inwardly.

Focus on developing the business model

Our attention is now on developing the business model of our real estate asset management companies in Frankfurt and Vienna. To that end, we have begun to step up activities connected with offering real estate asset management services to third parties. Beyond that, we will implement more co-proprietor's building schemes in Vienna.

That we started to reduce our exposure in certain very high risk states of Eastern Europe shortly after the crisis began proved to be correct. Particular countries in Eastern Europe are now in the process of slowly returning to growth, which is something MAGNAT will also benefit from in the medium-term. However, as a company we no longer focus predominantly on Eastern Europe. We are also heavily involved in our domestic markets and exploiting the sound and once again relatively high yield potential offered in Germany and Austria. We took a bold step with this 'swing in strategy' and were very much less affected by the crash in Eastern Europe because we did.

Ladies and gentlemen, we have restructured MAGNAT fundamentally over the past year; however, there is still much to do. Fiscal Year 2010/2011 will be dedicated to consistent development of the 'Real Estate Asset Management' business segment. We will seek investment opportunities both at portfolio and company level, especially in the euro zone.

A difficult, intense fiscal year is behind us and despite some optimistic forecasts we are unable to give an exact prediction of how the markets will develop. However, we have done our homework in the past fiscal year and laid the foundations for MAGNAT's future development. We have set ourselves ambitious targets for the coming years. We would ask you to place your confidence in us in the new fiscal year and are confident that we will be able to do this justice with reports of positive operational progress and improved results.

Yours sincerely,

Jan Oliver Rüster (CEO) **Jürgen Georg Faè (CFO)**

ANDREAS LANGE
FRIEDRICH LIND
DR CARSTEN STROHDEICHER
PROFESSOR WERNER SCHAFFER
CHRISTOPH JEANNÉE
DR MARC-MILO LUBE
Supervisory Board (from left)

PROFESSOR WERNER SCHAFFER
Chairman of the Supervisory Board

REPORT BY THE SUPERVISORY BOARD

Dear Shareholders,

MAGNAT was faced with great challenges in Fiscal Year 2009/2010. The crisis in the financial markets and subsequently high national debt levels have adversely affected the real economy for the whole of MAGNAT's fiscal year and left a deep mark in its business activities. The speed of the downturn is unprecedented in the recent past and in terms of magnitude practically leaves the 'dot-com-crisis' at the beginning of the millennium in the shade.

Coping with the crisis and MAGNAT's comprehensive restructuring programme at the same time has been very challenging for the Management and staff of the MAGNAT Group. With that in mind, the Supervisory Board would like to thank the Management and staff most sincerely.

In Fiscal Year 2009/2010, the Supervisory Board duly performed the tasks and duties to which it is obligated in accordance with legislation and the Articles of Association with great care. We have supervised the Management of the General Partner, which is liable to unlimited extent, of MAGNAT regularly and in this context played an advisory role in the strategic development of the company and specific key measures.

In that respect, the Supervisory Board obtained from Management in five meetings detailed written and oral reports on business policy, standing and development, profitability as well as planning, including the financial, liquidity and HR planning of the company as well as deviations in the course of business. The Supervisory Board has discussed the reports of Management in detail and reviewed the outlook for the company. The Chairman of the Supervisory Board also obtained information regularly both by phone and in person from Management on the current development of the company and key transactions. The Supervisory Board was always involved in decisions of major importance from an early stage. If decisions of the Supervisory Board were necessary for specific measures of the Board of Management which required its approval under law or the Articles of Association, a resolution was passed.

A particular focus of the supervisory activities in Fiscal Year 2009/2010 was assessing MAGNAT's current business situation, which was marked by the effects of the crisis throughout the entire fiscal year, the approval of real estate investments and divestments, including from real estate projects, the supervision of existing investments and the risk management system as well as supervising and advising on the integration of the hitherto external asset manager R-QUADRAT Immobilien GmbH through capital increase in kind.

Furthermore, in 2009 the Supervisory Board was heavily involved in the corporate governance standards practised by MAGNAT as well as the capital market and legal environment in Germany. In particular, this included the revised German Corporate Governance Code as amended on 18 June 2009 and the Modernisation of Accounting Rules Act (Bilanzrechtsmodernisierungsgesetz/BilMoG).

The Corporate Governance Report for Fiscal Year 2009/2010 is included in this Annual Report and the Declaration of Compliance was made permanently available to the shareholders on the company's Internet site at the same time.

Composition of the Supervisory Board:

- Professor Werner Schaffer (Chairman of the Supervisory Board)
- Dr. Carsten Strohdeicher (Vice Chairman)
- Dr. Christoph Jeannée
- Andreas Lange (since 10 December 2009)
- Friedrich Lind (since 10 December 2009)
- Dr. Marc-Milo Lube (since 10 December 2009)

Annual Financial Statements and Consolidated Financial Statements at 31/03/2010

The Annual Financial Statements of MAGNAT Real Estate Opportunities GmbH & Co. KGaA and the Management Report were prepared under the rules set forth in the German Commercial Code.

The Consolidated Financial Statements and Group Management Report were prepared in accordance with the International Financial Reporting Standards (IFRS), as adopted by the EU, and the supplementary provisions set forth in section 315a paragraph 1 of the German Commercial Code.

KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, Frankfurt am Main office, was elected as auditor during the Annual Shareholders' Meeting and engaged by the Supervisory Board. The auditor examined the Annual Financial Statements and the Management Report of MAGNAT Real Estate Opportunities GmbH & Co. KGaA as well as the Consolidated Financial Statements and the Group Management Report and appended its unreserved audit opinions.

The Annual Financial Statements, the Consolidated Financial Statements, the Management Report and the Group Management Report were presented to the Supervisory Board together with the Audit Report of the auditor in due time. The Supervisory Board carefully examined the Annual Financial Statements and the Consolidated Financial Statements with corresponding Management Reports and noted the auditor's findings with approval. At the Balance Sheet Meeting on 28 July 2010, the Annual Financial Statements, Consolidated Financial Statements, Management Report and Group Management Report were discussed in particular. The auditors also attended this meeting and gave a report on the audit.

The Supervisory Board did not raise any objections and approved the Annual Financial Statements and Management Report as well as the Consolidated Financial Statements and Group Management Report compiled by Management. The Supervisory Board therefore recommends that the Annual Financial Statements be presented to the shareholders for adoption at the Annual Shareholders' Meeting.

The Supervisory Board would like to thank the Management and staff of MAGNAT for their dedication and the constructive work they have carried out in Fiscal Year 2009/2010.

Frankfurt am Main, July 2010

Professor Werner Schaffer
(Chairman of the Supervisory Board)

MEERA RAMAKRISHNAN
Head of the Corporate Legal Department

CORPORATE GOVERNANCE

I. General information on Corporate Governance

MAGNAT Real Estate Opportunities GmbH & Co. KGaA ('MAGNAT') is a transparent company that aims to create lasting value for its shareholders. Therefore, at MAGNAT the principles of Corporate Governance form the framework for responsible management directed towards the success of the company. We place high value on transparency, which we believe to be important both in terms of the way the company is managed and in the way it communicates. To that end, we regularly publish up-to-date information about the company's position and material changes in company business. Using the legal and company-specific framework for managing a publicly traded entity as a basis, we work consistently on promoting confidence in the control and management of our company.

Our primary channels for publishing information are quarterly reports, annual reports, press releases and conferences with financial analysts at home and abroad. The regular reporting dates are displayed in a timely manner on our financial calendar. In addition to the regular disclosure of information, we issue ad-hoc disclosures to publish events that could have a significant impact on the market price of our company. Our website, which addresses the clear requirement for timeliness and transparency, demonstrates that Corporate Governance is more than just a theoretical issue for MAGNAT.

The Government Commission on the German Corporate Governance Code promulgated its Code on 26 February 2002 and last adopted amendments and additions on 18 June 2009 to accommodate specific recommendations and proposals. MAGNAT welcomes the Corporate Governance Code published by the Government Commission.

II. Joint report of the Management and the Supervisory Board pursuant to section 3.10 of the German Corporate Governance Code, as amended 18 June 2009

For the purposes of maximum transparency, traceability and comparability with the corresponding ratios of other companies, MAGNAT Real Estate Opportunities GmbH & Co. KGaA decided, after thorough consideration, to apply the Corporate Governance Code (as amended 18 June 2009) with the necessary adaptations to an association limited by shares (Kommanditgesellschaft auf Aktien) and thus abstain from using a separate code that would also be valid. As part of corporate governance at MAGNAT, the recommendations and suggestions of the Code Commission for the management and supervision of a company have in the past and will in the future be applied analogously with certain exceptions.

a. MAGNAT Real Estate Opportunities GmbH & Co. KGaA
As a listed German association limited by shares ('KGaA'), at MAGNAT Real Estate Opportunities GmbH & Co. KGaA corporate governance is defined primarily by the German Stock Corporation Act (Aktiengesetz/AktG), other statutory provisions of commercial and corporate legislation and the German Corporate Governance Code ('GCGC') in its latest version.

German stock corporation law prescribes the so-called 'dual board system', i.e. strict separation between the Board of Management as the governing body of the company and the Supervisory Board as the oversight body. However, the Board of Management and the Supervisory Board work closely together for the benefit of the company. MAGNAT is a KGaA, which differs to a joint stock corporation in certain areas:

The organisational structure of a KGaA combines elements of a partnership with elements of a corporation. This means that very little influence is exerted on the Executive Management at the Annual Shareholders' Meeting.

While in the case of a joint stock corporation the Supervisory Board appoints and removes members of the Board of Management, this is not the case with an association limited by shares. An association limited by shares is managed by the General Partner, which in the case of MAGNAT is MAGNAT Management GmbH. Members of the Executive Management of the General Partner are not appointed by the Supervisory Board as a basic principle. Instead, appointment of the Executive Management of the General Partner follows the laws applicable to the legal form of the General Partner. Since MAGNAT Management GmbH is a Gesellschaft mit beschränkter Haftung (limited liability company), the Executive Management is appointed or removed within the framework of its general meeting. Therefore, appointment of the Executive Management of an association limited by shares is ultimately controlled by the partners of the General Partner. Since all the shares in MAGNAT Management GmbH were transferred to MAGNAT in the course of restructuring, a resolution was passed during the Annual Shareholders' Meeting of 29 October 2009, inter alia, to amend the Articles of Association under which the rights of the partners of MAGNAT in MAGNAT Management GmbH will be exercised by the Supervisory Board. Appointment and removal of the managing partner of the General Partner is thus incumbent on the Supervisory Board of MAGNAT. This amendment to the Articles was filed in the commercial register of MAGNAT on 9 December 2009.

The **Executive Management of the General Partner** manages the company under its own responsibility and is committed to creating lasting value.

The principle of overall responsibility applies, i.e. individual members of the Executive Management of the General Partner share responsibility for governance and strategy. The strategy is determined in consultation with the Supervisory Board. Exceptional transactions as described in MAGNAT's Articles of Association require the approval of the Supervisory Board.

The Executive Management of MAGNAT currently consists of two members:

- Jürgen Georg Faè
  Born 18/08/1968
  Member of the Executive Management since 2008

- Jan Oliver Rüster
  Born 17/09/1968
  Member of the Executive Management since 2006

The Executive Management of the General Partner is required to notify the Supervisory Board regularly, without delay and comprehensively about all material developments of business, major transactions, the current earnings position, the risk situation and risk management. This information is provided periodically during the meetings of the Supervisory Board, which are held at least twice in the first half and twice in the second half of each calendar year. In addition, the Chairman of the Supervisory Board is made aware of the development of business on an ongoing basis.

Professor Werner Schaffer is the Chairman of the Supervisory Board. An account of the development of business as well as cooperation with and decisions taken by the Supervisory Board is published in the Report of the Supervisory Board and the company's Management Report contained in the Annual Financial Statements.

The Supervisory Board oversees the Executive Management of the General Partner and advises it on managing the company. Compensation of the General Partner is provided for in the Articles of Association. The following applies as regards the appointment and compensation of members of the Executive Management of the General Partner: unlike a joint stock corporation, the Executive Management of the General Partner is not always appointed or removed by the Supervisory Board as a basic principle. Similarly, the Supervisory Board does not decide on the compensation system for members of the Executive Management of the General Partner or set the overall compensation package. This is carried out in accordance with the legislation applicable to the legal form of the General Partner, in this case GmbH (LLC) law. It has been incumbent on the Supervisory Board to decide on appointment and removal of the Board of Management of the General Partner and on compensation thereof in a general meeting of MAGNAT Management GmbH from the date at which the resolution passed at the Annual Shareholders' Meeting of 29 October 2009 concerning the exercise of partner rights of MAGNAT in MAGNAT Management GmbH was filed in the commercial register of the company (9 December 2009). To that extent, MAGNAT's autonomy in respect of the appointment and removal of directors is similar to a joint stock corporation.
The Supervisory Board is composed of six members in accordance with the Articles of Association.

The Supervisory Board consists of:

- Professor Werner Schaffer, Chairman
- Dr. Carsten Strohdeicher, Vice Chairman
- Dr. Christoph Jeannée
- Dr. Marc-Milo Lube
- Friedrich Lind
- Andreas Lange

The Supervisory Board is regularly notified about any risks, at least once a year in written form. The Board of Management of the General Partner uses the risk management system in place throughout the whole of the MAGNAT Group as one of its bases for reporting. Further particulars on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of this Annual Report. Committees have not been formed by the Supervisory Board.

The Report of the Supervisory Board can be found on pages 11-13 of this Annual Report.

Relationship to shareholders

Shareholders exercise their rights vis-à-vis the company at the Annual Shareholders' Meeting. The Annual Shareholders' Meeting elects the members of the Supervisory Board and decides on granting discharge to Management and the Supervisory Board. The Annual Shareholders' Meeting, in which Management and the Supervisory Board give an account of the past fiscal year, is held every year. The principle of 'one share one vote' has been adopted for resolutions made during the Annual Shareholders' Meeting. Each shareholder is entitled to attend the Annual Shareholders' Meeting, discuss the agenda and ask questions.

The company reports to shareholders and the public on the development of its business, earnings and financial position four times each year. In addition, the public is informed about the activities of the company via corporate news or the media. Ad-hoc disclosures are published for information concerning events that could have a material impact on the share price. MAGNAT bases its communication on the financial calendar, which can be found on the company's website.

b. Declaration of Conformity pursuant to section 161 AktG

Declaration of Conformity pursuant to section 161

The Board of Management of the General Partner (MAGNAT Management GmbH) and the Supervisory Board of MAGNAT Real Estate Opportunities GmbH & Co. KGaA (hereinafter also referred to as 'company') hereby declare that the recommendations of the 'Government Commission on the German Corporate Governance Code', as amended on 18 June 2009, published by Germany's Federal Ministry of Justice in the official section of the electronic edition of the German Federal Gazette, have been complied with in Fiscal Year 2009/2010 and will be complied with in the future, with the following exceptions, which are partly due to the legal specificities of a KGaA and their formulation in the Articles of Association and state below which recommendations have not been or will not be adopted (the Annual Shareholders' Meeting of 29 October 2009 passed a resolution to convert MAGNAT Real Estate Opportunities GmbH & Co. KGaA into a joint stock corporation and the company will issue a new Declaration of Conformity on completion of the change in legal form).

Section 1

The preamble is complied with analogously.

Section 2

The recommendations are complied with analogously.

Section 3

The majority of the recommendations are complied with analogously. A deductible for D&O insurance in accordance with section 3.8 has been agreed for the Board of Management since 1 April 2010; however, this is not scheduled for the Supervisory Board.

Section 4

As a result of the legal form (association limited by shares), the management of which is carried out by a General Partner, it is not possible to comply with the recommendations of section 4 to the letter. However, the recommendations of section 4 are complied with analogously with the exception of section 4.2.1 (there are no Rules of Procedure for Management), section 4.2.3 (the compensation scheme for Management provides only for a fixed component – compensation of the General Partner is provided for in section 8 (2) of the Articles of Association), section 4.3.1 (according to section 8 (3) of the Articles, the General Partner, its CEO and partners are exempted from the ban on competition set forth in section 284 AktG) and section 4.3.5 (the consent of the Supervisory Board is not required in order for the General Partner to undertake secondary appointments). Further details about compensation can be found in the Compensation Report included with the Management Report.

Section 5
As with section 4, the recommendations of section 5 can only be complied with analogously with the exception of section 5.1.3 (the Supervisory Board has no Rules of Procedure), section 5.3 (the Supervisory Board consists of 6 members, if a smaller committee was formed from this body, there is a risk that the expertise of all members of the Supervisory Board would not be available for particularly important or complex issues; therefore, referral to the Supervisory Board appears to be preferable) and section 5.4.6 (members of the Supervisory Board do not receive performance-based compensation).

Section 6
The recommendations of section 6 are complied with analogously.

Section 7
The recommendations of section 7 are complied with analogously with the exception of section 7.1.2 (until further notice the company will observe the statutory publication deadlines; however, due to continuous improvement of the procedures and reporting, it will endeavour to observe the shorter periods set forth in the German Corporate Governance Code in the future).

The aforementioned declarations are made available to the shareholders by its inclusion in the 2009/2010 Annual Report and direct republication on the website: www.magnat-reop.com.

Frankfurt am Main, June 2010
MAGNAT Real Estate Opportunities GmbH & Co. KGaA

For the Supervisory Board
Professor Werner Schaffer

For the Management
Jan Oliver Rüster, Jürgen Georg Faè

MICHAELA HAIDER
Junior Marketing Manager

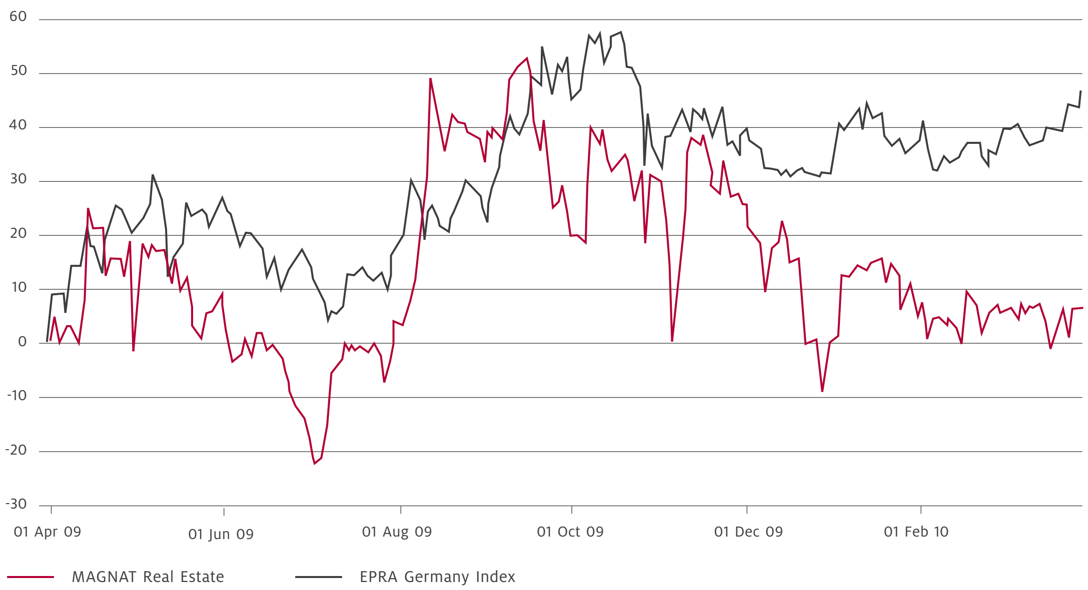
MAGNAT ON THE CAPITAL MARKET / INVESTOR RELATIONS

After the severe slump in the previous year, Fiscal Year 2009/2010 saw a recovery on the equity markets. The vast easing measures of the central banks in the light of a substantial slowdown in economic activity and the government stimulus programmes began to gradually take effect. The German share index DAX, in which the 30 largest German stocks are represented, gained in value by some 50 per cent between the end of March 2009 and the end of March 2010. However, in addition to the large caps an improvement was also seen by smaller stocks.

Real estate stocks also recovered from the losses of the previous fiscal year to some degree. The German real estate index (Deutsche Immobilienindex/DIMAX), in which the MAGNAT share is represented, increased by some 40 per cent from the end of March 2009 to the end of March 2010. The EPRA Germany index climbed by 65 per cent in this period while the European real estate index, GPR 250 Property Share Index Europe, gained by 74.7 per cent. The MAGNAT share was also able to grow in this environment. However, the gain in Fiscal Year 2009/2010 amounted to only 5.9 per cent, thereby remaining considerably behind the real estate indices discussed.

After a quotation of EUR 3.40 (in each case Xetra price) at the end of March 2009 (adjusted for the capital reduction), the MAGNAT share slipped to a low of EUR 2.66 in the course of the year. After the announcement on the proposed integration of the asset manager and conversion to a joint stock corporation, the share price peaked at EUR 5.12. At the end of March 2010, the MAGNAT share was quoted at EUR 3.60. On average, more than 9,471 MAGNAT shares were traded daily at all German stock exchanges in Fiscal Year 2009/2010. At 6,633 shares per day, the bulk of the transactions were recorded on the electronic trading system, Xetra. Tight bid-ask spreads for the MAGNAT share were guaranteed by designated sponsor Close Brothers Seydler AG.

The ordinary capital reduction, which was approved with more than 99 per cent of the vote at the Extraordinary General Meeting of 23 February 2009, was implemented from 29 to 30 April 2009 in the ratio 10:1. MAGNAT shareholders received one new converted no-par share with a prorated amount of share capital of EUR 1.00 for 10 no-par shares with a prorated amount of share capital of EUR 1.00.

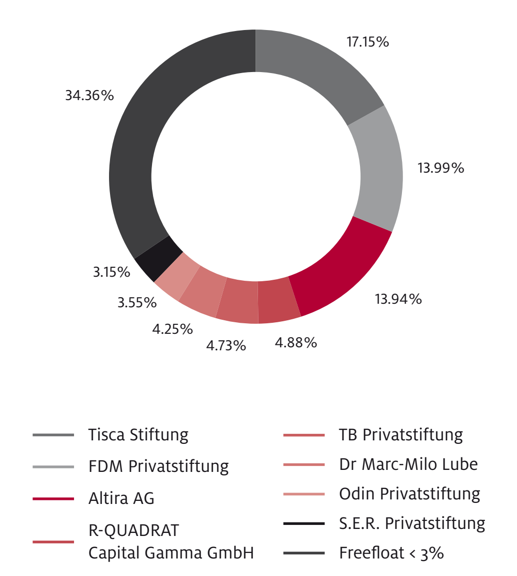


Name	MAGNAT Real Estate Oppurtunities GmbH & Co. KGaA
Number of shares	13,894,651
Ticker / ISIN	M5RK / DE000A0XFSF0 / DE000A1CRPG1
WKN	A0XFSF0 / A1CRPGF
Bloomberg	M5RK
Reuters	M5RGK.DE
General Standard (regulated market)	Frankfurt Stock Exchange (Frankfurt and Xetra)
Open market	Berlin, Düsseldorf and Stuttgart
Index	DIMAX / C-DAX
Free float (shareholders < 3 per cent)	34.36%*

*To the company's knowledge, based on voting rights announcements

	2009/2010	2008/2009
Number of shares at 31/03	13,894,651	52,900,000
Price at the start of the fiscal year	3.59	1.30
Price at the end of the fiscal year	3.60	0.34
Peak price	5.12	1.24
Lowest price	2.66	0.29
Market capitalisation at 31/03	50,020,744	17,986,000
Earnings per Share	-1.35	-1.17
NAV per share	7.63	1.63
Price/earnings ratio	-2.66	-2.83

On 8 September 2009, an ad-hoc disclosure informed the public of the proposed integration of the previously external asset management and the planned conversion to a joint stock corporation. To that end, a decision was made to increase the share capital to about EUR 13.9 million against contributions in kind by issuing around 8.6 million new shares. These measures were adopted at the Annual Shareholders' Meeting on 29 October 2009 by an overwhelming majority of more than 99 per cent of the vote. The new shareholder structure following these measures is shown below.



The Management of MAGNAT considers the performance of the MAGNAT share in Fiscal Year 2009/2010 to be unsatisfactory. It will do its utmost to ensure that the MAGNAT share will gain in value substantially and exceed the industry average.

The unsatisfactory performance of the share is probably due to several reasons, in particular, the recent lacking profitability of the company, the market capitalisation which is often too low for institutional investors and the legal form of a KGaA, which some investors do not rate highly. The new MAGNAT, which has emerged from the integration of the asset management, is in the process of resolving these issues with urgency. The loss of confidence resulting from the financial and economic crisis in Eastern Europe appears to be dissipating slowly and together with the integrated asset management MAGNAT is well positioned to return to profitable growth. Added to that is the conversion from an association limited by shares (KGaA) to a joint stock corporation (AG) in the late summer of 2010. Moreover, the new MAGNAT, the integrated real estate group following internalisation of the asset management, shines with a significantly higher number of shares and market capitalisation.

As in previous years, MAGNAT also communicated regularly with the press and investors in Fiscal Year 2009/2010. Research on MAGNAT was published by renowned institutions such as Close Brothers Seydler and Silvia Quandt Research. MAGNAT places great value on communicating with shareholders, institutional investors and analysts. Following on from previous years, the company was also present at several capital market conferences in Fiscal Year 2009/2010, such as the Entry and General Standard Conference of Deutsche Börse AG in Frankfurt, the Close Brother Seydler Small & Mid Cap Conference and the DVFA Real Estate Conference.

After communication with investors was realigned to effective financial communication according to the recommendations of the DVFA in Fiscal Year 2008/2009, MAGNAT also improved communication with the capital markets during the 2009/2010 fiscal year. The interim reports of the company were redeveloped according to best practises, the company's website was modernised and the brand strategy standardised. Participation in conferences and the number of investor road shows was increased significantly. Continuous, transparent and active communication with the capital market is the solid base on which, with a better market environment and improved stance towards Eastern Europe, the share price of MAGNAT should exhibit better performance.

Comprehensive information about the MAGNAT share and an up-to-date summary of the important conferences and dates in the financial calendar can be obtained by shareholders and other interested parties under 'Investor Relations' on the website **(www.magnat-reop.com)**.

ALFRED NOLL
Head of
Asset Management

JÖRG WENZEL
Executive Officer at MAGNAT Asset
Management Deutschland GmbH

SASCHA BECKER
Executive Officer at MAGNAT Asset
Management Deutschland GmbH

MAGNAT ASSET MANAGEMENT

By integrating the previously external asset manager, MAGNAT has developed into an integrated real estate group which also provides asset management services for third parties. As an integrated asset manager and developer with a focus on management intensive 'special business situations', the new MAGNAT subsidiaries, MAGNAT Asset Management GmbH, Vienna, and MAGNAT Asset Management Deutschland GmbH, Frankfurt, provide premium services for the real estate sector. Overall, the MAGNAT asset management team consists of 30 specialists in Frankfurt and Vienna.

In recent years, many real estate investors have been disappointed by the German and Austrian market. Weak tenant structures, high fluctuation and rising vacancy rates triggered the poor performance. Maintenance costs were unexpectedly high at times, or scheduled rental income and distributions could not be realised. Professional and solution-based asset management such as that of MAGNAT can remedy this.

In order to meet their anticipated rates of return, real estate investments require professional handling by real estate experts. MAGNAT Asset Management consists of a highly qualified team, which in addition to the company's own portfolio also manages real estate assets for third parties. In the process, focus is placed on the management and development of office, hotel and residential properties.

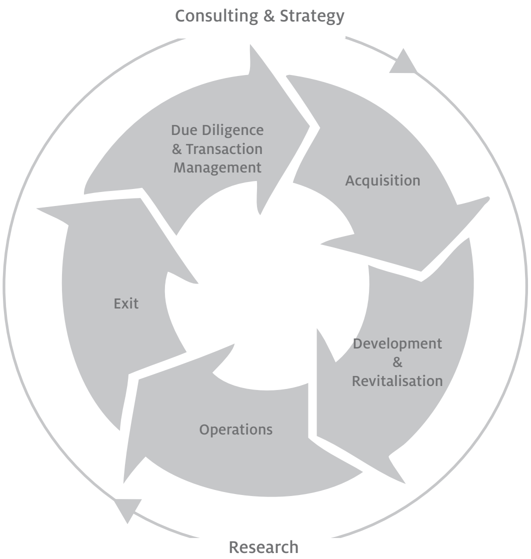
The performance is determined by the client

The possible problems in the real estate portfolio of an investor are varied. Potential also differs greatly. With that in mind, Asset Management makes use of a detailed analysis and wide range of services to formulate a specific solution especially for and together with the client. The first step is to clarify how the target system and the general strategy of the investor looks. This involves staying focused on the constant trade-off between yield, risk and liquidity and finding the right balance for the client.

At the same time, it is a matter of analysing the real estate stock to obtain a picture, which is as accurate as possible, of the technical and economic status quo as well as the problems and potential arising from this. Only then can a strategy and operational action plans derived from that be developed and implemented in consultation with the client. A strategy and action paper then provides concrete answers to what measures need to be addressed first and how the value reserves can be raised in the medium and longer term. Does restructuring make sense and if so to what extent? Is there room for optimising the financing structure? How can the operating costs be reduced? What about reporting? Would a new property manager be appropriate? Should new marketing channels be considered? How can the high vacancy rates and turnover be reduced?

These are just some of the questions an experienced asset manager should be able to answer after a thorough analysis.

The MAGNAT asset management approach



Coordination of planning and construction services

Two issues are particularly important in this context: tenant and lease management and renovation, including coordination of planning and construction services. A central task of Asset Management is to assess the condition and attractiveness of the properties and preserve or raise this within economically viable limits. It is barely possible to let some properties in a particular condition and remedial measures appear essential. It is precisely here that the right balance needs to be found. Real estate of a moderate and sometimes even below-average standard can be the first choice for users because of the attractive price structure and thus represent highly profitable investments for investors. Comprehensive redevelopment is therefore neither necessary nor purposeful because the attractiveness of a property can be enhanced substantially with comparatively few measures.

Nevertheless, complete redevelopment and revitalisation can often yield great potential and dilapidated properties can be exploited meaningfully and profitably again.

This factor illustrates the particular need for project development expertise in successful asset managers. Equally important: a professional asset manager such as MAGNAT not only establishes what needs to be done in order to realise the planned increases in value, it also selects high-performing construction companies and coordinates planning and construction services. Only then is it possible to ensure that the cost of the measures remains within the prescribed budget.

Occupancy rate increases the sales proceeds

A key variable for the value and potential sales proceeds of a property is a high and stable occupancy rate; therefore, in the case of many portfolios it is a matter of implementing focused measures aimed at bringing down existing vacancy rates and transforming them into attractive locations for user and investor. That this can be an extremely challenging task is no secret. However, rapid success is generally achieved if the right measures are taken. Aside from extensive marketing campaigns designed to reposition, re-let and build tenant loyalty, these usually include, for example, timely and selective renovation of general areas.

Of course, measures which promise to increase the occupancy rate vary from property to property. Nevertheless, professional asset management such as that of MAGNAT possesses the necessary real estate experience to identify what is required for any given property. In that respect, MAGNAT Asset Management Deutschland GmbH succeeded in raising the occupancy rate in the German residential real estate portfolio by about 10 per cent and in doing so improved the net annual rent generated by that portfolio by more than 9 per cent.

Workout management ensures real estate expertise

The range of asset management services at MAGNAT also includes workout management. In particular, the financial and economic crisis has led to banks and other investors sitting on real estate stocks which ideally they would like to dispose of quickly. Asset Management is able to provide comprehensive expertise in this regard.

Success in Vienna with Bauherrenmodellen (co-proprietor's building schemes)

MAGNAT Asset Management GmbH, Vienna, has initiated and managed numerous co-proprietor's building schemes in the past 15 years and supports and builds on the decades of real estate industry experience its executives dispose of. Added to that is a detailed knowledge of the Austrian real estate market and the growing demand for housing in and around Vienna.

A co-proprietor's building scheme involves several investors joining together to form a consortium and acquire a share in a property with the aim of renovating an existing building or constructing a new one. The properties are then divided into parcels and let long-term.

In May 2010, MAGNAT Asset Management GmbH, Vienna, acquired a further property for a co-proprietor's building scheme in an attractive location in the 3rd District of Vienna. After successful placement of the 'Schuhmanngasse' co-proprietor's building scheme (18th District) and the launch of the 'Kastnergasse' co-proprietor's building scheme (17th District), the 'Rennweg' project (3rd District) is the third such scheme to be implemented. MAGNAT will continue to drive this attractive line of business forward.

DMITRI BECKER
Project Manager, Ukraine

OUR TARGET MARKETS

The real estate markets of Eastern Europe were still dominated by the financial crisis in year one after the Lehman collapse. Financing remained difficult against the backdrop of a troubled banking system. Added to that, in some cases the vacancy rate increased considerably in the office market due to energetic building activity prior to the crisis and the drop in demand resulting from the slump in the national economies – and rents sank. However, in the course of 2009 economic activity began to recover and continued until the start of 2010. This will gradually lead to a stabilisation in the real estate markets.

2009 has shown that there are considerable differences between the real estate markets of Eastern Europe. These markets should not all be seen in the same light and each country must be considered on its own merits. For example, the Polish real estate market enjoyed a high degree of stability, while the neighbouring Ukraine was hit much harder by the crisis.

Eastern Europe is now starting to recover from the economic and financial crisis. Economic activity is growing again and as compared with Western Europe is expected to catch up further in the coming years. Against that backdrop, the medium-term prospects for Eastern European real estate markets can be rated as positive; especially since in Eastern Europe only a few properties exist that meet Western standards and there is clear demand for such property.

Unlike Eastern Europe, once again the real estate markets in Germany and Austria have developed far more steadily. Good opportunities for property investment with attractive returns currently exist in these countries.

Germany

In contrast with the real estate markets in Western and Eastern Europe, extreme excessiveness was not an issue in Germany in the years before the crisis. Since the level of prices was not disproportionate, they did not collapse massively during the crisis. Rather, the German real estate market demonstrated stability and has even seen rising rents. In addition, the financing terms are relatively favourable, meaning the German real estate market is attractive for investors.

In spite of the crisis, the German real estate market saw an increase in rents and prices once again in 2009 according to BulwienGesa. Although at 1.0 per cent in total the real estate index for the whole of Germany rose less than last year, when an increase of 1.7 per cent was recorded, it was much higher than initially expected. Residential rents and prices once again enjoyed a significant increase of 1.4 per cent, while at 0.3 per cent commercial real estate only gained slightly. Office rents clearly reflected the crisis and fell by 1.7 per cent. In contrast, rents for new constructions climbed by 2.2 per cent and those for re-letting by 1.1 per cent on the German residential real estate market.

Experts at BulwienGesa expect the German real estate market to see a continuation of the gradual recovery from the crisis throughout 2010. It is possible that the low point will soon be traversed. BulwienGesa anticipates a stable market environment for the residential markets, while commercial rents are expected to fall in the case of retail and office buildings.

Overall, residential real estate in Germany presents special opportunities because of the still totally inadequate construction activity, which lags far behind demand. Investors are still offered favourable refinancing terms on the German market.

Austria

As with the German market, high stability also marks the Austrian real estate market for here too excessiveness was not an issue before the crisis. Special opportunities are also presented by the residential real estate market in Austria. In particular, this applies to Vienna where growing demand meets limited supply. Investors still benefit from the very favourable refinancing conditions in Austria.

Ukraine

The Ukraine was among the countries in Eastern Europe hit most heavily by the economic and financial crisis. In 2009, the gross domestic product (GDP) fell by about 15 per cent and will probably only recover slightly in 2010. High indebtedness internationally and in foreign currencies proved to be especially problematic during the crisis. The withdrawal of investors and a shortage of liquidity led to a decline in real estate prices of 50 per cent and more. Although economic development stabilised during the course of 2009, it remains difficult for investors to obtain financing for real estate projects.

Russia

Before the start of the global economic and financial crisis, Russia, and in particular Moscow, enjoyed very brisk construction activity. Against that backdrop the Russian real estate market suffered a huge downturn due to the crisis. For example, in the case of office buildings the vacancy rate rose considerably, especially in St. Petersburg and Moscow.

Furthermore, the top rents in these cities suffered a drop of up to 50 per cent in 2009 according to Aberdeen Research. However, a degree of stabilisation has now set in at this reduced level. Analysts expect there to be a considerable increase in demand in the medium to long-term in conjunction with continued economic growth. However, the Russian real estate market is likely to remain somewhat difficult in the short-term.

Turkey

Due to Turkey's relatively low integration in the international financial sector, the Turkish real estate market proved to be stable. In particular, the Greater Istanbul area continues to prosper and grow, which also supports the local real estate market. Residential properties are in demand especially in and around Istanbul. The stable condition of Turkey's public finances and the positive economic outlook offer good opportunities for real estate investments there.

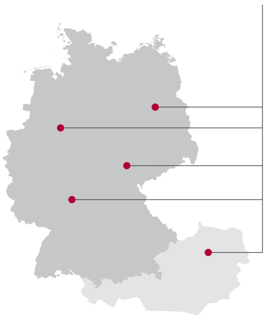
Poland

Of the CEE countries (CEE = Central and Eastern Europe), Poland represents a haven of stability. In 2009, Poland was the only country in the EU to record positive GDP (1.7 per cent) growth. Economic growth of around 2.5 per cent is expected for 2010. Against this background Poland only sustained minor drops in rents and property prices in 2009. Above all, the stability and good condition of Poland's economy continues to present opportunities for real estate investors.

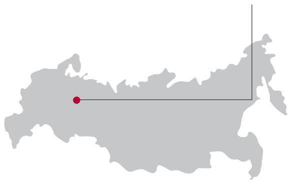
Romania and Bulgaria

Both countries were massively hit by the financial crisis due to high debt in foreign currencies. Financing conditions in the two countries deteriorated significantly in 2009 and both rent and property prices fell. Despite stabilising trends, the situation in each real estate market remains difficult. Investments continue to be thwarted by the financing conditions.

Focus on conurbations in selected growth markets

Country	*Region*	*Status/Strategy MAGNAT*	*External expert assessments*
Germany/ Austria 	Conurba- tions	Development of the existing portfolio	The rent for completed apartments rose by some 2-3 per cent last year in larger cities. This is a remarkable trend given the economic downturn and rising unemploy- ment. Factors influencing this are a robust demand for housing in urban centres and the persisting weakness in construction activity in the housing sector. We expect rents for completed apartments to continue to rise moderately in 2010 (DG-HYP, Real Estate Market Germany, March 2010).
Poland 	Wroclaw	Completion of the investment	The Polish housing market has experienced a long period of stagnation; however, we expect there to be a recovery in this seg- ment. In 2010, the market should benefit from growing demand for residential pro- perties and the rise in mortgage loans. Ri- sing prices are expected only if the supply of residential properties decreases. We ex- pect there to be a reduction in the number of finished apartments in the medium-term. (Cushman & Wakefield, Polish Real Estate Market Report, Spring 2010).
Ukraine 	Kiev	Projects reallocated to Land Banking and/or planning optimisation	Development projects will not stop com- pletely, but the number of projects will fall further before they rise again. (...) Class A properties will exhibit the strongest rent increases before the rest of the property market takes up this trend. (...) Rents and vacancies have stabilised in Q4 2009. Since vacancy rates will rise in 2010, rental prices should stabilise at the current, low levels. (CB Richard Ellis, Kiev Offices, 2009).

Focus on conurbations in selected growth markets

Country	*Region*	*Status/Strategy MAGNAT*	*External expert assessments*
Russia 	Moscow	Sale of the Russian investment largely completed	State financial aid for the banking system has slowed and stabilised the sharp decline in economic development. We expect the Russian economy to return to the path of growth in 2010. This development should be supported by a combination of higher commodity prices and gradual recovery in external demand. However, the economy is still heavily dependent on oil and gas export revenues. (EBRD, Russia Economic overview, May 2010).
Turkey 	Istanbul	Continuation of the successful investment	In 2010, we expect residential real estate transactions to stand at the same level as in the second half of last year. Project financing can only be attained at unfavourable terms in the current, difficult market environment. In spite of these limitations, we have seen that most developers are continuing to pursue their scheduled projects in major Turkish cities. This is an indication that developers are still able to finance housing projects using revenue from sales (Colliers International, Turkey, First Half 2010).
Bulgaria/ Romania 	Sofia/ Bucharest	Development projects reallocated to Land Banking. Sale of the land	2010 will be characterised by rising vacancy rates and incentive packages such as rent-free months. Supply in the housing market remains high due to new completions. Declining rents will lead to positive momentum being felt in terms of demand because it will be partly possible to exploit the improved rental terms (Cushman & Wakefield, Romania Office Snapshot, Spring 2010).

JÜRGEN GEORG FAÈ
CFO

JAN OLIVER RÜSTER
CEO

INTERVIEW

CEO Jan Oliver Rüster and CFO Jürgen Georg Faè, MAGNAT Real Estate Opportunities GmbH & Co. KGaA

Mr. Rüster, MAGNAT recorded deep red figures once again in Fiscal Year 2009/2010. This cannot be satisfactory?

Jan Oliver Rüster: No, not at all. With the new MAGNAT we are tuned for profitability and on track to achieve that. Even if it is not evident at first glance, we have progressed further along this track in the past fiscal year. We will prove that our modified business model is sustainable and profitable in the coming years. I personally possess a large block of shares in MAGNAT and have significant interest in MAGNAT operating at maximum profitably and the share price rising.

But a loss of EUR 11.2 million in the past fiscal year is not indicative of an improvement?

Jan Oliver Rüster: We have written down our investment portfolio by about EUR 11.8 million due to current valuations, which to a large extent stem from our investments in the Ukraine. Operationally, we have improved in the past fiscal year. We have increased the stability of our business model significantly through integration of our previously external asset manager. In short, we are on track.

But this special item clouds your balance sheet?

Jürgen Georg Faè: We prepare our accounts conservatively and are committed to doing so. The write-downs have been made against unrealised changes in fair value, which have a correspondingly negative impact on our result, but do not reduce liquidity. Our net asset value (NAV) has dropped to EUR 7.63 per share due to the annual result. The special item referred to had a negative impact of EUR 0.85 per share. However, the balance sheet continues to record a solid equity ratio of over 63 per cent.

Jan Oliver Rüster: To safeguard the future value of the investments in the Ukraine, these were promptly reclassified to the 'Land Banking' segment and project optimisations have been made. These projects are fully funded with equity. These investments will either be developed or sold from the 'Land Banking' segment at a time that is more economically favourable. In the medium-term, current reorganisation of the political structures in Ukraine is likely to have a positive effect on the economic environment. Furthermore, the pent-up demand, which remains substantial, should have a positive affect on the investments of MAGNAT.

Is an elimination of the 'burdens' in Eastern Europe anticipated for the current fiscal year?

Jürgen Georg Faè: As I said, we prepare our accounts conservatively, are positioned solidly. Of course, ultimately we can never rule out the possibility of investments being written down if circumstances change. However, it is more likely that we have created the conditions to successfully implement sales in the current fiscal year.

Jan Oliver Rüster: We believe that after the sharp setback and subsequent stabilisation, Eastern Europe is slowly building positive momentum. In particular, we have expanded our business model and therefore have reason to be optimistic about 2010/2011 and the years to come.

Let us revisit the 2009/2010 fiscal year: the Turkish portfolio is developing positively.

Jan Oliver Rüster: Not only our Turkish portfolio; with increasing rental rates our German residential portfolio is also developing exceptionally well. In March 2010, we received a cash inflow of EUR 8.5 million from the partial sale of our Turkish portfolio, which strengthens our liquidity further. The internal rate of return from the underlying sale of land was around 32 per cent. Further profitable sales are likely in Turkey.

With integration of your asset manager, you took an important step in shaping the future course of events in the past fiscal year. What are the benefits of this step?

Jan Oliver Rüster: We have integrated our hitherto external asset manager, the former R-Quadrat, into MAGNAT; incidentally, this was approved by more than 99 per cent of our shareholders. At the same time, a resolution was passed at our Annual Shareholders' Meeting to convert the company into a joint stock corporation. Through integrating asset management we no longer have to pay fees to an external asset manager. In particular, we have thus reinforced our real estate expertise markedly and are positioned much better than before, both operationally and strategically.

Can you briefly explain the key competences of the new MAGNAT to us?

Jan Oliver Rüster: We specialise in lucrative special business situations – experts speak of distressed real estate – and as an integrated real estate group we possess the corresponding real estate know-how. We have geographical competence both in our home markets of Germany and Austria and in many countries of Eastern Europe. Our particular expertise lies in exploiting opportunities. At the same time, our actions are broadly diversified both geographically and in terms of asset class (hotel, office and residential properties).

To what extent has your business model changed in the past two years?

Jan Oliver Rüster: By integrating our previously external asset management companies in Frankfurt and Vienna, we are stronger on an operational level and positioned more firmly. We now also offer asset management services to third parties and will continue to implement attractive co-proprietor's building schemes in Vienna. We remain a specialist for lucrative special business situations on the real estate market.

Has your geographical focus shifted – away from Eastern Europe?

Jan Oliver Rüster: Eastern Europe was hit hard by the global financial and economic crisis too. We were quick to respond and reduced our exposure there. Had we not done that, our current position would have been far worse. We are increasingly exploiting special business situations in our home markets of Germany and Austria, which are again yielding attractive returns. We rate the risk/reward ratio in Eastern Europe as being less attractive than in these parts.

Let us look towards the future: what is the outlook for the current fiscal year?

Jan Oliver Rüster: We remained firm in the crisis and have done our homework. We have a valuable and promising real estate portfolio at our disposal. In addition, we will generate revenue with asset management services. Overall, the odds are good that we will finish the current fiscal year with a positive result. In the coming years, we will demonstrate that our business model is sustainable and profitable.

Although your share price has risen during the past fiscal year, it is significantly lower than other real estate values. Are you satisfied with that?

Jan Oliver Rüster: Not at all, we rate the performance of the MAGNAT share as totally unsatisfactory and with our new positioning are now in the process of addressing the reasons for the development of the share price. First, conversion from the legal form of a KGaA, which investors do not rate highly, to a joint stock corporation (AG), is imminent. Second, we will be more attractive for institutional investors with a higher market capitalisation from the end of summer 2010: the securities prospectus for the newly issued shares within the framework of the internalisation of the asset management should be approved by then. Third, concrete figures will demonstrate that we possess a sustainable and profitable business model.

Mr. Rüster, you own a large stake in MAGNAT and also possess options on the MAGNAT share. How do you feel about your investment?

Jan Oliver Rüster: I am a committed entrepreneur, my interests are the same as our shareholders. I will not sell one single MAGNAT share at the current price level, but rather buy. Incidentally, the options have an intrinsic value only when the price of the MAGNAT share increases significantly. And I believe that will happen.

Thank you very much for the interview.

WOLFGANG PONES
Executive Officer at MAGNAT Asset Management GmbH/Head of Finance

Group Management Report

GROUP MANAGEMENT REPORT

Fiscal Year 1 April 2009 to 31 March 2010

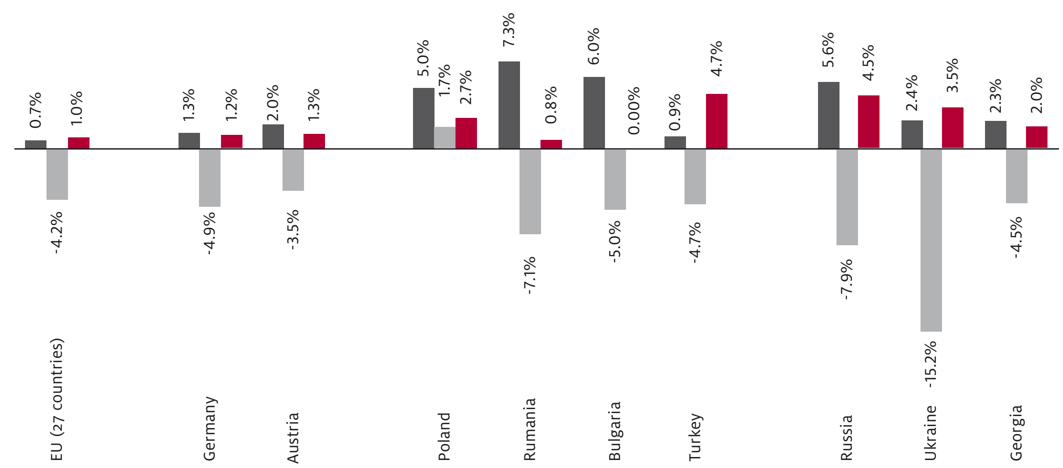
1. GENERAL ENVIRONMENT

1.1 Overall economic situation

In the past 2009/2010 fiscal year of MAGNAT Real Estate Opportunities GmbH & Co. KGaA, Frankfurt am Main (MAGNAT), the global economy was dominated by the largest recession since the end of the Second World War. Real gross domestic product (GDP) fell in almost every region in the wake of the global financial and economic crisis. The drop in GDP was particularly sharp in developed countries (-3.6 per cent). Global gross domestic product also contracted tangibly as compared to last year (-2.3 per cent). It was mainly due to recurring growth trends in Asia that the economic slump was not even more severe. Hence, the Asian economy was essentially responsible for ensuring that the global economy passed through the worst of the recession in the second half of 2009 after the economic downturn at the end of 2008.

In 2009, the global economy was, in particular, marked by the collapse of international trade and a sharp drop in demand for goods. In addition to all the developed countries, the recession hit emerging economies in transition. As regards developed countries, export-dependent economies like Germany were particularly affected. With the help of concerted action by central banks and national governments, global financial markets could be stabilised to some degree. It is not possible to predict whether this stabilisation is sustainable at the present time. Fiscal policies in the form of economic programmes were especially instrumental in dampening the effects of the economic downturn during the course of the year. However, this could not prevent gross domestic product in the European Union from declining by 4.2 per cent in 2009.

Real economic growth 2008-2010



Source: Eurostat, Economist Intelligence Unit

2008 2009 2010e

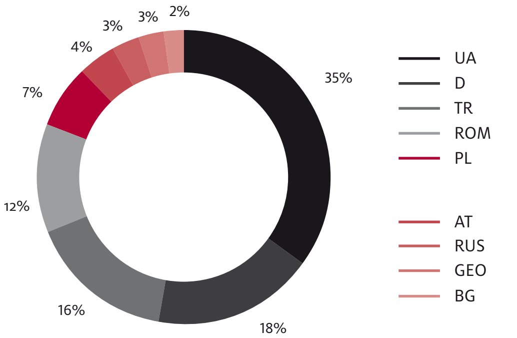
In the case of the GDP of a number of developed countries in the euro zone, recovery from the crisis-induced losses was already apparent in the first quarter of 2010. According to recent Eurostat reports, stagnation in the euro zone has not been evident since the beginning of the year. GDP grew in the currency area between January and March by 0.2 per cent over the previous quarter. Deeply indebted countries such as Portugal and Spain also recorded growth. Portugal, in particular, was able to make up lost ground with a gain of 1 per cent in the winter quarter. Since the German economy stagnated neither in the fourth quarter of 2009 nor in the first quarter of 2010, the majority of economists expect to see growth of 2 per cent in 2010.

Particularly interesting data were published in the Spring 2010 forecast of the EU Commission, which showed that the EU 27 (in which in addition to the UK, especially the new members of Eastern Europe make all the difference) is again growing a little faster than the euro zone. For Eastern Europe, this means that the region appears to be resuming its former role as Europe's growth engine. However, economists are the opinion that none of the countries will come even close to being in a position to latch onto the growth rates of 2007, neither in 2010 nor 2011. This is mainly due to the fact that the recovery observed in Eastern and Central Europe is credit-free. Unemployment in the CEE/SEE region continues to be dangerously high.

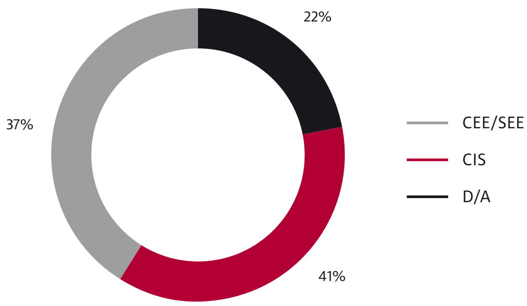
That the CEE/SEE region is very heterogeneous in terms of economic development is illustrated by countries such as Poland and the Czech Republic, which stood out clearly with their economic robustness in 2009. While Hungary, Romania, Latvia, Serbia, Turkey and the Ukraine (CIS) temporarily lost access to private capital investors and therefore needed emergency loans from the International Monetary Fund (IMF), Poland and the Czech Republic overcame the crisis under their own steam, and did so with some astonishing GDP growth. To show a diversified picture of the business environment, the individual regions and portfolio countries of MAGNAT are looked at in greater detail below.

The distribution of invested equity by region and country is illustrated in the following charts and shows the corresponding significance of the countries in the MAGNAT portfolio.

Invested equity by country (in per cent)



Invested equity by region (in per cent)



1.2 Germany/Austria (D/A)

Germany (D) In 2009, the German economy contracted for the first time in six years. At -4.9 per cent, the downward movement of the price-adjusted GDP was more severe than at other any time in the post-war period. This is the result of the first calculations of the Federal Statistical Office (Destatis). The economic slump in Germany took place mainly in winter half of 2008/2009. However, the economy showed signs of stabilising at a low level during the course of the year. In 2008, GDP rose moderately by 1.3 per cent, in 2007 by 2.5 per cent and in 2006 by 3.2 per cent.

Noteworthy in 2009 was that both exports and expenditure on machinery and equipment slumped heavily. Foreign trade, which had in previous years been an important growth engine for the German economy, slowed economic development in 2009. While exports fell by 14.7 per cent in price-adjusted terms, the decline in imports was only 8.9 per cent. Hence, as was the case in 2008 the difference between exports and imports – the trade balance – made a negative growth contribution to GDP. However, at -3.4 per cent in 2009 this was far more pronounced than in 2008 (-0.3 per cent). Overall, expenditure on machinery and equipment was one-fifth less than in 2008 (-20.0 per cent). Investment in buildings was lower than the previous year by only 0.7 per cent. The only positive momentum in 2009 came from consumer spending: private consumer spending grew by 0.4 per cent in real terms, state spending even by 2.7 per cent as compared to last year.

In particular, the economic crisis has had a negative impact on the commercial real estate market and office rents. The absolute volume of transactions in commercial real estate fell dramatically. In the six largest German office centres weak demand led to a reduction in rental prices of over 5 per cent in premium locations. Analysts at DGHYP expect a further drop in rental prices in 2010. In contrast, the development of rental prices in the residential segment is encouraging. Here, an increase of 2-3 per cent was recorded in cities such as Frankfurt am Main, Dusseldorf and Hamburg. Analysts at DGHYP anticipate additional increases in rental prices above the inflation rate in these 'good' locations in 2010.

Austria (A) In 2009, Austria recorded the most severe recession in decades with a 3.5 per cent decline in GDP. However, the first signs of recovery were seen in the fourth quarter of 2009. The growth of the Austrian economy in the fourth quarter of 2009 was driven by two factors: first, Austrian companies built inventories, which had been depleted during the course of the crisis, back up again; second, exports developed dynamically due to the upturning international economy. The trend continued in the first months of 2010. This is revealed by the results of the OeNB export indicator, which is based on data from ASFINAG relating to the mileage of lorries. At the same time, Austrian exporters benefit both from the declining external value of the euro and a better order position. Total new orders, which collapsed during the course of the crisis by some 30 per cent, have now succeeded in eliminating half this drop. Most recently, foreign orders in particular were a positive surprise.

Private consumption, which has progressed relatively steadily – albeit with low growth rates – thus far, will not represent a substantial pillar of support for the economy in the coming quarters. According to the Austrian National Bank, the increase in unemployment and low wage settlements for 2010 due to the economic situation imply that consumer dynamics will be weak in the first half of 2010.

On the other hand, no relevant slumps have been observed on Vienna's housing market. Apartment buyers have been looking for smaller apartments as alternative investment opportunities. In the process, in recent months new customer groups such as wealthy individuals have proved to be potential buyers, which purchase apartments to invest liquidity conservatively and safely. According to Colliers International, the required returns are between 4 and 6 per cent depending on the location, condition and development potential. Due to the difficult economic factors, a temporary downturn in demand was recorded in the hotel real estate segment. Overall, the Austrian real estate market has shown itself to be extremely robust and thus corresponds with the German real estate market.

1.3 Central and Eastern Europe (CEE), South-Eastern Europe (SEE)

Poland (PL) In 2009, Poland stood out with its economic strength and was one of the few countries to record positive economic growth (1.7 per cent). Deputy Prime Minister Pawlak now expects economic growth of more than 2 per cent in the first half of 2010. In the spring of 2010, offers of EUR 6 billion were made for a new Polish bond of approximately EUR 3 billion. This is a clear and positive indication of how the international markets rate this region. At the same time, Poland only had to offer a premium of 1.43 percentage points on Federal bonds to place the 15-year bonds on the market without complications. Analysts at CB Richard Ellis expect Poland to record economic growth of between 3 and 4 per cent in the coming years.

According to REAS, Poland's housing market is stable and recorded significant growth in the fourth quarter of 2009 as compared to previous quarters. The situation on the real estate market improved gradually due to a significantly increased volume of mortgage loans, price reductions and a reduced stock of completions in the housing sector. Analysts at REAS are cautiously optimistic about the housing sector. It appears that Polish banks will increase the volume of mortgage loans and grant significantly more funding for real estate development projects in 2010.

Romania (ROM) After a number years of impressive GDP growth (most recently 7.3 per cent in 2008), Romania was directly affected by the economic and financial crisis. In 2009, the economy sustained negative growth of -7.1 per cent. Prior to that the Romanian economy last recorded negative growth in 1999 (-1.1 per cent). Moderate positive growth is expected again for 2010 (0.8 per cent) followed by strengthened economic growth in 2011.

In previous years, the strong and to a large extent loan financed domestic demand led to a substantial current account deficit (approximately EUR 16.84 billion in 2008) despite a concomitant increase in the volume of exports. In spite of the crisis-induced drop in exports, the substantial current account deficit of the previous year (approximately EUR 16.84 billion in 2008) fell by about 69 per cent and amounted to EUR 5.054 billion due to a sharp decline in imports in 2009.

Romania received a comprehensive financing package from the IMF, EU, World Bank and EBRD in May 2009 to bolster her economy. The IMF placed EUR 12.95 billion at Romania's disposal in the form of a two-year standby credit. At the same time, the European Union made EUR 5 billion available. About EUR 9.32 billion of the IMF loan and EUR 1.5 billion of EU funds had already been paid to Romania by early March 2010.

Romania aims to join the euro in 2015, which is considered by many observers as optimistic.

Romania intends to join the precursor to the euro, the European Exchange Rate Mechanism ERM-II, in 2012.

According to CB Richard Ellis, the housing market in Bucharest proved to be extremely weak. Demand collapsed completely in 2009, the drop in prices in the housing segment was exorbitant and the volume of completions reduced significantly. In the second half of 2009, the prices for completed new homes fell by up to 50 per cent according to CB Richard Ellis. The government attempted to stimulate the real estate market by increasing substantially the number of mortgage loans granted. A positive trend was not given in 2009 and market observers expect prices to fall significantly again in 2010 because of waning liquidity. Only a few very well-located areas were able to escape this situation.

Bulgaria (BG) Bulgaria reported a decline in gross domestic product of 5 per cent for 2009. According to CB Richard Ellis, the unemployment rate rose as a result of the economic downturn to 9.1 per cent. At the same time, foreign direct investment dropped by 57 per cent. Since the end of 2009, it has been apparent that the Maastricht 'Deficit' criterion precludes a rapid accession to the euro zone. A recalculation revealed that the budget for 2009 shows a deficit of 3.9 per cent of GDP. A similar balance is expected for 2010. To reduce this, unlike other European states Bulgaria has abstained from measures to stimulate the economy since mid-2009 and is pursuing a strict austerity programme. This has been continued intensively since spring 2010. The government adopted an 'Anti-crisis Package' shortly before Easter 2010, from which revenue or savings of BGN 1.6 billion is anticipated. The application to join ERM II has been put off for at least one year.

After demand for residential real estate came to a complete standstill in the first six months of 2009, August and September saw the market showing signs of a slight recovery. This recovery was attributed to easier access to mortgage loans, falling interest rates and declining property prices. According to Colliers International, private investment in the real estate sector has come to a standstill and only very few building projects will be completed in 2010. Colliers International are the opinion that prices will stabilise in the first six months of 2010. Analysts do not expect the market to recover completely before 2011/2012.

Turkey (TR) Turkey displayed similar recessionary trends to the Western developed countries and reported a decline of -6.0 per cent of GDP for the first three quarters of 2009. After seven years of continuous growth of around 7 per cent annually, this was the first recessionary setback. However, analysts of the International Monetary Fund expect Turkey to record significant economic growth of around 4.7 per cent in 2010. An initial indicator is the positive GDP in the fourth quarter of 2009, which led to economic growth of -4.7 per cent for the whole of 2009.

For comparison: 1.8 per cent economic growth is forecast for the CEE region and 0.3 per cent for the euro zone. This is especially due to demographic factors: one quarter of the Turkish population is younger than 25 and 60 per cent is younger than 59. These groups are particularly consumer oriented.

However, some development projects are, as in other countries, stagnating in Turkey due to the shortage of liquidity and because of limited lending by banks. Therefore, few large real estate transactions were seen in recent months as the anticipated return of foreign investors outweighed the selling pressure of Turkish owners.

According to CB Richard Ellis, returns from premium real estate in Istanbul stand at around 8.5 per cent. Istanbul monopolises about 80 per cent of the overall Turkish office real estate market. However, one important difference between Istanbul and other major European cities is that the vacancy rate at the central office locations in Istanbul is negligible. For instance, hardly any office space is available in the 'Central Business District'. Istanbul has a shortage of Class A Buildings and therefore rising rental prices are expected, especially since rental prices fell by up to 10 per cent in 2009.

1.4 Commonwealth of Independent States (CIS)

Russia (R) Russia continues to be affected by the global economic and financial crisis. In 2009, GDP fell in real terms by -7.9 per cent. Growth of up to 4.5 per cent is forecast for 2010. Inflation was 8.8 per cent in 2009 and 7.5 per cent is forecast for 2010. 2009 saw substantial dips in production in key economic sectors, including construction. After years of budget surplus, the fall in oil prices led to a deficit of -5.9 per cent in 2009. In addition, there was a decline in foreign investment of around -21 per cent, liquidity problems for the banking sector and the real economy as well as a substantial devaluation of the rouble. Since the beginning of the economic crisis, the rouble has been devalued significantly (troughs as low as 26 per cent) against the euro/dollar basket of currencies.

Despite these symptoms of crisis, Russia continues to be the largest market in Central and Eastern Europe. The significant increase in investment levels in the fourth quarter of 2009 by 176 per cent over the previous year induced an element of optimism in the international markets regarding the sustained recovery of the Russian economy.

According to analysts at Knight Frank, the housing market in Russia, Moscow in particular, saw an increase in transactions of 71 per cent in the spring of 2010. The number of transactions in the first quarter of 2010 rose by 66 per cent as compared to one year earlier. The prices for new homes rose by 0.3 per cent in March. Moreover, the office market showed positive signals in early 2010. According to analysts at Jones Lang LaSalle, the vacancy rate in this sector dropped to 18.6 per cent in Moscow.

Ukraine (UA) Ukraine was hit especially hard by the global financial and economic crisis. Growth slumped in 2009 by 15.2 per cent while exports dropped by 40 per cent, industrial production fell by about 22 per cent, unemployment rose to over 9 per cent and real wages fell by about 10 per cent. The local currency in the Ukraine, the hryvnya, also lost sharply; however, by the end of 2009 inflation had also fallen from 20 per cent to 12.3 per cent. The vulnerability of the Ukrainian economy continues to be driven by several factors: high dependency on an export sector with little diversification on the one hand and energy imports with rising prices on the other as well as high private foreign indebtedness and a weak banking sector due to a high percentage of short-term foreign liabilities.

Public finances came under significant pressure in 2009 due to the crisis. Depending on which expenditures are applied, the budget deficit was between 5.4 and 10.6 per cent. The IMF provided loan assistance of USD 16.4 billion, of which three tranches had been paid by the end of 2009. The programme was temporarily suspended after that because the conditions (in particular, restrictive fiscal policy and restructuring of the loss-making energy company Naftogaz) were not met due to the political situation in Ukraine.

Ukraine's real estate industry was also badly affected. According to Jones Lang LaSalle, the number of completed properties reduced by about 66 per cent compared to 2008. Rental prices and vacancy rates of office buildings stabilised in the fourth quarter of 2009. Due to the weak economic development and completion of additional office properties, vacancy rates will presumably see another moderate increase. Therefore, rental prices may sustain further pressure in 2010. This dramatic situation becomes very apparent if one considers the vacancy rates: with a vacancy rate of more than 16 per cent, Kiev recorded one of the highest vacancy rates in Europe in the spring of 2010. Tenants are currently using the situation to either reduce the rental prices or rent more and better areas at reduced costs.

Georgia (GEO) The current economic situation is still marked by the aftermath of the Georgian-Russian war, but even more by the impact of the global economic and financial crisis. The damage directly connected with the war remained within manageable limits. However, the indirect consequences, which became evident through a decline in foreign direct investment and were caused by a certain loss of confidence in the stability of the Georgian market, are far more severe. In addition to that, turbulence on the international economic and financial markets curtailed the willingness of foreign companies to invest in Georgia. This led to reduced exports in the first half of 2009 as compared with the previous year by around 37 per cent and foreign direct investment (FDI) fell by about 80 per cent over the first half of 2009. At the same time, the Georgian lari proved to be extremely stable. According to figures from the EBRD, Georgia recorded a decline in gross national product of 4 per cent in 2009. Moderate economic growth is expected for the coming years.

Data from the National Investment Agency indicate that the real estate market is one of Georgia's fastest growing economic sectors. This is because with a living area of 16 m² per person, her capital, Tbilisi, exhibits the lowest value of all European capitals. For comparison, a person in the EU-15 states has a living area of about 36 m² available. Furthermore, the Georgian population exhibits a clear tendency towards western living standards. This should have a stimulating effect on construction in Georgia.

2. OPERATING ACTIVITIES

2.1 Strategy

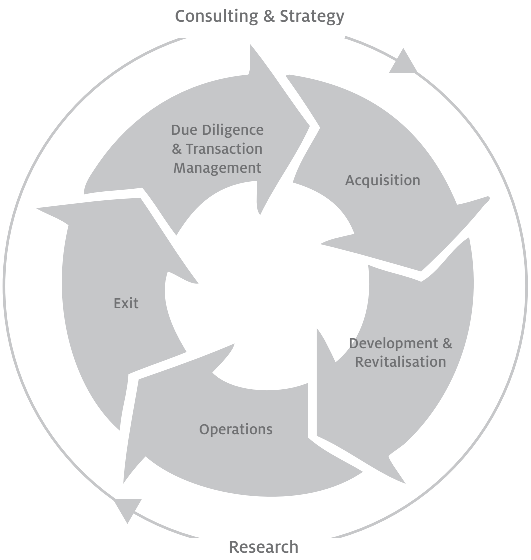
MAGNAT is a publicly traded real estate development company in Frankfurt am Main, which focuses on exploiting special business situations in the home market of Germany and in Austria as well as on land banking and real estate development in Eastern and South-Eastern Europe as well as the Commonwealth of Independent States. MAGNAT's business model is based on profiting from exploiting the potential for added value in special business situations, gains from land banking (the purchase and sale of land) and generating development returns.

This involves MAGNAT concentrating on real estate markets that have attractive development cycles, on special business situations, on undervalued markets in the framework of counter-cyclical investments as well as on markets with high macroeconomic growth. MAGNAT generates rental income on an ongoing basis from a residential portfolio and a commercial portfolio in Germany, supplemented by an investment in Austria. In Central, Eastern and South-Eastern Europe MAGNAT is investing in development activities in Poland, Romania, Bulgaria and Turkey as well as in the Commonwealth of Independent States in Ukraine and Georgia.

Diversification of risk through a balanced asset mix is a central part of MAGNAT's strategy. Diversifying the risk is a threefold process:

- **Geographical mix** by investing in Germany, in Austria and in the CEE/SEE/CIS region
- **Functional mix** through residential and commercial real estate
- **Yield mix** through real estate in the Value Added segment (special business situations in Germany with above-average rental returns and also potential appreciation), Land Banking (the purchase and sale of land for building on) and Classic Real Estate Development (development returns in the CEE/SEE/CIS region)

Due to integration of the R-QUADRAT Immobilien-Group in the last fiscal year, it was possible to incorporate the new Asset Management business segment into the MAGNAT Group. Since April 2010, the Group has provided its services under the brand MAGNAT Asset Management.



The MAGNAT Asset Management Group is positioned as follows:

- Integrated asset manager and developer
- Multidisciplinary asset management team with an entrepreneurial hands-on managerial approach
- Focus on distressed situations and management-intensive portfolios and projects in Germany, Austria and Eastern Europe
- High reporting standards
- Represented at international locations by more than 30 real estate experts

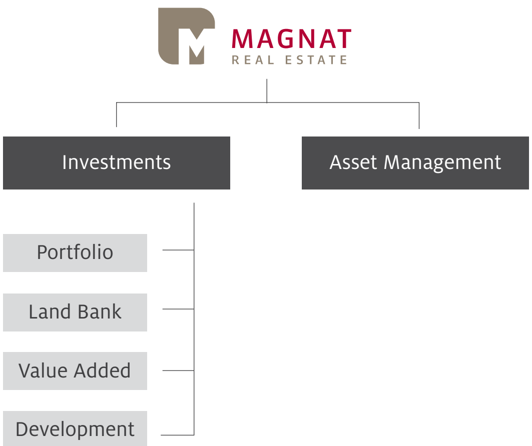
Key benefits arise from integration of the former external asset manager for the MAGNAT Group:

- Profitable growth
- Integration of the real estate asset manager leads to external growth through real estate asset management for third parties
- Strengthened liquidity
- Integration of the profitable asset manager leads to additional liquidity
- Integration of expertise
- Concentration of real estate expertise in one integrated group
- Improved cost accounting
- Integration leads to improved transparency in both the rendering of services and governance

2.2 Operating activities

The strategy focuses on raising the potential for appreciation. However, the continuing difficult economic environment necessitates adjustments. In both its real estate development projects and its real estate trading, the company seeks to resell the projects after a short to medium holding period. In particular, against the backdrop of the continuing impact of the crisis on the financial markets, retention of investments for a longer period or where appropriate continuing development at a later date currently appears to have a value creating effect. During the ongoing global economic crisis, reducing exposure in Eastern Europe has also proven to be the right strategy. The company gives absolute priority to maintaining adequate liquidity.

One focus of business during the reporting period was the development of real estate investments and the preparation of possible exit scenarios.



Since integration of the asset manager, operating business segments of MAGNAT have been divided into Investments and Asset Management.

2.3 Business Segment Investments

Business Segment Investments consists of the sub-segments Portfolio, Land Bank, Value Added and Classic Development.

The existing portfolio of MAGNAT is defined, inter alia, by a strategy with a medium-term holding period, a non-majority share of possession and non-dominant influence on the overall investment.

The Development portfolio comprises classical project development, i.e. the acquisition of a plot of land and the construction of one or more new buildings on the hitherto undeveloped plot, the revitalisation of existing real estate through renovation, modernisation and usage reallocation measures as well as entry into existing real estate projects in different stages of development. Upon completion, the goal is to sell the property either as a whole (perhaps also through the sale of shares to the project company in the form of share deals) or in individual units (e.g., in the form of residential property).

The Land Bank portfolio includes properties with potential for appreciation. In addition, depending on economic factors projects are allocated to the Land-Bank segment provided that construction activities have yet to begin. Land Bank projects offer several development options: if the business environment is appropriate, gains can be realised through a sale; alternatively, development projects can be started if funding is available. In the latter case, reclassification to Development (classic project development) would take place.

The Value Added portfolio encompasses the acquisition and sale of properties that are already completed or nearing completion and which are already fully or partially let or held for letting. During its period of ownership, the company typically engages in measures aimed at increasing value, such as optimisation of rental management, reduction of vacancies and exhaustion of any potential for increasing income from rent in order to improve the ongoing revenues. Structural improvements as well as selective renovation measures are also conducted if the company sees doing so to be of economic value (upgrading of real estate). Accordingly, alongside secondary amounts in terms of ongoing returns from individual investments in the form of rental income, in particular, capital gains are also pursued. MAGNAT's efforts focus on optimum exploitation of the portfolio.

Business Segment Investments in EUR '000

	2009/2010	2008/2009	Delta
Segment earnings	8,589	23,457	-14,868
Segment expenses	-14,472	-18,142	3,670
Segment gains/losses before interest and taxes	**-5,882**	**5,315**	**-11,197**
Total assets	**117,424**	**137,895**	**-20,471**
As a percentage of the Group	66%	92%	
Total liabilities	**38,747**	**38,011**	**736**
As a percentage of the Group	59%	68%	

The equity commitment per project in Business Segment Investments is shown on the following table. The status of each project is looked at below.

Project	Region	Country	Segment	Use	Share MAGNAT	Capital adequacy (In EUR 'ooo/per cent)		Start
Peremogi	CIS	UA	Development	Office	45.0 %	17,738	22.6 %	07/07
YKB	CEE/SEE	TR	Portfolio	Office/Resid.	33.3 %	12,436	15.9 %	07/07
Resid. portfolio	D/A	D	Value Added	Residential	75.0 %	7,893	10.1 %	04/07
Vacaresti	CEE/SEE	ROM	Land Bank	Land Bank	75.0 %	6,621	8.4 %	06/07
Nasze Katy	CEE/SEE	PL	Development	Residential	50.0 %	5,644	7.2 %	11/06
Squadra	D/A	D	Portfolio	Office/Resid,	16.1 %	4,050	5.2 %	08/07
Koncha Zaspa	CIS	UA	Land Bank	Land Bank	75.0 %	3,693	4.7 %	04/07
Schwarzenberg	D/A	AT	Development	Hotel	18.8 %	3,094	3.9 %	07/07
Mogosoaia	CEE/SEE	ROM	Land Bank	Land Bank	75.0 %	2,812	3.6 %	12/06
Com. portfolio	D/A	D	Value Added	Office	75.0 %	2,380	3.0 %	11/06
Chmelnitzky	CIS	UA	Development	Retail	33.3 %	2,779	3.5 %	12/06
Alexander	CIS	UA	Land Bank	Land Bank	75.0 %	2,553	3.3 %	12/06
Russian Land	CIS	RUS	Portfolio	Land Bank	40.3 %	2,562	3.3 %	09/07
Digomi	CIS	GEO	Land Bank	Land Bank	56.3 %	1,481	1.9 %	08/07
Pancharevo	CEE/SEE	BG	Development	Land Bank	75.0 %	1,452	1.9 %	06/07
Vitaly	CIS	UA	Land Bank	Residential	25.0 %	714	0.9 %	12/06
Vake 28	CIS	GEO	Development	Residential	37.5 %	487	0.6 %	03/08
TOTAL						**78,388**	**100.0 %**	

Project	Peremogi
Region	CIS
Country	Ukraine
Segment	Development
Use	Office
Size of plot (in m²)	10,000
Area available for selling/letting (in m²)	30,490
MAGNAT's stake	45.0%
Equity (in EUR '000)	17,738
Equity (percentage of total)	23%
Start	07/07

Stake in a Ukrainian project company which owns the right to develop on the corresponding property with an existing building permit for construction of an office and commercial building. The plot of land on which the project is to be realised is approximately 10,000 m² and has an almost rectangular ground plan. The area available for construction is 6,150 m².

The property is situated about 8 km to the west of the city centre and is regarded as an emerging office location. The surrounding area is characterised by residential buildings. It is expected that more office and residential projects will emerge along the road. The surrounding area has also become interesting as a location recently due to the newly established access to the underground railway. The area is characterised by high-rise buildings constructed in the 70s and 80s. Local supply is catered for by a supermarket situated near the property. All other social institutions, schools, hospitals, doctors, pharmacies are within a radius of 5-10 minutes from the property by car.

A modern office centre of approximately 10,000 m² will be built on the plot. The project's original plan provides for usable floor space of approximately 27,700 m² plus an atrium area of 860 m² and 2,800 m² of retail area distributed over 11 floors. The property will be handed over as a shell and can be designed by the tenant. The general areas will be developed to a high standard. The economic crisis and associated financing constraints in the Ukraine and for development projects have resulted in delays, which in consultation with the co-investor have been used to improve planning within the existing building permits, especially in terms of the office and retail mix. The building permits were renewed for five years in the last fiscal year. The improvements have made it possible to implement a completely revised project with regard to area and quality within the extended building permit. It has been possible to extend the planned usable floor space by about one-third. Similarly, the quality standards were again optimised significantly. The mechanisms written into the contract on the forward sale did not permit implementation of this fundamentally changed concept without major conflicts between the parties. Due to the substantially changed overall conditions, development and marketing of the project was re-negotiated with the co-investor in July 2010.

The continuing unfavourable overall conditions in the Ukraine and the prevailing financing situation are being actively monitored by investors and potential measures for continuation constantly evaluated. It remains to be seen how this environment will evolve over the next few months.

Project	**YKB**
Region	CEE/SEE
Country	Turkey
Segment	Portfolio
Use	Office/Residential
Size of plot (in m²) when acquired	1,115,047
MAGNAT's stake	33.3%
Equity (in EUR '000)	12,436
Equity (percentage of total)	16%
Start	07/07

Acquisition of an extensive real estate portfolio of Turkish bank Yapı ve Kredi Bankası A.S. ('YKB'), which consists of some 400 separate titles on property with varying usage and a regional focus on the Greater Istanbul area, in a consortium with project partners Adama Holding Public Ltd. (consortium leader) and Immoeast AG. The original purchase price for the entire portfolio was EUR 136,5 million plus related costs. The portion of equity originally invested by MAGNAT including a further pro rata capital injection – which was contractually agreed by the consortium members – of EUR 7,0 million thus equates to EUR 20,7 million. The operating performance is encouraging; approximately 80 per cent of the portfolio has been sold thus far measured at fair value. The positive liquidity in the YKB portfolio led to full repayment of the liabilities of originally EUR 40,0 million due to banks in the past year and total repayment of shareholder loans from the consortium partners. One of the major real estate transactions during the past fiscal year was the sale of the 23,765 m² Boronkay property in November 2009. Originally acquired for EUR 4,5 million and with a selling price of EUR 15,7 million, a return on investment amounting to 250 per cent was achieved. In the first calendar quarter of 2010, the 3,660 m² Sisli property was sold for approximately EUR 25,3 million and thus an IRR of some 32 per cent. At 31 March 2010, the joint-venture disposed of liquid assets amounting to EUR 27,9 million. 45 separate titles distributed across a total of 11 properties will be set aside for optimised exploitation in the next 12-24 months.

Project	**Residential Portfolio**
Region	D/A
Country	Germany
Segment	Value Added
Use	Residential
Size of plot (in m²)	93,751
Area available for selling/letting (in m²)	85,094
MAGNAT's stake	75.0%
Equity (in EUR '000)	7,893
Leverage	72%
Equity (percentage of total)	10%
Start	04/07

The portfolio of which MAGNAT owns a 75 per cent share now includes (at the Eberswalde, Saalfeld and Rostock sites) approximately 1,500 apartments and has area available for letting of approximately 85,100 m². The return on rent is some 10.1 per cent (actual current rent based on original costs, including related costs), the original costs (including related costs) stood at approx. EUR 420/m². Due to the above average return on rent in combination with the elimination of vacancies, above-average potential for appreciation continues to exist. The occupancy rate of the total portfolio at the balance sheet date amounted to 85.3 per cent and in June 2010 85.8 per cent.

Project	Eberswalde	Saalfeld	Rostock
Region	D/A	D/A	D/A
Country	Germany	Germany	Germany
Segment	Value Added	Value Added	Value Added
Use	Residential	Residential	Residential
Size of plot (in m²)	61,329	29,126	3,296
Area available for selling/letting	59,911	17,141	8,042
MAGNAT's stake	75.0%	75.0%	75.0%
Equity (in EUR 'ooo)	4,784	2,460	650
Leverage	76%	61%	73%
Equity (percentage of total)	6%	3%	1%
Start	04/07	12/07	06/07

Eberswalde residential portfolio

The occupancy rate in this portfolio, which comprises 1,068 units, was increased in the current fiscal year by over 1.9 per cent. The occupancy rate in the Eberswalde portfolio (formerly approximately 76 per cent) stood at 87.7 per cent (based on the area available for letting) on the balance sheet date.

Rostock residential building

The residential building in Rostock Evershagen enjoyed an occupancy rate of approximately 93 per cent at the balance sheet date (based on the area available for letting) and is therefore nearly fully let. Vacancies on the reporting date are merely due to the usual fluctuations. Minor investments were made in the property during this fiscal year to increase tenant satisfaction.

Saalfeld residential portfolio

The Saalfeld residential portfolio consists of 281 units and in the current fiscal year further measures have been taken in the interest of sustained appreciation, which have led to a rise in the occupancy rate. In this context, the existing real estate management firm was replaced. These measures have made it possible to increase the occupancy rate by 2.6 per cent to 73.4 per cent (based on the increased area available for letting) during the fiscal year. In June 2010, the occupancy rate stood at 74.6 per cent with a continuing positive trend.

Project	Vacaresti
Region	CEE/SEE
Country	Romania
Segment	Land Bank
Use	Land Bank
Size of plot (in m²)	6,623
MAGNAT's stake	75.0%
Equity (in EUR 'ooo)	6,621
Equity (percentage of total)	8%
Start	06/07

The property is situated in the southern part of the city centre of Bucharest. The plot covers an area of 6,622.53 m², consists of three adjacent level parcels and has been zoned for residential construction. Vacaresti is one of the best developed neighbourhoods in Bucharest and most popular residential areas. Numerous apartment buildings have been developed in recent years in the immediate vicinity.

The appeal of the area stems firstly from the perfect transportation infrastructure: the tram, bus and underground railway are all within walking distance and the city centre can be reached in less than 10 minutes by car. Secondly, it is very attractive for the construction of residential buildings because of the largest park in Bucharest, Parcul Tineretului. This park offers ample opportunity for relaxation and recreation and is very popular among the local population. The municipal administration is putting an artificial lake next to the plot. In 2010, Bucharest's largest shopping mall, the Sun Plaza Mall, will be opened less than 1 km away.

The original plan envisages the construction of about 450 apartments with a total area of approximately 29,799 m² plus 250 underground parking spaces and approximately 200 outdoor parking spaces. Most of the apartments will be between 60 and 75 m² and have 1-2 rooms. The remaining apartments will have 3-4 rooms and be up to 150 m² in size. The location, facilities and apartment sizes are ideal for a buyer from the upper-middle class.

The PUZ (Plans Urbanistic Zonal: approval for the overall development) for the plot was approved at the end of 2009. A building permit has yet to be granted. Construction work has been postponed because of the general economic situation in Romania and difficulties in obtaining a favourable financing package.

Project	**Nasze Katy**
Region	CEE/SEE
Country	Poland
Segment	Development
Use	Residential
Size of plot (in m²)	66,025
Area available for selling/letting (in m²)	51,030
MAGNAT's stake	50.0%
Equity (in EUR '000)	5,644
Equity (percentage of total)	7%
Start	11/06

Establishment of approximately 1,000 apartments in several stages of construction with an effective residential area of approximately 66,000 m²; MAGNAT owns a 50 per cent stake in the Polish project company (MAGNAT's investment is in the form of a participating interest and a shareholder loan). 2 of the 3 construction phases have been completed. 66 apartments from the first construction phase, which consisted of 67 apartments and 6 commercial units, have been sold. 49 apartments and 3 commercial units from the second construction phase, which consisted of 200 apartments and 6 commercial units, have been sold. Both phases of construction have been completed. Negotiations regarding scheduled repayment of the financing are currently underway with the financing bank. The start of the third phase of construction has been stopped in the interest of risk management in the current situation. The locally appointed general contractor experienced economic difficulties due to the impact of the economic crisis. This led to delays in the project cycle and a halt in the sale of the apartments. After the situation was resolved in June 2009, measures were immediately taken to restore the original project cycle. The sale of apartments is progressing satisfactorily. The overall success of the project is dependent on the completion of all phases of construction; realisation of this is being dealt with and is contingent on corresponding financing. Negotiations are currently being held with financing banks.

Project	Squadra
Region	D/A
Country	Germany
Segment	Portfolio
Use	Office/Residential
Size of plot (in m²)	25,071
Area available for selling/letting (in m²)	37,698
MAGNAT's stake	16.1%
Equity (in EUR '000)	4,050
Equity (percentage of total)	5%
Start	08/07

SQUADRA was formed with share capital of EUR 25,1 million in August 2007. MAGNAT took on EUR 4,0 million of the aforementioned figure. SQUADRA concentrates on investments on the German real estate market. SQUADRA's portfolio at 31 March 2010 follows.

Blue Towers, Frankfurt am Main

The 'Blue Towers' office building in Frankfurt-Niederrad was acquired by SQUADRA at the beginning of 2008. It has area available for letting of approximately 20,000 m² and 436 parking spaces. The Niederrad office district was particularly affected by the unfavourable developments on the rental market. Vacant space has increased significantly in the past two years for want of concluded tenancy agreements. Indeed, the Blue Towers location is among the best in this market, but letting exposure continues to persist in general due to very high vacancy rates in Niederrad combined with the significant fall in rental volume in the city of Frankfurt am Main. Two showcase floors, one standard and one exclusive version, had been developed by the end of Fiscal Year 2009/2010 following comprehensive planning during the previous fiscal year in connection with revitalising the vacant property. In spite of these showcase floors and extensive marketing efforts, tenancy agreements have not been concluded thus far. Demand has revived somewhat of late and the overall concept of developing exclusive office space complemented by a connected restaurant and extensive meeting and conference area is still seen as attractive.

Schrödterhaus, Leipzig

Schrödterhaus is in the Leipzig city centre and was acquired by SQUADRA at the end of 2008. Extensive renovation is currently underway and should be completed during the 2010/2011 fiscal year. The office and commercial building, which is approximately 9,000 m² and consists of a historical building and a new building from the 1990s, has been difficult to let in previous years because of necessary structural modifications. This property has established and asserted itself very well on the rental market. Despite a generally difficult market situation and the ongoing redevelopment work, some 26 per cent of the location was let at 31 March 2010. At the time of preparing this report, the rented area has risen to over 40 per cent following the conclusion of new agreements and all the retail areas are filled. It is expected that the project can continue to be pressed ahead with according to plan.

Lüdenscheid

The residential portfolio in Lüdenscheid has 9,000 m² of area available for letting and was acquired at a favourable price in April 2008. After acquisition, overdue rent increases were implemented and necessary maintenance work started. These building operations were continued during the fiscal year and are provisionally finished. The portfolio was more or less fully let throughout the year with occupancy rates of around 95 per cent.

Project	**Koncha Zaspa**
Region	CIS
Country	Ukraine
Segment	Land Bank
Use	Land Bank
Size of plot (in m²)	33,625
MAGNAT's stake	75.0%
Equity (in EUR '000)	3,693
Equity (percentage of total)	5%
Start	04/07

The property is situated in the so-called Koncha Zaspa about 10 km south-west of the city limits and about 20 km from the centre of Kiev. The capital city, Kiev, spans 839 km² and has about 2,700,000 inhabitants. The area covers about 40 hectares. The property's immediate surroundings are characterised by agricultural buildings. The Kozin residential estate is nearby. Koncha Zaspa is a prime suburb of Kiev. The area is favoured as a residential location by diplomats and wealthy Ukrainians.

The plot has been zoned for housing; a building permit has yet to be issued. The original development plan envisaged the construction of approximately 20 luxury villas or up to a maximum of 300 apartments in four storey buildings; however, this cannot be realised in the current market environment due to insufficient financing opportunities. Alternative opportunities for exploitation have been considered, a plan for dividing the land into parcels at low cost to increase the value of the land has been developed.

Due to legal restructuring, the project company connected with the originally chosen transaction structure was sold in Fiscal Year 2008/2009. The resulting outstanding purchase price is mortgaged in the land registers of the Ukrainian project Koncha Zaspa.

A corresponding agreement provides for transfer of the property to group companies of MAGNAT against the purchase price.

Project	**Schwarzenberg**
Region	D/A
Country	Austria
Segment	Development
Use	Hotel
Size of plot (in m²)	44,810
Area available for selling/letting (in m²)	15,800
MAGNAT's stake	18.8%
Equity (in EUR '000)	3,094
Equity (percentage of total)	4%
Start	07/07

Stake of approximately 19 per cent in an Austrian project company which owns the right to develop on the 'Hotel Schwarzenberg' property. The investment for MAGNAT's 19 per cent interest in the project company amounts to EUR 3,1 million. An architectural competition was held for the adaptation of outbuildings within the historic palace in one of the prime locations of Vienna. Following market studies on room sizes and facilities, the concept for the luxury hotel was revised and the standard of quality further improved on several occasions. The preliminary planning and design planning including all the structural and internal enhancements were adapted to meet the revised overall concept with the aim of becoming 'Europe's best address'. The total number of rooms was reduced from about 135 to 75-80; therefore they are much more comfortable and spacious. A world-leading company from San Francisco was commissioned with the interior architecture and the 'overall design concept'. In collaboration with renowned specialists, part of this fundamental realignment also included development of the entire catering concept and a completely new package was created. A recent feasibility study based on the revised hotel concept by the renowned hotel experts at PKF International has confirmed both the qualitative and economic objectives of the project. Talks are being held with financing banks again due to the revised exploitation strategy. The operator has already given an assurance that it will increase the equity capital share substantially due to the desired improvements and associated increase in the price of the overall concept; this will not lead to MAGNAT assuming an obligation for additional funding.

Project	Mogosoaia
Region	CEE/SEE
Country	Romania
Segment	Land Bank
Use	Land Bank
Size of plot (in m²)	57,162
MAGNAT's stake	75.0%
Equity (in EUR '000)	2,812
Equity (percentage of total)	4%
Start	12/06

The property is located in Mogosoaia, one of the fastest developing suburbs of Bucharest in close proximity to the city limits. The property is currently not connected to the mains supplies; however, connecting the property to all the utilities (electricity, gas, water, and drainage) does not represent a problem because of construction work in the immediate vicinity.

The local area captivates with extensive parkland and recreational areas, such as Lake Mogosoaia, and through its closeness to the city. Mogosoaia is located on the north-western boundary of the Romanian capital, about 15 km from the city centre. Additionally, depending on the traffic situation the Bucharest-Otopeni international airport can be reached in 10-15 minutes. A concreted road is presently not available for access. The property has already been zoned for residential use, but was reclassified to the Land Banking segment because of the present situation.

Project	Com. portfolio
Region	D/A
Country	Germany
Segment	Value Added
Use	Office
Size of plot (in m²)	11,835
Area available for selling/letting (in m²)	10,618
MAGNAT's stake	75.0%
Equity (in EUR '000)	2,380
Leverage	71%
Equity (percentage of total)	3%
Start	11/06

The portfolio of which MAGNAT owns a 75 per cent stake has approximately 10,600 m² available for letting. The return on rent is 7.7 per cent (actual rent based on original costs, including related costs), the original costs stood at approximately EUR 1,150/m². The occupancy rate for the entire commercial portfolio stands at 87.3 per cent.

Project	A&T Portfolio	Delitzsch
Size of plot (in m²)	6,075	5,760
Area available for selling/letting (in m²)	4,670	5,948
MAGNAT's stake	75.0%	75.0%
Equity (in EUR '000)	1,331	1,049
Leverage	67%	74%
Equity (percentage of total)	2%	1%
Start	11/06	12/07

Commercial portfolio 'A&T'
The commercial portfolio consists of 3 properties. These are located at Halle-Peissen, Parchim and Worms and each has one tenant. The property at Halle-Peissen was vacant at the balance sheet date because the 10-year lease was terminated in April 2009 due to an unsuccessful application for a change in the authorisation of use. Fortunately, negotiations are currently being held to reinstate the contract at identical terms because the change in the authorisation of use is now expected to be approved at short notice. The properties at Parchim and Worms are rented by the local employment agencies.

Delitzsch Medical Centre
The Delitzsch Medical Centre was extended by an adjoining, strategically important plot once again during the current year. Due to the high demand for parking at the location, the possibility of creating additional parking spaces at the property itself is currently being reviewed. In addition, the fiscal year was marked by intensive discussions with the tenants with respect to successfully developing and repositioning the centre.

Projekt	Chmelnitzky
Region	CIS
Country	Ukraine
Segment	Development
Use	Retail
Area available for selling/letting (in m²)	25,200
MAGNAT's stake	33.3%
Equity (in EUR '000)	2,779
Equity (percentage of total)	4%
Start	12/06

MAGNAT financed completion of Construction Phase 1 of the 'Podillja' wholesale centre with an original investment of USD 2,6 million (EUR 2,0 million). MAGNAT acquired a contractual entitlement to 500 business units with this investment, a further 100 business units were transferred to the company on the basis of a drawn lien. The Chmelnitzky wholesale centre has since obtained any necessary regulatory approvals. Legal disputes involving the previous owner and co-investors occurred during Fiscal Year 2009/2010.

The basis of these disputes is not yet clear. MAGNAT's position and the possible impact of these disputes are currently not foreseeable. Following a recommendation by and with the assistance of the asset manager, the investors have engaged a law firm to monitor and assess this situation as well as initiate possible legal action as a precautionary measure.

There are currently a total of 4,500 individual shops on an area of about 24 ha. All the shops are 14 m² and built next to one another in rows. The shops are of a high-grade metal construction and equipped with electrical connections and mechanical rolling doors. The circulation areas within the market are all covered in order to ensure that it operates smoothly in the event of rain or snow. The area is equipped with a separate transformer station for independent power supply. An area of 42 ha of additional land is located directly next to the existing market for expansion.

The market is easy to reach and can be accessed via the Kiev-Zhitomir-Chernovtsy motorway. It is located approximately 250 m from the exit of the motorway. The market in Chmelnitzky caters for a large catchment area in the west of Ukraine and is also visited by customers from Minsk. The newly developed market stalls are better and more modern than comparable markets in the Ukraine. The infrastructure on the market site, such as administrative buildings, storage areas, cafés and car parking facilities also ensures smooth operation at a level not seen at similar markets of this kind.

Project	Alexander
Region	CIS
Country	Ukraine
Segment	Land Bank
Use	Land Bank
Size of plot (in m²)	200,000
MAGNAT's stake	75.0%
Equity (in EUR '000)	2,553
Equity (percentage of total)	3%
Start	12/06

This property covers an area of approximately 200,000 m² and is located some 37 km south-west of the centre of Kiev. The capital city, Kiev, spans 839 km² and has about 2,700,000 inhabitants. The Solomensky district measures some 4,000 hectares and has 280,400 inhabitants. The property's immediate surroundings are characterised by agricultural buildings. The city of Vasylkiv is nearby. Vasylkiv is a Ukrainian city in the Kiev Oblast. It has about 39,700 inhabitants and is situated some 30 kilometres south-west of Kiev.

Due to legal restructuring, the project company connected with the originally chosen transaction structure was sold in Fiscal Year 2008/2009. The resulting outstanding purchase price is mortgaged in the land registers of the Ukrainian Alexander project. A corresponding agreement provides for transfer of the property to group companies of MAGNAT against the purchase price.

Project	Russian Land
Region	CIS
Country	Russia
Segment	Portfolio
Use	Land Bank
MAGNAT's stake	40.3%
Equity (in EUR '000)	2,562
Equity (percentage of total)	3%
Start	09/07

Formed in August 2007 with share capital of EUR 5,0 million, of which MAGNAT took on EUR 2,5 million. The capital was increased by a further EUR 1,2 million in July 2008 by new investors. Russian Land concentrates on the land banking segment within a radius of 80-150 km from Moscow. Zoning as well as adjustment of the cadastral registrations for the purchased projects or those for which an option exists have been pressed ahead with in recent quarters. Furthermore, Russian Land AG granted a renowned developer financing for the re-designation of a large plot of land; this will be repaid during the course of Fiscal Year 2010/2011 either in the form of re-designated plots of land at favourable terms or cash. The economic situation in Russia has worsened, especially in recent months. Overall, there were hardly any transactions in this segment in Fiscal Year 2009/2010. Amendments to the re-designation provisions and discussions on real-estate tax adjustments may affect the business model of Russian Land AG. Therefore, these are being closely monitored and evaluated by the Board of Russian Land AG and appropriate measures are in planning.

Project	Digomi
Region	CIS
Country	Georgia
Segment	Land Bank
Use	Land Bank
Size of plot (in m²)	20,136
MAGNAT's stake	56.3%
Equity (in EUR '000)	1,481
Equity (percentage of total)	2%
Start	08/07

A plot of land of around 20,000 m² for a total of EUR 2,1 million. MAGNAT owns a 56.3 per cent stake in the project company. The vast majority of the MAGNAT investment – in addition to the stake in the project company, which was founded with minimum capital – exists in the form of a shareholder loan of EUR 2,0 million. Construction of a retail centre was planned on the plot. A development study was prepared, other cost driving activities have been discontinued for want of final users and talks regarding utilisation have been held with several prospective buyers. During the period under review, the local conflict as well as global developments in the real estate sector have also affected the opportunities for utilisation. However, negotiations are being held regularly with prospective buyers in this regard.

Project	Pancharevo
Region	CEE/SEE
Country	Bulgaria
Segment	Development
Use	Land Bank
Size of plot (in m²)	7,774
Area available for selling/letting (in m²)	13,377
MAGNAT's stake	75.0%
Equity (in EUR '000)	1,452
Equity (percentage of total)	2%
Start	06/07

The property is situated in Pancharevo, in the southern part of Sofia. The area is marked by the brisk construction activity of recent years. Numerous housing projects have been carried out in the immediate vicinity; these have been very well received by the local population. The American School of Sofia and the training ground of professional football club Levski Sofia are directly adjacent. Another advantage is the proximity to the gondola lift, which takes skiers to the summit of the Vitosha Mountains where it is possible to use the floodlit piste up to 10:00 pm on weekdays. It takes less than 10 minutes to get from the property to the cableway's base station.

Pancharevo and the local vicinity are regarded as a very popular residential area. The property is easily accessible by car via the southern part of the circular road and Samokovsko Schoss. Public transportation is still lacking. The distance to the centre is about 13 km and the airport about 15 km.

A development project for 6 apartment blocks with a total of 112 residential units has been planned and approved. The size of the apartments is between 53 and 120 m². In addition, there are 115 spaces in the underground car park and a further 30 outdoor parking spaces planned. Total usable area is 13,377 m² plus 1,660 m² of garden area. However, obtaining commitment for a bank loan for the start of the construction phase is difficult in the current market environment. After start-up funding is in place, further construction is to be financed additionally through the sale of apartments. When all the prerequisites are met, start of construction for the project is planned for 2009. The project has been reclassified to the Land Banking segment until funding is in place.

Project	Vitaly
Region	CIS
Country	Ukraine
Segment	Land Bank
Use	Residential
Size of plot (in m²)	77,600
MAGNAT's stake	25%
Equity (in EUR '000)	714
Equity (percentage of total)	1%
Start	12/06

Investment totalling EUR 0.7 million with a contractual right to a proportional share of the profits from the overall project. The project had already received building approval at the time MAGNAT invested; four homes have been sold thus far. Exploitation of the overall project without further development (including the share of the local project partner) has been agreed at shareholder level and is to be realised quickly when appropriate opportunities arise.

Project	**Vake 28**
Region	CIS
Country	Georgia
Segment	Development
Use	Residential
Size of plot (in m²)	2,406
Area available for selling/letting (in m²)	11,352
MAGNAT's stake	37.5%
Equity (in EUR '000)	487
Equity (percentage of total)	1%
Start	03/08

A residential building with a total marketable area of 11,352 m² (apartments, penthouse and commercial areas) is being constructed together with a local partner. MAGNAT owns 37.5 per cent. Funding of the overall project is covered by a shareholder loan in the amount of USD 1,0 million. Completion of the property is expected to be at the end of July 2010. Excepting the penthouse, one other apartment and two commercial units, all the apartments and commercial units were sold at the end of June 2010. The impact of the hostilities on the property was only marginal during the period under review.

2.4 Business Segment MAGNAT Asset Management

Since integration of the external asset manager in the 2009/2010 fiscal year, MAGNAT accepts mandates from third parties in the real estate sector through its new MAGNAT Asset Management business segment. These mandates involve, in particular, the acquisition, development, ongoing management, letting and sale of real estate on behalf of investors.

In addition to the provision of asset management services for the MAGNAT Group, MAGNAT Asset Management is currently responsible for the following mandates:

- SQUADRA Immobilien GmbH & Co. KGaA, Germany ('SQUADRA')
- R-QUADRAT Capital Alpha GmbH, Austria
- R-QUADRAT Capital Beta GmbH, Austria
- R-QUADRAT Capital Gamma GmbH, Austria

Furthermore, MAGNAT conducts development projects in the area of asset management at its own risk. To begin with, these real estate projects and co-proprietor's building schemes are acquired, developed, managed, let, sold or prepared for sale to investors by Business Segment Asset Management. All the profit from the projects remains within the MAGNAT Group.

The strategy for development projects aims to realise profit with no or only minimum equity and a short holding period. In particular, such attributes are displayed by co-proprietor's building schemes and participation schemes as well as real estate intended purely for brokering.

In the case of co-proprietor's building schemes, MAGNAT benefits from inflows either directly or indirectly in the year of placement of the respective scheme from the following components:

- Profit from the resale of the property in relation to the purchase price
- Proceeds from granting a closing warranty (MAGNAT assumes the remaining shares if the placement does not run successfully)
- Proceeds from the brokering of funding and/or offering to investors

Business Segment Asset Management (in EUR '000)

	2009/2010	2008/2009	Delta
Segment earnings	2,984		2,984
Segment expenses	-2,498		-2,498
Segment gains/losses before interest and taxes	**485**	**0**	**485**
Total assets	**40,514**		**40,514**
As a percentage of the Group	23%	0%	
Total liabilities	**9,805**		**9,805**
As a percentage of the Group	15%	0%	

In 2009, the new MAGNAT Asset Management GmbH placed the co-proprietor's building scheme 'Schumanngasse 16' in Vienna with a total area of 1,800 m². This project generated a return on investment of EUR 1.6 million. The property is located on the corner of Schumanngasse 16 and Martin Strasse in the 18th District of Vienna. The existing building is to be demolished and replaced by a new building. After the approval of all promotional measures, extensive renovation and development work should begin at the end of 2010. On completion, 20 well-appointed apartments of between 50 and 100 m² and 25 underground parking spaces are planned on an evaluated total usable area of approximately 1,600 m².

In terms of Fiscal Year 2010, the 'Kastnergasse 16-18' co-proprietor's building scheme in Vienna has already been put on the market. The property is located on the corner of Kastnergasse 16-18 and Blumengasse in the 17th District of Vienna. The property is situated in a target area of wohnfonds_wien (fund for housing construction and urban renewal), meaning yield-enhancing promotional measures can be applied for, such as low-interest state loans or grants for the creation of parking. After the approval of all promotional measures, extensive renovation and development work should begin at the end of 2012. The existing building is to be demolished and replaced by a new building. The courtyard is to be as 'green' as possible. On completion, 50-60 well-appointed apartments of between 40 and 100 m² and 60 underground parking spaces are planned on an evaluated total usable area of approximately 4,000 m².

Moreover, as the situation arises MAGNAT Asset Management reviews the purchase of smaller rental properties which stem from distressed situations and are put on the market at short notice with the objective of reselling them quickly. One such transaction was the 'Widerhofergasse' project, which was implemented successfully at the end of 2009.

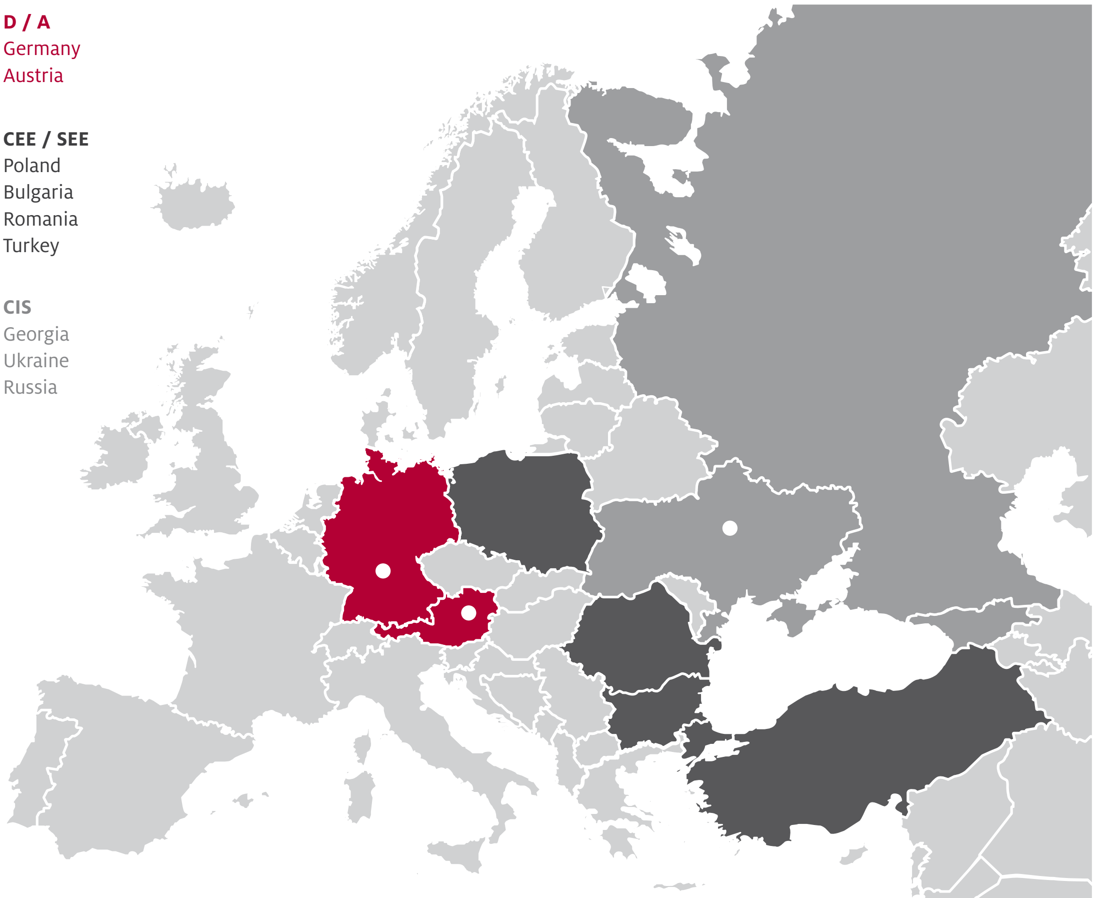
2.5 Business operations in the regions

Since its foundation, the company has invested in real estate development projects in Poland, Ukraine, Germany, Bulgaria, Romania, Austria, Georgia, Turkey and Russia. In that respect, it always focuses on conurbations in selected growth markets.

D / A
Germany
Austria

CEE / SEE
Poland
Bulgaria
Romania
Turkey

CIS
Georgia
Ukraine
Russia



MAGNAT locations Frankfurt Vienna Kiev

	Germany/Austria			CEE/SEE [1]			CIS [1]		
In EUR '000	2009/ 2010	2008/ 2009	Delta	2009/ 2010	2008/ 2009	Delta	2009/ 2010	2008/ 2009	Delta
Segment earnings	10,101	7,004	3,097	1,512	3,421	-1,910	188	13,355	-13,167
Total assets	108,735	70,146	38,590	39,081	42,592	-3,512	28,886	37,648	-8,762
As a percentage of the Group	62%	47%		22%	28%		16%	25%	
Total liabilities	63,091	55,335	7,756	1,870	198	1,672	175	217	-42
As a percentage of the Group	97%	99%		3%	0%		0%	0%	

[1] CEE = Central & Eastern Europe; SEE = South-Eastern Europe; CIS = Commonwealth of Independent States

When comparing the regions, it is clearly apparent that the leverage in CEE/SEE/CIS is lower than in Germany. This is reflected in the high capital adequacy necessary for the projects as well as the difficulties relating to obtaining borrowed capital due to the current market situation in this region.

2.6 Research and development

The company does not conduct its own research and development.

3. NET ASSET VALUE (NAV)

On the balance sheet date, 31/03/2010, net asset value according to EPRA's recommendations dropped to EUR 7.63 per share due to negative changes in non-cash items.

Net asset value by business segment (in EUR '000)

	Consolidated Balance Sheet at 31/03/2010	Group	Investment	Asset Management	Central Functions
Segment assets	164,721	164,721	110,697	40,027	13,998
Loans to companies valued at equity	6,545	6,545	6,545	0	0
Financial receivables and other financial assets	4,902	4,902	37	487	4,378
Deferred tax assets	203	0	0	0	0
Derivative financial instruments	0	0	0	0	0
Tax assets	332	332	146	187	0
Non-recognised items		5,000	5,000		
Total assets	**176,702**	**181,499**	**122,424**	**40,700**	**18,375**
Minority interests	Equity	10,765	10,765	0	0
Segment liabilities	4,425	4,425	721	1,006	2,699
Long-term financial debts	47,494	47,494	35,895	3,871	7,727
Short-term financial debts	11,990	11,990	1,855	4,482	5,653
Deferred tax liabilities	380	0	0	0	0
Derivative financial instruments	0	0	0	0	0
Tax liabilities	846	846	126	435	286
Total borrowed capital	**65,135**	**75,521**	**49,362**	**9,794**	**16,365**
Net Asset value		**105,978**	**73,062**	**30,907**	**2,010**
Effects from the exercise of options. convertible bonds. etc,		-	-	-	-
Adjusted net asset value		**105,978**	**73,062**	**30,907**	**2,010**
Number of shares		**13,894,651**			
Net asset value/share		**7.63**	**5.26**	**2.22**	**0.14**

Deferred tax assets of EUR 0.2 million are deducted from recognised assets in determining NAV-relevant assets in line with EPRA's recommendations. At the same time, borrowed capital is adjusted by these items (total of EUR 0.4 million). The expectations of Management in relation to future exploitation of purely the German portfolio are added to non-recognised assets. This is based on extrapolation of the current levels of rent to the targeted level and the assumption of – due to an improved market situation – normalised returns on purchases of between 8.0 and 10.0 per cent.

The carrying amounts for the participating interests were supported by the opinion of independent experts and verified during the audit. It is noted that with the exception of the YKB and SQUADRA investments, all other investments have been recognised at amortised cost. Property values were subjected to significant pressure because of the financial and economic crisis, especially in the CEE/SEE/CIS region. MAGNAT was unable to escape this development. The unrealised negative changes in fair value included in the Group result of EUR 11.8 million in total or EUR 0.85 per share were also reflected in the NAV.

4. DISCLOSURES UNDER SECTION 289 PARAGRAPH 4 HGB AND/OR SECTION 315 PARAGRAPH 4 HGB AND EXPLANATORY REPORT

1. Structure of the subscribed capital

The 10:1 ordinary capital reduction, which came into effect on 20 April 2009, was implemented on 29/30 April 2009. Following approval by the Supervisory Board on 8 September 2009, the General Partner decided to increase the share capital of EUR 5,290,000.00 by EUR 8,604,651.00 to EUR 13,894,651.00 by making partial use of the authority granted during the Annual Shareholders' Meeting on 30 August 2007 (Authorised Capital 2007/II). Full implementation of the capital increase was filed in the commercial register on 23 November 2009. MAGNAT's share capital therefore currently stands at EUR 13,894,651.00. This amount is divided into 13,894,651 no-par bearer shares with a notional value of EUR 1 per share. All shares have been fully paid in. As per the company's Articles of Association, each share guarantees the right to one vote at the Annual Shareholders' Meeting.

2. Limitations on voting rights or the transfer of shares

The special obligations set forth in the Articles of R-QUADRAT Immobilien Beratungs GmbH (which was merged into MAGNAT Asset Management GmbH in 2009), which previously owned all the registered shares, were repealed at the Annual Shareholders' Meeting of 29 October 2009 and the 5,000 registered shares converted into no-par bearer shares with a notional value of EUR 1 per share. With that, all previous limitations on the voting rights or transfer of registered shares cease to apply.

3. Direct or indirect interests in capital which exceed 10 per cent of the voting rights

The voting rights of the following shareholders exceed 10 per cent:

Shareholder	Stake in %
Tisca Stiftung	17.15
FDM Privatstiftung	13.99
Altira AG	13.94

4. Bearers of shares with special control rights

No such shares have been issued.

5. System of control of any employee share scheme where the control rights are not exercised directly by the employees

No such scheme exists.

6. Provisions of law and the Articles of Association for the appointment and removal of the General Partner and changes to the Articles of Association

6.1. Appointment and removal of the General Partner

The General Partner, which manages the business of the company and represents it outwardly, may neither be appointed nor removed by the executive bodies of the company because it is a partner in the company. However, partners may join or resign from the company.

6.1.1. ENTRY OF NEW GENERAL PARTNERS

The Articles of Association do not contain provisions which govern the acceptance of additional general partners. Hence, acceptance of new general partners is subject to amendments to the Articles of Association.

6.1.2. RESIGNATION OF THE GENERAL PARTNER

The General Partner may only be required to resign for good cause or as provided for by the Articles of Association.

The Articles of Association stipulate that the General Partner shall resign from the company in the following cases:

- On the basis of a separate written agreement between the General Partner and the company represented by its Supervisory Board
- If the General Partner is dissolved
- In the event of insolvency proceedings over the assets of the General Partner, if the General Partner has failed to effect a cancellation of such proceedings within three months, by final dismissal of the application for commencement of insolvency proceedings for lack of funds or if the General Partner has issued an affidavit under sec. 807 German Code of Civil Procedure (Zivilprozessordnung/ZPO) and/or sec. 284 German Tax Code (Abgabenordnung/AO) or detention is ordered to submit an affidavit
- If, based on a not merely provisionally enforceable title, a private creditor of the General Partner levies execution against the partnership share and/or the

resulting rights and the General Partner has failed to effect a cancellation of the execution within three months

- On the grounds of termination for good cause by the General Partner or the company represented by its Supervisory Board. To be valid, termination for good cause by the company requires approval at the Annual Shareholders' Meeting; the corresponding resolution must have a majority of 75 per cent of the share capital. Section 285 paragraph 1 German Stock Corporation Act (Aktiengesetz/AktG) shall apply by analogy insofar as the General Partner is terminated for good cause

6.2. Appointment and removal of the managing partner of the General Partner

Managing partners of the General Partner are appointed and removed during the general meeting of the General Partner. Since the company owns all shares in the General Partner, under the Articles of Association the General Partner is excluded from management and representation if this concerns the exercise of partner rights in the General Partner. It is incumbent on the company's Supervisory Board to represent and exercise partner rights at the general meeting of the General Partner. The Supervisory Board shall be represented by its Chairman at the general meeting; however, the Supervisory Board shall pass a resolution on representation. Since it is incumbent on the Supervisory Board to represent the General Partner in exercising partner rights, it exercises significant influence over the appointment and removal of directors of the General Partner.

Such appointments may be repealed at any time during the general meeting of the General Partner.

6.3. Amendments to the Articles of Association

Any amendment to the Articles of Association requires a resolution at the Annual Shareholders' Meeting with a majority of at least three fourths of the share capital represented when the resolution is decided on. In addition, amendments to the Articles of Association require the approval of the General Partner.

7. Authority of the General Partner to issue or repurchase shares

7.1. Authorised capital

The General Partner is, with the approval of the Supervisory Board, authorised to increase the company's share capital until 30 June 2012 through the issuance of up to 17,845,349 new bearer shares in the form of no-par shares with a notional value of EUR 1.00 per share against cash or contributions in kind in partial amounts and on one or more occasion(s) to up to EUR 17,845,349.00 (Authorised Capital 2007). As a basic principle, limited shareholders shall have pre-emptive rights. However, the General Partner is, with the approval of the Supervisory Board, authorised to exclude pre-emptive rights of the limited shareholders in the following cases:

- For residual amounts

- If the capital increase is against cash contribution and the total pro rata amount of share capital attributable to the new shares, for which pre-emptive rights are excluded, does not exceed 10 per cent of share capital at the time the new shares are issued and the exchange price of shares of the same type and class already listed does not significantly exceed the issue price of the new shares at the time of final determination of the issue price by the General Partner within the meaning of sec. 203 paras. 1 and 2 and sec. 186 para. 3 (4) AktG

- In the event of capital increases against contribution in kind to grant shares for the purpose of acquiring companies, parts of companies or interests in companies

7.2. Conditional capital
The General Partner is, with the approval of the Supervisory Board, also authorised to issue convertible bonds in bearer and/or registered form and/or bonds with warrants attached in registered form ('debt securities') for a total par value of up to EUR 100,000,000.00 on one or more occasion(s) and with or without limited duration, and to grant the holders and/or creditors of debt securities warrant or conversion rights for new bearer shares of the company with a prorated amount of share capital of up to EUR 26,450,000.00 until 30 June 2012 in accordance with the terms relating to warrants and/or convertible bonds described in more detail in the resolution of the Annual Shareholders' Meeting of 30 August 2007.

In this context, the company's share capital will be conditionally increased by up to EUR 26,450,000.00, divided in up to 26,450,000.00 new bearer shares. The conditional capital increase facilitates the granting of subscription or conversion rights to the holders of warrant and/or convertible bonds issued according to the authorisation of the company's Annual Shareholders' Meeting of 30 August 2007. The issue of new shares follows a resolution at the Annual Shareholders' Meeting of 30 August 2007 on Item 7 Price to be determined for each warrant or conversion.

The conditional capital increase will only be implemented if the holders or creditors of warrant or conversion rights make use of such rights or the holders under an obligation to convert fulfil such duty and no cash settlement is allowed or no treasury shares or shares created out of authorised capital are employed. The shares – if they result from an exercise by the beginning of the Annual Shareholders' Meeting of the company – shall carry dividend rights starting from the preceding fiscal year, otherwise from the beginning of the fiscal year in which they come into being through the exercise of pre-emptive rights. The General Partner is authorised to define further details regarding the execution of a conditional capital increase.

No use was made of these powers in fiscal year 2009/2010.

7.3. Authority to repurchase shares
Based on a resolution passed during the Annual Shareholders' Meeting of 29 October 2009, the company is, until 28 October 2014, authorised to acquire up to a total of 10 per cent of the existing share capital at the time of the resolution. At the same time, shares acquired on the basis of this authorisation together with other treasury shares already acquired or owned by the company may not represent more than 10 per cent of the existing share capital of the company.

This authorisation may be exercised in whole or in part on one or more occasion(s).

The acquisition shall be conducted on the stock exchange, within a public buyback offer, or a public invitation to the limited shareholders to submit sales offers according to the following rules:

- If the shares are acquired on the stock exchange, the amount per share (in each case without taking transaction costs into account) paid by the company may not be more than or less than 10 per cent of the average closing price of the shares of the company in the XETRA trading system of the Frankfurt am Main Securities Exchange (or a comparable successor system) on the last three trading days prior to the acquisition. If the company is listed on several stock exchanges centres, each closing price of the company for the last three days on the Frankfurt am Main Securities Exchange shall apply.

- If the acquisition is made by way of a public offer to buy to all limited shareholders of the company or public invitation to submit sales offers addressed to the limited shareholders, the offered purchase or sale price or the benchmarks of the offered purchase or sale price range per share (without taking transaction costs into account) may not be 10 per cent more than or less than the average closing price of the shares of the company in the XETRA trading system of the Frankfurt am Main Securities Exchange (or a comparable successor system) on the last five trading days before the date of publication of the offer or the invitation to submit offers. If the company is listed on several stock exchanges centres, each closing price of the company for the last five days on the Frankfurt am Main Securities Exchange shall apply.

  If, after publication of an offer to buy or an invitation to submit offers, there are substantial price deviations from the offered purchase or sale price or the benchmarks of the offered purchase or sale price range, the offer or invitation to submit offers for sale may be revised. In this case, the relevant amount is determined according to the corresponding price before publication of the revision. The 10 per cent limit for above or below shall apply to this amount.

  The volume of the offer may be limited. If the offer is oversubscribed, acceptance shall be based on quotas. Preferred acceptance of smaller numbers of shares than up to 100 shares tendered per shareholder may be provided for.

The General Partner is, in addition to sale on the stock market, authorised to use shares of the company purchased on the basis of this authorisation as follows:

- The General Partner may, with the consent of the Supervisory Board, withdraw the shares with a simultaneous reduction of share capital without there being the requirement for a further resolution during the Annual Shareholders' Meeting in favour of the withdrawal or execution thereof and adjust the number of shares in the Articles of Association accordingly. By way of derogation, the General Partner may rule that the share capital should not be reduced, but that the portion of remaining shares of share capital will increase pursuant to section 8 paragraph 3 AktG. In this case, the General Partner is authorised to adjust the number of shares in the Articles of Association.

- The General Partner may, within the framework of a merger, the acquisition of companies or participating interests or divisions, offer and transfer shares to a third party as a consideration; to that extent, the limited shareholders' pre-emptive rights on shares of the company are excluded.

- The General Partner may offer and transfer the shares to employees of the company or employees of affiliated companies within the meaning of section 15 et seq AktG; to that extent, the limited shareholders' pre-emptive rights on shares of the company are excluded.

- The General Partner may use the shares to service option and conversion rights issued to it or an affiliated, dependent company; to that extent, the limited shareholders' pre-emptive rights on shares of the company are excluded.

- The General Partner may, with the approval of the Supervisory Board, sell the shares via a means other than the stock exchange, the open market or through an offer to all the limited shareholders, provided that these shares are sold at a price or transferred for a consideration, which is not substantially lower than the market price of the shares of the company. This authorisation is subject to the proviso that the number of shares to be sold together with new shares, which have been issued since the granting of this authorisation under exclusion of pre-emptive rights pursuant to section 186 paragraph 3 (4) AktG, do not exceed a total of 10 per cent of the existing share capital at the time of the resolution during the Annual Shareholders' Meeting on this authorisation or the time at which this authorisation is exercised, if the latter is less. To that extent, the limited shareholders' pre-emptive rights on shares of the company are excluded.

- The authorisations concerning exploitation of the shares acquired from the company may be exercised on one or several occasion(s), in whole or in instalments and in pursuit of one or more purposes.

No use was made of these authorisations in the past fiscal year.

8. Significant agreements which take effect, alter or terminate upon a change of control following a takeover bid

Such agreements have not been concluded by the company.

9. Agreements for compensation in case of a takeover bid between the company and the General Partner or employees

Such agreements have not been concluded by the company.

5. CORPORATE GOVERNANCE

5.1 Corporate governance statement pursuant to sec. 289a HGB

MAGNAT Real Estate Opportunities GmbH & Co. KGaA issues a corporate governance statement pursuant to sec. 289a HGB. This may either be included with the Management Report in the Annual Financial Statements or made publicly available on the website.

MAGNAT Real Estate Opportunities GmbH & Co. KGaA makes use of the first option and states that:

As a listed German association limited by shares ('KGaA'), corporate governance at MAGNAT Real Estate Opportunities GmbH & Co. KGaA ('MAGNAT') is defined primarily by the German Stock Corporation Act, other statutory provisions of commercial and corporate legislation and the provisions of the German Corporate Governance Code ('GCGC') in their latest versions.

German stock corporation law stipulates the so-called 'dual board system', i.e. strict separation between the Board of Management as the governing body of the company and the Supervisory Board as an oversight body. However, the Board of Management and the Supervisory Board work closely together for the benefit of the company. MAGNAT is a KGaA, which differs to a joint stock corporation in certain areas:

The organisational structure of a KGaA combines elements of a partnership with elements of a corporation. This means that very little influence is exerted on the Executive Management at the Annual Shareholders' Meeting.

While in the case of a joint stock corporation the Supervisory Board appoints and removes members of the Board of Management, this is not the case with an association limited by shares. The management of an association limited by shares is performed by the General Partner, which in the case of MAGNAT is MAGNAT Management GmbH. As a basic principle, members of the Executive Management of the General Partner are not appointed by the Supervisory Board. Instead, appointment of the Executive Management of the General Partner follows the respective laws applicable to the legal form of the General Partner. Since MAGNAT Management GmbH is a Gesellschaft mit beschränkter Haftung (limited liability company), the Executive Management is appointed or removed within the framework of its general meeting. Therefore, appointment of the Executive Management of an association limited by shares is ultimately controlled by the partners of the General Partner. Since all the shares in MAGNAT Management GmbH were transferred to MAGNAT in the course of restructuring, a resolution was passed during the Annual Shareholders' Meeting on 29 October 2009, inter alia, to amend the Articles of Association under which the rights of the partners of MAGNAT in MAGNAT Management GmbH will be exercised by the Supervisory Board. Appointment and removal of the managing partner of the General Partner is thus incumbent on the Supervisory Board of MAGNAT. This amendment to the Articles was filed in the commercial register of MAGNAT on 9 December 2009.

The Executive Management of the General Partner manages the company under its own responsibility and is committed to creating lasting value. The principle of overall responsibility applies, i.e. the individual members of the Executive Management of the General Partner share responsibility for the management and strategy. The strategy is determined in consultation with the Supervisory Board. Exceptional transactions as described in the Articles of Association of MAGNAT require the approval of the Supervisory Board. Members of the Executive Management are Mr. Jan Oliver Rüster (Chairman) and Jürgen Georg Faè.

The **Executive Management of the General Partner** is required to notify the Supervisory Board regularly, without delay and comprehensively about all material developments of business, major transactions, the current earnings and liquidity position, the risk situation and risk management. This information is provided periodically during the meetings of the Supervisory Board, which are held at least twice in the first half and twice in the second half of each calendar year. In addition, the Chairman of the Supervisory Board is made aware of the development of business on an ongoing basis. Professor Werner Schaffer is the Chairman of the Supervisory Board. An account of the business development, cooperation with and decisions taken by the Supervisory Board is published in the Report of the Supervisory Board and the company's Management Report contained in the Annual Financial Statements.

The **Supervisory Board** oversees the Executive Management of the General Partner and advises it on managing the company. Compensation of the General Partner is provided for in the Articles of Association. The following applies as regards the appointment and compensation of members of the Executive Management of the General Partner: unlike a joint stock corporation, the Executive Management of the General Partner is not always appointed or removed by the Supervisory Board as a basic principle. Similarly, the Supervisory Board does not decide on the compensation system for members of the Executive Management of the General Partner or set the overall compensation package. This is carried out in accordance with the legislation applicable to the legal form of the General Partner, in this case GmbH (LLC) law. From the date at which the resolution of the Annual Shareholders' Meeting of 29 October 2009 concerning the exercise of partner rights of MAGNAT in MAGNAT Management GmbH was filed in the commercial register of the company on 9 December 2009, in the case of MAGNAT it is incumbent on the Supervisory Board to decide on appointment and removal of the Executive Management of the General Partner and on compensation thereof in a general meeting of MAGNAT Management GmbH. To that extent, MAGNAT's independence in respect of the appointment and removal of directors is similar to a joint stock corporation.

The Supervisory Board is made up of six members in accordance with the Articles of Association. The Supervisory Board is regularly informed of any risks, at least once a year in written form. The Executive Management of the General

Partner uses the existing risk management system of the whole of the MAGNAT Group as one of its bases for reporting. Further particulars on the work of the Supervisory Board can be found in the Report of the Supervisory Board, which is part of this Annual Report. Committees have not been formed by the Supervisory Board.

MAGNAT believes that the basis of long-term, economic success is responsible and transparent corporate governance, which it models on the current version of the German Corporate Governance Code, which was implemented in 2002. The Executive Management of the General Partner and the Supervisory Board are committed to this Code and each issue a declaration of conformity in accordance with sec. 161 AktG, which is updated in June of each year.

5.2 Declaration of conformity with the recommendations of the German Corporate Governance Code pursuant to sec. 161 AktG

The Executive Management of the General Partner (MAGNAT Management GmbH) and the Supervisory Board of MAGNAT Real Estate Opportunities GmbH & Co. KGaA (hereinafter also referred to as 'company') hereby declare that the recommendations of the German Corporate Governance Code Commission as amended on 18 June 2009, published by Germany's Federal Ministry of Justice in the official section of the electronic edition of the German Federal Gazette, have been complied with in fiscal year 2009/2010 and will be complied with in the future with the following exceptions, which are partly due to the legal specificities of a KGaA and their formulation in the Articles of Association and specify below which recommendations have not been or will not be adopted.

Section 1
The preamble is complied with analogously.

Section 2
The recommendations are complied with analogously.

Section 3
The majority of the recommendations are complied with analogously. A deductible for D&O insurance in accordance with section 3.8 has been agreed for the Board of Management since 1 April 2010; however, this is not scheduled for the Supervisory Board.

Section 4
As a result of its legal form as an association limited by shares, the management of which is carried out by a General Partner, it is not possible to comply with the recommendations of section 4 to the letter. However, the recommendations of section 4 are complied with analogously, with the exception of section 4.2.1 (there are no Rules of Procedure for Management), section 4.2.3 (compensation of Management provides only for a fixed component – compensation of the managing general partner is provided for in section 8 paragraph 2 of the Articles of Association), section 4.3.1 (the managing general partner, its managing partner and partners are exempted from the ban on competition set forth in section 284 AktG pursuant to section 8 paragraph 3 of the Articles of Association) and section 4.3.5 (the consent of the Supervisory Board is not required in order for the managing general partner to undertake secondary appointments). Further details about compensation can be found in the Compensation Report included with the Management Report.

[1] On 29 October 2009, a resolution was passed during the Annual Shareholders' Meeting to convert MAGNAT Real Estate Opportunities GmbH & Co. KGaA into a joint stock corporation. The company will issue a new Declaration of Conformity on completion of the change in legal form.

[2] s. FN 1

Section 5
As with section 4, the recommendations of section 5 can only be complied with analogously with the exception of section 5.1.3 (the Supervisory Board has no Rules of Procedure), section 5.3 (the Supervisory Board of the company consists of 6 members, if a smaller committee was formed from his body, there is a risk that the expertise of all members of the Supervisory Board would not be available for particularly important or complex issues; therefore, referral to the Supervisory Board appears to be preferable) and section 5.4.6 (members of the Supervisory Board do not receive performance-based compensation).

Section 6
The recommendations of section 6 are complied with analogously.

Section 7
The recommendations of section 7 are complied with analogously with the exception of section 7.1.2 (until further notice, the company will observe the statutory publication deadlines; however, due to continuous improvement of the procedures and reporting, it will endeavour to observe the shorter periods set forth in the German Corporate Governance Code in the future).

The aforementioned declarations are made available to the shareholders through being included in the 2009/2010 Annual Report and direct republication on the website: www.magnat-reop.com.

Frankfurt am Main, 12 July 2010

Executive Management and Supervisory Board
MAGNAT Real Estate Opportunities GmbH & Co. KGaA

6. NET ASSETS, FINANCIAL POSITION AND OPERATING RESULT

6.1 Development of revenue and earnings

In EUR '000	2009/2010	2008/2009
Gains/losses relating to the letting of real estate inventory	2,413	1,547
Gains/losses relating to the sale of real estate companies	0	4,740
Gains/losses relating to asset management	204	0
Gains/losses relating to companies valued at equity	-5,768	2,738
Other operating income	2,805	438
General and administrative expenses	-4,633	-3,710
Other operating expenses	-4,997	-3,033
Income before interest and taxes	**-9,976**	**2,720**
Financial result	-3,566	-9,172
Income before taxes	**-13,542**	**-6,452**
Total income	**-13,986**	-6,501
Of which attributable to:		
Shareholders of the parent company	**-11,216**	**-6,200**
Basic earnings per share	-1.35	-1.17
Diluted earnings per shares	-1.35	-1.17

In Fiscal Year 2009/2010, the MAGNAT Group's result before interest and taxes (EBIT) was EUR -9.97 million. This compares to EUR 2.72 million last year.

Major determinants in this fiscal year were:

- Unrealised fair value losses due to difficult real estate markets
- Active asset management increased earnings from the letting of real estate inventory
- Successful implementation of exploitation measures in YKB portfolio safeguarded liquidity
- Integration of the asset manager contributes to earnings

The letting of real estate inventory from the German portfolio resulted in a return on investment of EUR 2.4 million. Where rental income of EUR 6.6 million was able to develop steadily year on year, operating expenses to generate rental income were reduced as compared with last year by EUR 0.8 million to EUR 4.2 million.

Integration of the asset manager into the MAGNAT Group has already led to a result from Asset Management of EUR 0.2 million in the past year (date of first-time consolidation is 31/08/2009).

Gains/losses relating to companies valued at equity amounted to EUR -5.8 million in Fiscal Year 2009/2010 (previous year: EUR 2.7 million). The progress of the YKB portfolio had a significant impact on earnings of EUR 1.5 million (previous year: EUR 3.4 million). Another key factor with a negative earnings effect of EUR -6.2 million stems primarily from unrealised changes in fair value from the Peremogi project.

The positive trend in other operating income in 2009/2010 of EUR 2.8 million (previous year: EUR 0.4 million) results largely from the integration of asset management.

General and administrative expenses stood at EUR 4.6 million for the fiscal year (previous year: EUR 3.7 million). Significant items were the newly added costs of the Asset Management segment at EUR 1.8 million, legal and consulting fees of EUR 1.3 million (previous year: EUR 1.8 million), compensation of the General Partner pursuant to the Articles in the amount of EUR 0.2 million (previous year: EUR 0.6 million), management costs, which resulted from the indirect integration of the General Partner amounting to EUR 0.6 million (previous year: EUR 0.0) and the management fee pursuant to the Articles for the asset manager prior to first-time consolidation of EUR 0.5 million (previous year: EUR 0.9 million).

Other operating expenses of EUR 5 million (previous year: EUR 3.0 million) are mainly the result of unrealised changes in fair value amounting to EUR 3.2 million (previous year: EUR 0.8 million) and non-deductible input tax of EUR 0.6 million (previous year: EUR 0.7 million).

The financial result for the period under review was EUR -3.6 million (previous year: EUR -9.2 million). Financial income consists mainly of interest earned from the funding of project companies, the financial expenses include the interest expenses paid to credit institutions and shareholders owing to the Group's extensive investment activities.

The result of the MAGNAT Group net of taxes in Fiscal Year 2009/2010 amounts to EUR -14.0 million (previous year: EUR -6.5 million), where EUR -11.2 million (previous year: EUR -6.2 million) was attributable to the shareholders of the parent company and EUR -2.8 million (previous year: EUR 0.3 million) to minority interests. The result of Fiscal Year 2009/2010 was significantly influenced by negative unrealised fair value changes totalling EUR 11.8 million.

That equates to earnings per share of EUR -1.35 (previous year: EUR -1.17).

6.2 Assets, liabilities and shareholders' equity

In EUR '000	2009/2010	2008/2009
Total non-current assets	84,759	66,241
Total current assets	91,943	84,145
Total assets	**176,702**	**150,386**
Equity attributable to shareholders of the parent company	**100,802**	**80,110**
Minority interests	**10,765**	**14,526**
Total equity	**111,567**	**94,636**
Group equity ratio	63.1%	62.9%
Total non-current liabilities	47,873	46,003
Total current liabilities	17,262	9,747
Total liabilities	**65,135**	**55,750**
Total liabilities and equity	**176,702**	**150,386**

The company's non-current assets increased during the period under review to EUR 84.8 million (previous year: EUR 66.2 million). The intangible assets included in non-current assets amounting to EUR 28.7 million (previous year: EUR 0.4 million) relate mainly to first-time inclusion of MAGNAT AM AG and Altira ImmoFinanz GmbH plus subsidiaries (integration of the asset manager) in the MAGNAT Group.

The carrying amount of shares in companies valued using the equity method reduced during the period under review to EUR 49.0 million (previous year: EUR 51.7 million), mainly resulting from the depreciation of the participation in Peremogi.

Loans to companies valued using the equity method amounted to EUR 6.5 million (previous year: EUR 13.8 million). This movement mainly concerns repayment of a loan granted in 2008/2009 from the YKB portfolio amounting to EUR 7.0 million plus the agreed interest rate.

The company's current assets increased during the period under review to EUR 91.9 million (previous year: EUR 84.1 million). The real estate inventory amounting to EUR 63.7 million (previous year: EUR 60.1 million) includes undeveloped and developed land held for resale and increased in 2009/2010 due to the integration of the asset manager. During the period under review impairment of EUR 1.4 million was carried out. Reversal of an impairment loss did not take place during the period under review. Real estate inventory is recognised at either cost or fair value, whichever is lower.

Trade receivables of EUR 14.2 million (previous year: EUR 10.5 million) mainly include the discussed mortgage-backed debts due from the sale of projects Alexander and Koncha Zaspa and trade receivables amounting to EUR 2.6 million, primarily resulting from the Asset Management segment. At 31/03/2010 the company disposed of cash and cash equivalents of EUR 8.8 million (previous year: EUR 7.6 million).

MAGNAT's Group equity at 31/03/2010, incl. EUR 10.8 million in minority interests, is EUR 111.6 million (previous year: EUR 94.6 million). The equity ratio remains solid at 63.1 per cent (previous year: 62.9 per cent).

The company's long-term financial debts have increased during the period under review to EUR 47.5 million (previous year: EUR 45.8 million). This stems from financing co-proprietor's building schemes over subsidiaries of the asset manager. Short-term financial debts have increased due to integration of the asset manager and associated project financing for co-proprietor's building schemes, liabilities owed to the former shareholders of the asset manager and refinancing to EUR 12.0 million (previous year: EUR 3.9 million).

The balance sheet total at 31 March 2010 increased to EUR 176.7 million (previous year: EUR 150.4 million).

Cash flow from operating activities during the past fiscal year amounted to EUR -5.5 million (previous year: EUR -1.2 million). This primarily includes the Group result before taxes amounting to EUR -13.5 million (previous year: EUR -6.5 million), movements in real estate inventory of EUR -2.1 million, an outflow of funds due to the increase in trade receivables amounting to EUR -1.2 million, trade payables amounting to EUR -1.5 million and other non-cash items amounting to EUR 11.7 million (previous year: EUR 7.0 million). The last item consists mainly of depreciation and at equity results.

Cash flow from investing activities of EUR 5.9 million (previous year: EUR -14.0 million) shows loans granted to subsidiaries of EUR -1.4 million (previous year: EUR -9.1 million) and loan repayments of EUR 7.4 million (previous year: EUR 0 million).

Outflow of funds from financing activities of EUR 0.8 million (previous year: EUR 18.1 million) is based on the deposit and withdrawal of financial debts.

Cash and cash equivalents increased accordingly by EUR 1.2 million to EUR 8.8 million (previous year: EUR 7.6 million).

In EUR '000	2009/2010	2008/2009
Group result before taxes	(13,542)	(6,452)
Cash flow from operating activities	**(5,476)**	**(1,235)**
Cash flow from investing activities	5,866	(13,998)
Cash flow from financing activity	816	18,082
Movement in cash and cash equivalents affecting liquidity	**1,206**	**2,849**
Cash and cash equivalents at the end of the period	**8,822**	**7,625**

7. SUBSEQUENT EVENTS

The building permits were renewed by five years for the Peremogi project in the past fiscal year. The improvements have made it possible to implement a completely revised project with regard to area and quality within the extended building permit and the planned usable floor space has been extended by about one-third. Similarly, the quality standards were again optimised significantly. The mechanisms written into the contract on the forward sale did not permit implementation of this fundamentally changed concept without major conflicts between the parties. Due to the substantially changed overall conditions, development and marketing of the project was re-negotiated and implemented contractually with the co-investor in July 2010. Simultaneously, refinancing of the mezzanine loans was implemented.

In May 2010, MAGNAT Asset Management GmbH, Vienna, acquired a further property for a co-proprietor's building scheme in Vienna. The 'Rennweg' project is the third such scheme to be implemented. The MAGNAT Group is thus stepping up implementation of the strategy to drive the co-proprietor's building schemes forward via its Austrian subsidiary MAGNAT Asset Management GmbH.

In the course of June 2010, MAGNAT succeeded in extending the term of the loan from R-QUADRAT Capital Gamma GmbH, Vienna. The loan now matures on 30 April 2011.

A resolution to convert the company to a joint stock corporation was passed at the Annual Shareholders' Meeting of 29 October 2009. The company is currently being prepared for implementation of this resolution.

8. RISK REPORT

8.1 General assessment

In the past fiscal year, the Management and Supervisory Board of MAGNAT have closely scrutinised the financing risks and measures to be taken. The economic crisis has led to restrictive lending policies and access to capital in connection with financing activities, refinancing and capital measures has been severely hampered. In view of this market situation, real estate utilisation and reflows from the repayment of shareholder loans by subsidiaries, which support internal financing, are factored into the financial planning. The underlying assumptions are based on completed sales and the like, advanced talks regarding exploitation and/or preparatory work relating to the repayment of shareholder loans.

Furthermore, the newly negotiated partial repayment of a mezzanine loan was considered in the liquidity plan. Under the conservative planning parameters applied, the current liquidity planning indicates that MAGNAT will have sufficient funds available to cover any payments for the next 12 months. Accordingly, the highest priority for the company over the next 12 months is maintaining adequate liquidity.

8.2 Risk policy

Business operations of MAGNAT are – compared to traditional real estate investment strategies – geared toward generating above-average returns. This naturally also entails corresponding risks. This above-average risk/reward profile is reflected both in the functional (development and opportunistic exploitation of special business situations) and in the geographical (CEE/SEE/CIS region) focus of the business activities. The central element of the investment policy is risk diversification through a balanced asset mix that follows rules relating to geography, function and yield.

Against this strategic background risk policy cannot be geared towards a complete elimination or far-reaching avoidance of exposure. Risk management focuses on the ongoing identification and active management of risks typical for the business. Within certain boundaries, risk is accepted, being counterbalanced by a corresponding opportunity for returns. The goal is to cap peak risks so as to ensure they do not threaten the continued existence of the company.

8.3 Principles of the risk and opportunity management system

Risk management is intended to mitigate potential threats, safeguard the portfolio and support successful further development. By dealing consciously with risks, advantage can be taken of their associated opportunities with a greater degree of safety.

Due to continually changing circumstances and demands, risk identification is an ongoing responsibility of Management. Central elements of the determination of risks are regularly scheduled meetings, control meetings, project discussions and one on one meetings. The entire risk management process has been documented in a risk management handbook. Risk management is applied throughout the entire MAGNAT Group. A critical review and if necessary revision takes place every year.

8.4 Organisational implementation of the risk management system

Based on the structure given, Management is directly involved in all important decisions. The flat hierarchy facilitates a risk management system with comparatively simple and uncomplicated structures.

The Supervisory Board is regularly informed about the development of business, projects and investments, as well as of the status of the risk management system and its continued development. The control activities of the Supervisory Board are an important element of MAGNAT's risk management system. The Supervisory Board also personally monitors individual projects on the ground.

8.5 Accounting related internal auditing

The Consolidated Financial Statements are prepared by MAGNAT KGaA as parent company. This process is preceded by accounting and the preparation of financial statements of the consolidated companies, usually by specialised external service providers.

The required monthly analyses and prepared financial statements, which are submitted in full and without delay, are monitored internally to ensure the correctness of the accounting and compliance with the relevant statutory provisions. For the purposes of risk management, the plausibility, accuracy and completeness of postings are monitored and checked by employees of the Group.

Key systems for this are:

- Uniform accounting standards by selecting one external provider for the vast majority of the group companies.
- Clear separation of duties and assignment of responsibilities between the internal and external departments involved in the financial reporting process.
- Involvement of external experts as necessary, for example, when evaluating property.

An intra-group auditing section has been set up in the legal department of a group company. Management defines whether and which structures and processes are audited.

8.6 Risks

8.6.1 Market and sector risks

The real estate market is strongly characterised and influenced by cyclical developments, which in turn are influenced by a large variety of factors. Key factors within individual economies and real estate markets and/or submarkets are supply and demand on the part of the user, the availability and cost of capital (especially the prevailing interest rates) and construction costs. Demand by investors for real estate asset class investments and their relative attractiveness compared with other asset classes is important both nationally and globally.

The real estate market has generally deteriorated in terms of demand because capital is either available only at very high costs or not at all. In addition, a situation is emerging whereby competitors in the target regions are offering larger portfolios at low prices because of economic problems. It is presently difficult to assess how long this situation will persist or its impact on MAGNAT.

In the markets of the CEE/SEE/CIS region in which MAGNAT operates the country risk is much higher than in western developed nations. This country risk has varying manifestations, such as political developments, instability in the legal system and legal authority in general as well as prevailing circumstances and business practises specifically in real estate law and land register law. The company is neither able to eliminate nor fully control many of these risks.

These risks are partially compensated for by avoiding above average asset allocation in individual projects or individual countries and co-investing with well-established local project partners. In this context, MAGNAT has set itself the goal of investing a maximum of 25 per cent of its equity in one project and a maximum of 45 per cent of its equity in one country.

The economic situation in the Ukraine, in which about 35 per cent of MAGNAT's equity is invested, remains a concern. While there are signs that the political situation is easing because of the elections, significant surges in growth are still to be seen in 2010. This is compounded by the complex legal structures in the Ukraine and non-transparent application thereof. Future developments in the Ukraine may influence MAGNAT's course of business.

8.6.2 Financial risks

8.6.2.1 CURRENCY RISKS

MAGNAT operates predominantly in markets outside the euro area and is therefore exposed to currency risks. Where possible and feasible, projects are processed in the local currency (e.g. financing of construction costs with outside capital in the local currency).

The remaining exchange rate risk, limited in the textbook case to the equity invested and the potential profit, is only partially hedged: in principle, preference is given to hedging individual project-related risks on an aggregate basis, and here, in turn, hedging is considered only when certain ranges of fluctuation are exceeded, only for particular currencies and only for the equity invested (but not for the potential profit). This approach is based on a cost/benefit analysis, but also on the knowledge that currency risk as a whole cannot be entirely isolated, rather that many additional interdependencies outside of pure exchange rate fluctuations play a role. In summary, the management of currency risks is geared toward taking on such risks within a certain range of fluctuation. Hedging is merely sought to cap peak risk at the aggregate level and with certain currencies in order to counteract developments that could threaten the existence of the company. The currency hedging strategy is determined in close coordination with the Supervisory Board.

A special case relating to currency risks has existed in the Ukraine since the end of 2008. Due to economic developments, conversion of the local currency into foreign currency and export of foreign currency was restrictively limited in the Ukraine. In addition, rules on mandatory conversion were adopted. Using classical option instruments to hedge the local currency is, due to a lack of providers, either not possible or only possible at very unfavourable terms and with complex structures. In this context, under inclusion of the Supervisory Board an alternative measure to mitigate the risk of an eventual currency loss has been discussed, whereby subject to restrictive conditions in terms of the quality of the property, tenants and tenancy agreements, any reflows occurring in Ukraine will be reinvested in Ukraine.

8.6.2.2 INTEREST RISKS

The MAGNAT Group uses outside capital to finance real estate projects. In the past fiscal year, refinancing activities took place in the German portfolio. Three loan agreements amounting to approximately EUR 12.4 million were extended. At the same time, the floating interest rate was changed to a fixed interest rate until maturity. A floating interest rate applies to the majority of the remaining loans. This exposes the MAGNAT Group to the risk of changing interest rates, which increase financing costs if they rise. A change in the interest rate of +/- 100 basis points would mean an increase or decrease of the company's interest expense by approximately EUR 0.2 million per year.

The interest policy is evaluated at regular intervals and in close coordination with the Supervisory Board.

8.6.2.3 LIQUIDITY RISKS

The liquidity risk in the company's initial phase was managed predominantly through the maintenance of a liquidity reserve in the form of readily accessible cash in banks as well as, to a limited degree, credit lines which could be drawn on at all times. In the current environment, the liquidity's dependence on receipts from exploitation activities and prolonging loans reaching maturity is much higher. Furthermore, the liquidity is affected by any additional contributions for further project funding, especially in connection with co-investors. The liquidity plan has been refined further to bring it in line with the company's increased dependence on the extent of internal financing due to the impact of the economic crisis.

Under the conservative planning parameters applied, the current liquidity plan indicates MAGNAT will have sufficient funds available to cover any payments for the next 12 months.

8.6.2.4 OPERATIONAL RISKS

Traditional project risks may emerge from projects managed by Asset Management. If loan funding cannot be obtained or obtained as planned at project level, there is a risk that the project timetable will be delayed, that more equity capital will be necessary for a project and/or that the cost of financing with outside capital will be higher than budgeted for. Conclusion of project financing currently under negotiation is delayed because of the situation on the financial markets. The precise impact on the project plans is currently difficult to assess.

8.7 Opportunity report

From an entrepreneurial perspective, the risks discussed can be weighed up against the following opportunities:

8.7.1 German real estate sub-markets exhibit a high degree of stability

Although the transaction volume and property turnover on the majority of German sub-markets remain at a very low level, which has put considerable pressure on rental and purchase prices, in comparison with other European and international markets the impact in Germany is relatively modest and should be seen as an opportunity to enter the residential real estate segment in particular. Accordingly, MAGNAT favours exploring German investment opportunities in this segment.

8.7.2 Institutional investors increase real estate component

Estimates by analysts indicated that many institutional investors will increase their real estate components considerably in the coming quarters in Germany. This will involve both direct and indirect investments and would be a clear signal that transactions could begin to rebound in the coming quarters. Therefore, MAGNAT may be presented with the opportunity to selectively exploit elements of the German portfolio.

8.7.3 Turkish market with potential

The Turkish real estate market benefits from the prevailing migration into cities in Turkey, in particular, near the major metropolitan areas of Istanbul and Izmir. The existing projects in the YKB portfolio are situated at strategically beneficial locations in these regions. MAGNAT is currently evaluating several interesting possibilities for development together with its JV partners.

8.7.4 Asset Management, a new platform for growth

Integration of the previously external asset manager presents new growth opportunities for MAGNAT. Two strategic factors determine the development of this segment. One, the successful Austrian co-proprietor's building schemes in Vienna will be driven forward.

Two, third-party asset management mandates are to be acquired in the medium-term.

8.7.5 Opportunities for strategic growth

Subject to certain conditions, the current capital market environment, which is marked by high price drops in the intrinsic value of numerous real estate companies, presents many interesting opportunities for strategic growth.

9. COMPENSATION REPORT

9.1 Basic structure of the system for compensating Management

Compensation of the management company (General Partner) is provided for by section 8 paragraph 2 of the company's Articles of Association. On 30 August 2007, the Annual Shareholders' Meeting of MAGNAT Real Estate Opportunities GmbH & Co. KGaA passed a resolution on compensation of the General Partner (MAGNAT Management GmbH). At 31 March 2010, MAGNAT Management GmbH was a fully consolidated subsidiary. Compensation for Fiscal Year 2009/2010 amounted to:

- Assumption of responsibility for business management activities: EUR 452,814
- Assumption of personal liability: EUR 5,000

9.2 Compensation of the Supervisory Board

On 29 October 2009, a resolution to compensate each member of the Supervisory Board with EUR 12,500 was passed at the Annual Shareholders' Meeting of MAGNAT Real Estate Opportunities GmbH & Co. KGaA. The Chairman of the Supervisory Board receives three times and the Vice Chairman two times that amount. Beyond that, expenses, including the statutory turnover tax incurred by members on compensation for sitting on the Supervisory Board, are reimbursed by the company.

A consulting relationship existed between MAGNAT Real Estate Opportunities GmbH & Co. KGaA and the company of Supervisory Board member Dr Carsten Strohdeicher during the fiscal year. The consulting agreement provides for consulting in connection with and brokering of financing with outside capital for real estate projects in Germany. The agreed fees are significantly lower than normal market rates. The consulting agreement was approved by resolution of the Supervisory Board. TEUR 65 plus turnover tax was paid during the fiscal year for these consulting services. In addition, consulting services amounting to TEUR 28 plus turnover tax were provided to MAGNAT by the law firm of Supervisory Board member Dr Christoph Jeannée during the fiscal year.

Furthermore, as a result of the capital increase in 2009 and related integration of what is now the MAGNAT Asset Management Group, consulting relationships exist between MAGNAT and the enterprises of Supervisory Board members Friedrich Lind and Dr Marc-Milo Lube; in that context, TEUR 61 and TEUR 56 plus turnover tax has been paid respectively during the fiscal year for services rendered. Other than the compensation for membership on the Supervisory Board, other members of the Supervisory Board did not receive any additional compensation for services rendered.

Compensation paid in Fiscal Year 2009/2010 to the Supervisory Board, including turnover tax but excluding reimbursement of expenses, is shown in the following table.

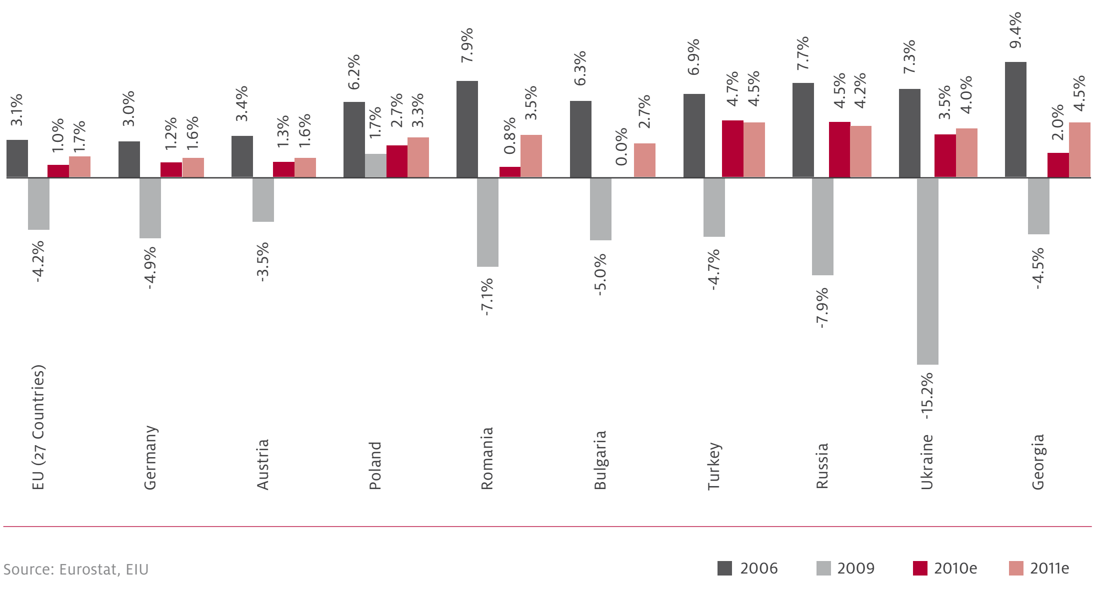
Name	Position	Period	Compensation (excluding reimbursement of expenses)
Professor Werner Schaffer	Chairman	Since 7 July 2006	55,762.19
Dr. Carsten Strohdeicher	Vice Chairman	Since 7 July 2006	7,437.50
Dr. Christoph Jeannée		Since 31 July 2006	26,031.25*
Dr. Marc-Milo Lube		Since 9 December 2009	0.00
Friedrich Lind		Since 9 December 2009	0.00
Andreas Lange		Since 9 December 2009	0.00

* Before withholding tax pursuant to section 50a German Income Tax Law (Einkommensteuergesetz/EStG)

10. FORECAST

The past fiscal year 2009/2010 was marked by a deep economic recession. The extent of the effect of the last three years on national economies is illustrated by the following comparison of growth rates from 2006 to 2011. Forecasts indicate that the crash in 2009 will be followed by two years of growth in 2010 and 2011 in relation to GDP. The comparison also shows the importance of the CEE/SEE/CIS region to Europe. While growth rates of between 1.2 and 1.6 per cent are predicted for Germany in 2010 and 2011, growth rates of up to 4.5 per cent are forecast for the countries in which MAGNAT invests, as in the case of Georgia and Turkey. A detailed analysis also reveals other interesting facts. For example, last year Poland escaped the international trend completely and enjoyed very solid development. In 2010, Romania and Bulgaria will continue to struggle with the consequences of the crisis in spite of closeness to the EU and not return to a growth trajectory until 2011. However, the large uncertainties inherent in such predictions can be seen in the case of the Ukraine. Whereas the economy of the Ukraine contracted by 15.2 per cent in 2009, forecasts indicate growth of 3.5 per cent for as early as 2010. The forecast for Turkey, which presumes growth of around 4.5 per cent in the coming two years, is also very solid.

Real economic growth for 2006-2011



Source: Eurostat, EIU

MAGNAT is the opinion that the growth forecasts of economic research institutes for 2010 and 2011 must be treated with great caution, and this caution must be exercised when applying these to the business planning process. The question remains as to how quickly the lost confidence in this region will be restored and how quickly the sharp fall in foreign direct investments will increase. Indeed, as compared with 2009 the anticipated recovery materialised in early 2010; however, it remains to be seen whether this will represent a sustained economic recovery.

Given the prevailing economic climate, real estate markets and their environment have become extremely difficult to calculate. Furthermore, MAGNAT believes that the CEE/SEE/CIS regions, in particular, will be confronted with problems in the coming 12-24 months. A major problem of all the states in the regions concerned will be increasing pressure on national budgets and therefore also further pressure on the respective currencies. However, in spite of all the uncertainties the pent-up demand for modern residential and commercial real estate of the right quality remains unchallenged in the medium to long-term. All strategic deliberations in the MAGNAT Group are determined by these overall conditions, which are of significance to a developer.

Current economic circumstances are forcing companies of all sizes to undergo an intensive process of adaptation in relation to strategies and business models. Adjustments to MAGNAT's strategy can be summarised as follows:

- The company gives absolute priority to maintaining adequate liquidity
- Stepping up exploitation activities as an important component for safeguarding profitability in Business Segment Investments
- Balancing the distribution of the portfolio in Business Segment Investments between the regions of D/A and CEE/SEE/CIS to mitigate the sharp cyclical fluctuations in the real estate markets
    - Continuing to reduce exposure in CEE/SEE/CIS
    - Evaluating potential future investments in Germany and Austria on the basis of attractive returns on new purchases and lower exposure
- Expansion of the new Asset Management business segment
- Transparency in reporting is an essential component of MAGNAT's strategy

Management anticipates an inflow of funds within Business Segment Investments in the next 12 months of at least EUR 2.0 million due to the encouraging progress of the YKB portfolio. Similarly, in the wake of a recovery of the German real estate market the investment in SQUADRA should also develop positively within the next 12-24 months. Stabilisation of income at the current level from the letting of real estate inventory from the German portfolio is expected in the next 12 months. One important task will be procuring funding for the Peremogi project together with the JV partner.

Two co-proprietor's building schemes are to be implemented each year in the Asset Management segment. The thus resulting inflow of funds will help to improve the balance of MAGNAT's business model. In the next 12-24 months, this is to be used as a growth platform for the development of third-party mandates. Therefore, it is anticipated that the Asset Management business segment will improve earnings in the current fiscal year.

For the business model of MAGNAT, the next 12 months will be marked by the challenge of active and consistent implementation of the liquidity management policy. On the assumption of a general improvement in the present market situation in the individual countries and factoring in the earnings from Asset Management, the Management of MAGNAT anticipates a stabilisation of the business model and corresponding gradual improvement in operating results as compared with the past fiscal year over the next 12-24 months.

This management report contains forward-looking statements and information. Such forward-looking statements are based on our present expectations and certain assumptions. They therefore involve a number of risks and uncertainties. A variety of factors, many of which are outside of MAGNAT's sphere of influence, affect the business activities, success, strategy and profit of MAGNAT. These factors could lead to the actual profit, success and achievements of MAGNAT being substantially different.

Should one or more of these risks or uncertainties materialise or should it transpire that the underlying assumptions were incorrect, actual profit may differ substantially, either positively or negatively, from that set out in the forward-looking statement as being expected, anticipated, intended, planned, believed, estimated or projected. MAGNAT assumes no obligation and does not intend to update these forward-looking statements or correct them in the event of another expected development.

Frankfurt am Main, 12 July 2010

MAGNAT Real Estate Opportunities GmbH & Co. KGaA

J. Fraè

Jan Oliver Rüster

Jürgen Georg Faè

Consolidated Financial Report

CONSOLIDATED FINANCIAL STATEMENTS

At 31 March 2010

CONSOLIDATED STATEMENT OF INCOME

in EUR	Item No.	01/04/2009 – 31/03/2010	01/04/2008 –31/03/2009
Rental income	D.1	6,618,765	6,575,355
Operating expenses to generate rental income	D.2	-4,205,815	-5,028,625
Gains/losses relating to the letting of real estate inventory		**2,412,950**	**1,546,730**
Proceeds from the sale of real estate companies		0	8,570,009
Net assets from sold real estate companies		0	-3,830,186
Gains/losses relating to the sale of real estate companies	**D.3**	**0**	**4,739,823**
Proceeds from asset management		719,291	0
Expenses for asset management		-514,915	0
Gains/losses relating to asset management	**D.4**	**204,376**	**0**
Profits from companies valued at equity		1,657,940	8,197,345
Losses from companies valued at equity		-7,426,234	-5,459,357
Gains/losses relating to companies valued at equity	**D.5**	**-5,768,294**	**2,737,988**
Other operating income	D.6	2,804,602	438,395
General and administrative expenses	D.7	-4,632,597	-3,709,720
Other operating expenses	D.8	-4,997,377	-3,033,192
Income before interest and taxes		**-9,976,340**	**2,720,024**
Financial income	D.9	1,639,193	2,309,768
Financial expenses	D.9	-5,205,327	-11,481,976
Financial result		**-3,566,134**	**-9,172,208**
Income before taxes		**-13,542,474**	**-6,452,184**
Income taxes	D.10	-443,517	-48,572
Total income		**-13,985,991**	**-6,500,756**
Of which attributable to:			
Minority interests	**D.12**	**-2,769,556**	**-300,870**
Parent company shareholders		**-11,216,435**	**-6,199,886**
Basic earnings per share	D.13	-1.35	-1.17
Diluted earnings per share	D.13	-1.35	-1.17

STATEMENT OF COMPREHENSIVE INCOME

in EUR	01/04/2009 – 31/03/2010	01/04/2008 –31/03/2009
Total income	**-13,985,991**	**-6,500,756**
Other gains/losses (recorded in equity) relating to		
Currency difference	2,223,105	-4,077,928
Financial instruments available for sale	347,496	0
Other	-11,875	305,416
Total other gains/losses (recorded in equity) before taxes	**2,558,726**	**-3,772,512**
Net of taxes	-33,377	47,682
Total other gains/losses (recorded in equity) net of taxes	**2,525,349**	**-3,724,831**
Total gains/losses for the period	**-11,460,642**	**-10,225,587**
Of which attributable to:		
Minority interests	**-2,629,106**	**-588,693**
Parent company shareholders	**-8,831,536**	**-9,636,894**

CONSOLIDATED BALANCE SHEET

in EUR	Item No.	31/03/2010	31/03/2009
Assets			
Non-current assets			
Intangible assets	E.1.1	28,720,482	380,566
Property plant and equipment	E.1.2	98,574	38,740
Shares in companies valued at equity	E.1.3	49,029,820	51,747,568
Other financial assets	E.1.4	162,500	112,500
Loans to companies valued at equity	E.1.5	6,544,724	13,772,885
Deferred tax assets	E.4.1	203,373	188,837
Total non-current assets		**84,759,473**	**66,241,096**
Current assets			
Real estate inventory	E.2.1	63,666,166	60,114,554
Trade receivables and other receivables	E.2.2	14,221,260	10,522,865
Financial receivables and other financial assets	E.2.3	4,901,533	4,831,589
Tax refund claims		331,993	586,045
Derivative financial instruments	E.2.4	0	464,971
Cash and cash equivalents	E.2.5	8,821,895	7,624,863
Total current assets		**91,942,847**	**84,144,887**
Total assets		**176,702,320**	**150,385,983**
Equity and liabilities			
Equity			
Share capital		13,894,651	52,950,000
Treasury shares		-27,500	0
Reserves		86,934,402	27,160,289
Equity attributable to shareholders of the parent company		100,801,553	80,110,289
Minority interests		10,765,344	14,526,108
Total equity	**E.3**	**111,566,897**	**94,636,397**
Liabilities			
Non-current liabilities			
Deferred tax liabilities	E.4.1	379,742	219,685
Long-term financial debts	E.4.2	47,493,698	45,782,932
Total non-current liabilities		**47,873,440**	**46,002,617**
Current liabilities			
Provisions	E.5.1	2,736,099	2,076,226
Trade liabilities and other liabilities	E.5.2	1,689,305	3,098,334
Tax liabilities	E.5.3	846,282	47,994
Short-term financial debts	E.5.4	11,990,297	3,930,696
Derivative financial instruments	E.5.5	0	593,718
Total current liabilities		**17,261,983**	**9,746,968**
Total liabilities		**65,135,423**	**55,749,585**
Total liabilities and equity		**176,702,320**	**150,385,983**

CONSOLIDATED STATEMENT OF CASH FLOWS

In EUR '000	Item No.	01/04/2009 – 31/03/2010	01/04/2008 –31/03/2009
Group result before taxes		**(13,542)**	**(6,452)**
Movement in real estate inventory		(2,059)	1,210
Movement in trade receivables and other receivables		(1,234)	(6,522)
Movement in income tax receivables		259	(215)
Movement in financial receivables and other financial assets		1,356	2,941
Movement in intangible assets		(151)	0
Movement in provisions		(390)	1,463
Movement in trade liabilities and other liabilities		(1,454)	(469)
Movement in derivative financial instruments		0	(195)
Other non-cash items		11,740	7,004
Cash flow from operating activities	**F**	**(5,476)**	**(1,235)**
Payments-out for investment in fixed assets		(27)	(31)
Payments-out to acquire shares and to increase the capital reserve for companies valued at equity and other holdings		(809)	(21,546)
Payments-in from the sale of shares in companies valued at equity and other participating interests		0	16,667
Payments-out from granting loans to companies valued at equity and other participating interests		(1,385)	(9,088)
Payments-in from loans to companies valued at equity and other participating interests		7,417	0
Payments-out for the acquisition of subsidiaries (net of cash acquired)		670	0
Cash flow from investing activities	**F**	**5,866**	**(13,998)**
Payments-in from capital increases		0	653
Other movements in capital		(50)	0
Movement in treasury shares held		(28)	0
Payments-in from the assumption of financial debts		17,310	53,013
Payments-out for the servicing of financial debts		(16,416)	(35,584)
Cash flow from financing activities	**F**	**816**	**18,082**
Movement in cash and cash equivalents affecting liquidity		**1,206**	**2,849**
Movement due to currency translation		(9)	(51)
Cash and cash equivalents at the beginning of the period		7,625	4,827
Cash and cash equivalents at the end of the period	**F**	**8,822**	**7,625**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

		Share capital			**Reserves**						
In EUR '000		Capital contributed by General Partner	Subscribed capital	Treasury shares	Capital reserve	Retained earnings	Currency translation	Other reserves	Equity attributable to shareholders of the parent company	Minority interests	Total equity
01/04/2009	**G**	**50**	**52,900**	**0**	**33,545**	**2,790**	**-9,559**	**384**	**80,110**	**14,526**	**94,636**
Capital increases	G	0	8,605	0	20,995	0	0	0	29,600	0	29,600
Capital reductions	G	0	-47,610	0	43,640	3,970	0	0	0	-1,128	-1,128
Changes in scope of consolidation	G	0	0	0	0	0	0	0	0	-4	-4
Other	G	-50	0	-28	1	0	0	-33	-110	0	-110
Proportionate assumption of directly recognised equity changes of companies valued at equity	G	0	0	0	0	0	1,927	248	2,175	54	2,229
Currency difference	G	0	0	0	0	0	243	0	243	87	329
Total gains/losses recorded directly in equity	**G**	**0**	**0**	**0**	**0**	**0**	**2,170**	**215**	**2,385**	**141**	**2,526**
Gains/losses for the period	G	0	0	0	0	-11,216	0	0	-11,216	-2,770	-13,986
Total gains/losses for the period	G	0	0	0	0	-11,216	2,170	215	-8,831	-2,630	-11,461
31/03/2010	**G**	**0**	**13,895**	**-28**	**98,181**	**-4,456**	**-7,389**	**599**	**100,802**	**10,765**	**111,567**
01/04/2008	**G**	**50**	**52,900**	**0**	**33,546**	**8,990**	**-5,769**	**31**	**89,748**	**14,462**	**104,209**
Capital increases	G	0	0	0	0	0	0	0	0	653	653
Changes in scope of consolidation	G	0	0	0	0	0	0	0	0	0	0
Other	G	0	0	0	-1	0	0	47	46	0	46
Proportionate assumption of directly recognised equity changes of companies valued at equity	G	0	0	0	0	0	-3,983	306	-3,677	0	-3,677
Currency difference	G	0	0	0	0	0	193	0	193	-288	-95
Total gains/losses recorded directly in equity	**G**	**0**	**0**	**0**	**0**	**0**	**-3,790**	**353**	**-3,437**	**-288**	**-3,725**
Gains/losses for the period	G	0	0	0	0	-6,200	0	0	-6,200	-301	-6,501
Total gains/losses for the period	G	0	0	0	0	-6,200	-3,790	353	-9,637	-589	-10,226
31/03/2009	**G**	**50**	**52,900**	**0**	**33,545**	**2,790**	**-9,559**	**384**	**80,110**	**14,526**	**94,636**

Notes to the Consolidated Financial Statements

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fiscal Year 1 April 2009 to 31 March 2010

A. GENERAL INFORMATION

1. Corporate information

MAGNAT Real Estate Opportunities GmbH & Co. KGaA (hereinafter also referred to as 'company' or 'MAGNAT') was formed on 6 April 2006 and registered at the address of the company's headquarters in Frankfurt am Main, Germany, in the commercial register under HRB 77281 on 31 May 2006. The registered office of the company is at Lyoner Strasse 32, Frankfurt am Main, Germany. The company's fiscal year ends on 31 March of each year.

The company was initially listed on the open market in July 2006. The exchange segment was changed on 30 October 2007. Since then, company shares have been listed in the General Standard of the Frankfurt Securities Exchange. As a result of the change in segment, MAGNAT is subject to the strict transparency rules applying to regulated markets throughout the EU.

MAGNAT is a publicly traded real estate development company in Frankfurt am Main. It focuses on special business situations in the home market of Germany and in Austria as well as on land banking and real estate development in Eastern and South-Eastern Europe as well as the Commonwealth of Independent States. MAGNAT's business model is based on profiting from exploiting the potential for added value in special business situations, gains from land banking (the purchase and sale of land) and on generating attractive development returns.

This involves MAGNAT concentrating on real estate markets that have attractive development cycles, on special business situations, on undervalued markets in the framework of counter-cyclical investments as well as on markets with high macroeconomic growth. MAGNAT generates rental income on an ongoing basis from a residential portfolio and a commercial portfolio in Germany supplemented by an investment in Austria. In Central, Eastern and South-Eastern Europe MAGNAT invests in Poland, Romania, Bulgaria and Turkey as well as in the Commonwealth of Independent States in Ukraine, Russia and Georgia.

MAGNAT Real Estate Opportunities GmbH & Co. KGaA is the parent company of the MAGNAT Group. The parent has not invested in real estate or real estate projects itself thus far. Basically, investments are transacted through project companies; the parent owns a direct or indirect (via intermediate holding companies) stake in these project companies. The majority of investments so far have been made jointly with co-investors.

With internalisation of MAGNAT Asset Management GmbH, MAGNAT has evolved into an integrated real estate group. The company covers the entire value chain – from acquisition across development through to the sale of projects and land. In addition, the Group provides services for third parties via its subsidiaries, in particular, real estate asset management and co-proprietor's building schemes.

2. Adoption of the International Financial Reporting Standards (IFRS)

MAGNAT prepares its Consolidated Financial Statements in accordance with the International Financial Reporting Standards (IFRS) pursuant to section 4 of Regulation (EC) No. 1606/2002 of the European Parliament and Council of 19 July 2002 for the application of international accounting standards. The consolidated financial statements of the MAGNAT Group are prepared for MAGNAT Real Estate Opportunities GmbH & Co. KGaA, as its parent, according to uniform accounting policies. All mandatory IFRSs for the reporting period ending on 31 March 2010 – including those International Accounting Standards (IAS) still in effect – were applied, as were the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – including those interpretations of the former Standing Interpretations Committee (SIC) still in effect – as adopted by the EU. Supplemental provisions of commercial law under section 315a paragraph 1 HGB were complied with.

3. New mandatory accounting standards

The accounting policies basically correspond to those applied in the previous year, with the following exceptions:

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued standards and interpretations (which have already gone through the EU recognition procedure), which first became mandatory during the reporting period.

IAS 1 'Presentation of Financial Statements'
In September 2007, the IASB published a revised version of IAS 1. The revised standard includes significant changes to the presentation and disclosure of financial information in financial statements. Changes include, in particular, the introduction of comprehensive accounting encompassing both the earnings generated during the current period and the as yet unrealised gains and losses previously disclosed as equity, and replace the Statement of Income in its prior form. Henceforth, in addition to a balance sheet as of the balance sheet date and a balance sheet as of the previous balance sheet date, a balance sheet as of the beginning of the comparative period must also be prepared insofar as the entity applies accounting policies retroactively, corrects an error or reclassifies a balance sheet item.

IFRS 8 'Operating Segments'
In November 2007, the IASB issued IFRS 8, 'Operating Segments', which defines requirements for reporting the financial results of the operating segments of an entity. IFRS 8 replaces IAS 14 'Segment Reporting'. It follows the so-called 'Management Approach' under which the determination of operating segments is based on the internal reports used regularly by the chief operating decision maker in making decisions regarding the allocation of resources to a segment and evaluating the performance of that segment.

IAS 32 'Financial Instruments: Presentation' and IAS 1 'Presentation of Financial Statements'
In February 2008, changes to IAS 32 and IAS 1 were published with initial application intended for fiscal years beginning on or after 1 January 2009. The changes concern the classification of puttable contributions of capital by a shareholder or partner as equity or borrowed capital. According to the former procedure, entities were at times forced to disclose shareholders' or partners' capital contributions as a financial liability due to statutorily established termination rights of the shareholder or partner. In the future, such contributions by a shareholder or partner are generally to be classified as equity, to the extent it is agreed that they are puttable at fair value and the contributions made represent the most junior claim against the net assets of the business.

Due to the legal structure of the parent and subsidiaries as well as the relevant statutory and company-law provisions, the revised rule will not have an effect on the classification, valuation and presentation in the Consolidated Financial Statements of capital contributions made by a partner or shareholder.

Amendments to IFRS 1 and IAS 27 'Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'
The amendments make it possible to determine the cost of an investment either at the fair value or the carrying amount in the individual financial statements according

to the previously applied national accounting rules when adopting the International Financial Reporting Standards (IFRS) for the first time. This rule applies to jointly controlled entities, associates, and subsidiaries. Moreover, the obligation to reduce purchase costs when distributing retained earnings formed prior to the acquisition of the shares was removed from IAS 27. Dividends from jointly controlled entities, associates and subsidiaries must in future be recorded on the Statement of Income regardless of whether the distribution stems from earnings made before the acquisition date, or not. If the distributions in one year exceed the total income for this year, an impairment test must be carried out. The amendments are to be applied to fiscal years beginning on or after 1 January 2009. This revised standard does not affect the company.

IFRS 2 'Share-based Payment'

In January 2008, the IASB published additions to IFRS 2, 'Share-Based Payment', which go into effect on 1 January 2009. The amendments make it clear that performance conditions are to be interpreted as being vesting conditions. Furthermore, it is clarified that termination of an agreement for share-based payment either by an employee or another party is to be treated in the same manner. Since share-based payments are not made use of at the present time, the company shall incur no effects from the amendments to this standard.

IFRS 7 'Financial Instruments: Disclosures' (Improving Disclosures about Financial Instruments)

The revised version of IFRS 7 was published by the IASB on 5 March 2009 and came into force on 1 July 2009. The amendments to IFRS 7 require advanced disclosure on the fair value measurement of financial instruments and on liquidity risks. With respect to the disclosure on determination of the fair value, a tabular breakdown for each class of financial instrument based on a three-tiered fair value hierarchy has been introduced. As regards the disclosure about liquidity risk, the maturity analysis for non-derivative financial liabilities now also includes contracts relating to issued financial guarantees. Disclosure about maturities for non-derivative and derivative financial liabilities is required separately in the future. The new requirements only affect the presentation of financial instruments of the Group.

In 2008, the interpretations **IFRIC 13 (Customer Loyalty Programmes)** and **IFRIC 14 (Minimum Funding Requirements)** were adopted and published by the EU and are to be applied to fiscal years beginning on or after 1 January 2009. The interpretations have no relevance to the period under review.

4. Future changes in accounting policies

The IASB and IFRIC have adopted standards and interpretations which were not mandatory during the period under review. In principle, voluntary early adoption presupposes EU recognition, which, in part, has yet to occur. The Group has made no use of the option for voluntary early adoption. Only those standards and interpretations which could possibly have an effect on the Consolidated Financial Statements are described below.

	Adopted by the EU	
	YES	**NO**
IAS 27 'Consolidated and Separate Financial Statements'	x	
IAS 39 'Financial Instruments: Eligible Hedged Items'	x	
IFRIC 9 and IAS 39 'Embedded Derivatives'	x	
IFRS 3 'Business Combinations'	x	
Reviewed IFRS 3 'Business Combinations' and amendments to IAS 27 'Consolidated and Separate Financial Statements'	x	
IFRIC 15 'Agreements for the Construction of Real Estate'	x	
IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'	x	
IFRIC 17 'Distributions of Non-cash Assets to Owners'	x	
IFRIC 18 'Transfers of Assets from Customers'	x	
IAS 24 'Related Party Disclosures'		x
IFRS 9 'Financial Instruments'		x
Amendments to IFRS 2 'Group Share-based Cash-Settled Payment Transactions'	x	
Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement'		x
Amendment to IAS 32 'Financial Instruments: Classification of Rights Issues'	x	
IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'		x

Amendments to IAS 27 'Consolidated and Separate Financial Statements'

As part of the 'Business Combinations II' project, the IASB published a revised version of IAS 27 'Consolidated and Separate Financial Statements' in January 2008, which contains rules relating to consolidation. Addressed for the first time here, in particular, were transactions in which shares of a (subsidiary) company are bought or sold with no resulting change of control in the company. Compared with the former version, significant changes also arise, in particular, from the recognition and valuation of a retained investment in the event of a loss of control over a former subsidiary and from the recognition of losses incurred by minority interests.

Changes pursuant to the revised standard are to be applied for fiscal years beginning on or after 1 July 2009. It was adopted by the EU on 3 June 2009 and published on 12 June 2009. The revised standard was not applied voluntarily in Fiscal Year 2009/2010. Going forward, only future transactions of this type will be affected.

IAS 39 'Financial Instruments: Eligible Hedged Items'

The amendments to IAS 39 were published in August 2008 with initial application intended for fiscal years beginning on or after 1 July 2009. The amendments to IAS 39 put into explicit form how the principles contained in IAS 39 for the presentation of hedging transactions are to be applied to the designation of a one-sided risk in an underlying transaction and to the designation of inflation risks as underlying transactions. Accordingly, it is also permissible to designate only part of the change in the fair value or the cash flow fluctuations of a financial instrument as the underlying transaction. It is not expected that the amendment will affect the net assets, financial position and result of operations of the Group because no such transactions have been entered into. It was adopted by the EU on 15 September 2009 and published on 16 September 2009.

IFRIC 9 and IAS 39 'Embedded Derivatives'

The IASB clarified the treatment of embedded derivatives in a publication in December 2008. The amendments to IAS 39 and IFRIC 9 are intended to address an omission. It refers to cases in which companies have made use of the reclassification of financial instruments measured at fair value with changes in fair value recognised in profit or loss, which has been permissible in exceptional cases since October 2008. In the future, companies are also required to reassess an embedded derivative and, if necessary, measure it separately from the host contract if a hybrid financial instrument to be measured at fair value, with value changes recognised in profit or loss, is reclassified. If it is necessary to measure a derivative separately from the host contract, the fair value of which cannot be measured reliably, then the entire hybrid instrument may not be reclassified. This does not affect the financial statements of the Group. The amendments are to be applied retrospectively to reporting periods ending on or after 30 June 2009. It was adopted by the EU on 30 November 2009 and published on 1 December 2009.

IFRS 3 'Business Combinations'

As part of the 'Business Combinations II' project the IASB published a new version of IFRS 3 'Business Combinations' in January 2008. Compared to the old version, significant changes result, in particular, from the recognition and valuation of assets and liabilities acquired in a combination, the valuation of minority interests, the determination of goodwill and the presentation of transactions with variable purchase prices. The revised standard is to be applied to transactions taking place in fiscal years beginning on or after 1 July 2009. The revised standard was adopted by the EU on 3 June 2009 and published on 12 June 2009. The revised standard was not applied voluntarily in Fiscal Year 2009/2010. Effects will only exist for business combinations occurring in the future.

Revised IFRS 3 'Business Combinations' and amendments to IAS 27 'Consolidated and Separate Financial Statements'

The revised standards were published in January 2008, with initial application intended for fiscal years or business combinations beginning on or after 1 July 2009. Introduction of the 'full goodwill method', an alternative to the revaluation method, follows these amendments. This enables the Group to recognise not only its own share, but as applicable also

100 per cent of the goodwill of the acquired entity. In the case of a phased acquisition of shares, a revaluation must be carried out at the time control is assumed in the future. The purchase of additional shares in an existing subsidiary will in future be dealt with as an equity transaction between owners. The same applies to the sale of shares to a subsidiary while retaining control. If there is a loss of control, the value of the remaining shares must be reassessed at fair value. Related cost or changes relating to contingent considerations must in future be recognised immediately with the exception of debt or equity instruments, which are assessed under IAS 39. Consequential amendments arose to IAS 7 Cash Flow Statements, IAS 12 Income Taxes, IAS 21 Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates and IAS 31 Investments in Joint Ventures. The amendments under IFRS 3R and IAS 27R will affect future acquisitions, loss of control, and transactions with minority interests. The standards were adopted and published by the EU in June 2009.

IFRIC 15 'Agreements for the Construction of Real Estate' was adopted and published by the EU in July 2009. It enters into force in the EU on 1 January 2010. The company does not expect this interpretation to have a material effect on the Consolidated Financial Statements.

IFRIC 16 'Hedges of a Net Investment in a Foreign Operation' applies to fiscal years beginning on or after 1 January 2009. IFRIC 16 was adopted by the EU on 4 June 2009 and published on 5 June 2009.

IFRIC 17 (Distributions of Non-cash Assets to Owners) and IFRIC 18 (Transfers of Assets from Customers) were adopted by the EU in November 2009. IFRS 17 applies to reporting periods beginning on or after 1 July 2009. Earlier application is permitted. IFRS 18 applies to transfers that take place on or after 1 July 2009. The company does not expect these interpretations to have a material effect on the Consolidated Financial Statements. These interpretations have not been voluntarily applied in fiscal year 2008/2009.

IAS 24 'Related Party Disclosures'
The amendment of IAS 24 aims, in particular, to enhance the intelligibility and clarity of the standard text in order to ensure uniform interpretation and application in practise. Hence, provisions will be refined further in areas where the standard has exhibited obvious inconsistencies thus far or practical application was hampered by formulations which were not sufficiently precise. One objective of the revision was also the elimination of cases in which previously only one of the parties involved in a transaction was required to provide the corresponding information because the other party did not meet the definition of a related party. In addition to revising the definition of related parties, adaptations relating to the definition of transactions (subject to disclosure) have also been made. Mandatory application of the revised version of this standard is scheduled for fiscal years beginning on or after 1 January 2009.

IFRS 9 'Financial Instruments'
The IASB issued IFRS 9 on 12 November 2009. The new standard represents the first of three phases (classification and valuation, impairment, hedges) in replacing IAS 39 'Financial Instruments: Recognition and Measurement' completely. Upon completion of each phase, the relevant parts of IAS 39 will be deleted and the new rules added to IFRS 9. This standard represents a fundamental change to the existing provisions on classifying and valuing financial instruments. IFRS 9 deals initially only with financial assets. Application of IFRS 9 is mandatory for fiscal years beginning on or after 1 January 2013. Earlier application is permitted.

Amendments to IFRS 2 'Group Share-based Cash-Settled Payment Transactions'
The IASB issued amendments to IFRS 2 'Share-based Payments' on 18 June 2009, which clarify the accounting practises for group share-based compensation settled in cash. These clarify how one single group company should record certain share-based payment arrangements on its own balance sheet. The amendments apply to reporting periods beginning on or after 1 January 2010 and are to be applied

retroactively. Earlier application is permitted. The standard was adopted by the EU on 23 March 2010 and published on 24 March 2010.

Amendments to IFRIC 14 'Prepayments of a Minimum Funding Requirement'
The amendment was issued by the IASB on 26 November 2009 and applies to IFRIC 14, which for its part provides an interpretation of IAS 19 'Employee Benefits'. The amendment applies in limited cases under which an entity is subject to minimum funding requirements and makes an advance payment of contributions to meet those requirements. Following the amendment, it is now admissible to show the benefit derived from such a prepayment as an asset. The amendment is mandatory and enters into force on 1 January 2011. Earlier application is permitted from the 2009 year-end.

Amendment to IAS 32 'Financial Instruments: Classification of Rights Issues'
This amendment deals with the accounting practises for rights when the issued instruments are denominated in a currency other than the functional currency of the entity. If these rights are given pro rata to the existing shareholders of the entity for a fixed amount, they should be classified as equity even if their exercise price is denominated in a currency other than the issuer's functional currency. The IASB stipulates that the amendment will take effect for fiscal years beginning on or after 1 February 2010. Earlier application is permitted. The amendment was adopted by the EU on 23 December 2009 and published on 24 December 2009.

IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'
IFRIC 19 was published by the IFRIC on 26 November 2009 and provides guidance on how to measure so-called debt for equity swaps. IFRIC 19 explains the requirements of IFRS if an entity partly or completely extinguishes a financial liability by issuing shares or other equity instruments. IFRIC 19 is effective for fiscal years beginning on or after 1 July 2010. Earlier application is permitted.

Improvements to IFRS in 2009
As part of the annual 'Improvements Project', the IASB has issued a number of minor material and editorial changes to various standards. Unless explicitly stated in a standard, the rules are to be applied from 1 January 2010. The Group has not applied the amendments on a uniform basis and assumes that, pending further notice, there will be no material impact on the presentation of the net assets, financial position and result of operations of the Group. The amendments were adopted by the EU on 23 March 2010 and published on 24 March 2010.

5. Significant discretionary decisions and estimates

Discretionary decisions
In applying the accounting policies, Management has made the following discretionary decisions which have a material effect on the amounts posted in the Consolidated Financial Statements. Not considered are such decisions which include estimates.

IMPAIRMENT TEST ON GOODWILL

Goodwill was allocated to cash-generating units for the impairment test. The impairment requirement of the cash-generating unit is determined by comparing the carrying amount with its recoverable amount. The group of units or unit to which goodwill is allocated for the impairment test represent(s) the lowest level within the entity for which the goodwill is monitored for internal management purposes, and, as defined by IFRS 8, does not exceed one segment. In forming the cash-generating units, the real estate assets and the goodwill have been combined and compared with the recoverable amount of the unit.

Estimates and assumptions
In preparing the Consolidated Financial Statements in accordance with IFRS, it is necessary to make assumptions for the future that concern certain items. These estimates may have a material effect on the value of assets and liabilities

on the balance sheet date and the extent of expenses and revenues during the fiscal year. The most important assumptions relative to the future as well as other material sources of uncertainty that existed on the balance sheet date, due to which there is a risk that a material adjustment to the carrying amount of assets and liabilities will be required during the next fiscal year, are stated below.

INVESTMENT PROPERTY

The company recognised investment property at fair value in the Group for the first time in fiscal year 2007/2008. During the reporting period, investment property was held within the Group only by Squadra Immobilien GmbH & Co. KGaA (Frankfurt am Main) and by companies of the GAIA Real Estate Investments S.A. (Luxembourg) subgroup, all the aforementioned being valued at equity. The fair values were measured by independent experts outside the company and in this respect assumptions were made as regards changes in rent, vacancy rates, revenue reductions, maintenance costs and discount rates. Due to their long-term orientation, these predicted valuations are subject to uncertainty, which can result in either positive or negative changes of value in the future.

REAL ESTATE INVENTORY

Estimates of net realisable value for the real estate inventory are based on the most reliable substantive indicators available at the time the estimates are made. These estimates take into account price or cost changes directly related to transactions after the reporting period insofar as these transactions shed light on circumstances that already existed at the end of the reporting period. Estimates of net realisable value also take into account the purpose for which the real estate inventory is held. Determination of market value is based on different methods (income value, comparative value or residual value). The method chosen is coordinated with the property in question. In the case of the income approach, an interest rate of 5.94 to 7.75 per cent is applied and the expected remaining useful life is 20-55 years. A market reduction of 20-30 per cent was considered for the comparative value approach. The carrying amount of the corresponding property amounts to EUR 58,855,000.

DEFERRED TAX ASSETS ON LOSS CARRY-FORWARDS

Deferred tax assets are recognised for all unused tax loss carry-forwards to the extent that it is probable that taxable income will be available against which the unused tax loss carry-forwards can be offset. Calculation of the amount of the deferred tax assets depends mainly on the estimates of Management based on the amount and timing of future taxable income as well as future tax planning strategies. Reference is made to item D.10 in the Notes for further explanation.

OPERATING LEASE COMMITMENTS – GROUP AS LESSOR

The Group has entered into commercial property lease agreements on its real estate inventory in which it has been agreed that the Group is to retain all significant risks and rewards of ownership of the leased properties and therefore will carry them as operating leases on its balance sheet.

B. SCOPE OF CONSOLIDATION AND CONSOLIDATION METHODS

1. Scope of consolidation

In addition to the Group's parent company, MAGNAT Real Estate Opportunities GmbH & Co. KGaA, all domestic and foreign subsidiaries are included in the Consolidated Financial Statements. The subsidiaries included in the Consolidated Financial Statements as well as the joint ventures and associated companies valued using the equity method (hereinafter also referred to as 'MAGNAT Group' or 'Group') are listed below.

Group companies			Share in Group	Date formed/ acquired	Original cost [2] EUR '000
Directly held shares					
Germany					
SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main	Associated company	Formed	16.13 %	03/08/2007	4,050
Altira ImmoFinanz GmbH, Frankfurt am Main	Subsidiary	Acquired	100.00 %	31/08/2009	6,702
MAGNAT Management GmbH, Frankfurt am Main	Subsidiary	Acquired	100.00 %	31/08/2009	175
SQUADRA Management GmbH, Frankfurt am Main	Subsidiary	Acquired	100.00 %	31/08/2009	193
Other countries					
MAGNAT Investment I BV, Hardinxveld Giessendam, Netherlands	Subsidiary	Acquired	75.00 %	09/11/2006	19
MAGNAT Investment II BV, Hardinxveld Giessendam, Netherlands	Joint venture	Acquired	50.00 %	22/01/2007	9
R-QUADRAT Polska Alpha Sp. z o.o., Warsaw, Poland	Joint venture	Acquired	50.00 %	26/03/2007	7
GAIA Real Estate Investments S.A., Luxembourg, Luxembourg	Joint venture	Acquired	33.33 %	16/08/2007	13,275
Russian Land AG, Vienna, Austria	Associated company	Formed	40.34 %	02/10/2007	2,525
MAGNAT AM AG, Vienna, Austria	Subsidiary	Acquired	100.00 %	31/08/2009	23,077

Despite a percentage holding of less than 20 per cent, SQUADRA Immobilien GmbH & Co. KGaA was classified as an associate in the MAGNAT Group since the management bodies as well as the Supervisory Board of MAGNAT Real Estate Opportunities GmbH & Co. KGaA and SQUADRA Immobilien GmbH & Co. KGaA are partly made up of the same persons.

GAIA Real Estate Investments S.A. is classified as a joint venture because in accordance with agreements under the Articles of Association strategic financial and business policies connected with business activities can only be determined by all three partner companies jointly.

Group companies			Share in Group	Date formed/ acquired	Original cost [2] EUR '000
Indirectly held shares					
Germany					
Erste MAGNAT Immobiliengesellschaft mbH, Frankfurt am Main	Subsidiary	Acquired	75.00 % [1]	15/11/2006	21
Zweite MAGNAT Immobiliengesellschaft mbH, Frankfurt am Main	Subsidiary	Acquired	75.00 % [1]	10/11/2006	19
Dritte MAGNAT Immobiliengesellschaft mbH, Frankfurt am Main	Subsidiary	Acquired	75.00 % [1]	01/02/2007	21
Vierte MAGNAT Immobiliengesellschaft mbH, Frankfurt am Main	Subsidiary	Acquired	75.00 % [1]	03/04/2007	19
Fünfte MAGNAT Immobiliengesellschaft mbH, Frankfurt am Main	Subsidiary	Formed	75.00 % [1]	02/04/2007	19
MAGNAT Asset Management Deutschland GmbH, Frankfurt am Main	Subsidiary	Acquired	100.00 % [4]	31/08/2009	25

[1] Shares are held indirectly via MAGNAT Investment I BV, Hardinxveld Giessendam, Netherlands.
[2] Original cost is shown as a percentage according to the respective share of the Group held directly or indirectly by the parent company. In each case, total original costs are derived by extrapolating them to 100 per cent.
[3] Shares are held indirectly via MAGNAT AM AG, Vienna, Austria and Altira ImmoFinanz GmbH, Frankfurt am Main.
[4] Shares are held indirectly via MAGNAT Asset Management GmbH, Vienna, Austria.

Group companies			Share in Group	Date formed/ acquired	Original cost [2] EUR '000
Other countries					
MAGNAT Real Estate UA III BV, Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00 % [1]	18/01/2007	14
JJW Hotel Palais Schwarzenberg Betrieb-sgesellschaft mbH, Vienna, Austria	Associated company	Formed	18.75 % [1]	21/08/2007	3,094
MAGNAT Real Estate UA VI BV, Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00 % [1]	15/05/2007	14
SC TEO Impex s.r.l., Bucharest, Romania	Subsidiary	Acquired	75.00 % [1]	01/06/2007	0
R-Quadrat Bulgaria EOOD, Sofia, Bulgaria	Subsidiary	Formed	75.00 % [1]	07/06/2007	2
SC VICTORY Consulting International s.r.l, Bucharest, Romania	Subsidiary	Acquired	75.00 % [1]	01/06/2007	0
OXELTON ENTERPRISES Limited, Limassol, Cyprus	Joint venture	Acquired	45.00 % [1]	05/07/2007	10,875
Irao MAGNAT Digomi LLC, Tbilisi, Georgia	Subsidiary	Formed	56.25 % [1]	29/06/2007	0
Irao MAGNAT 28/2 LLC, Tbilisi, Georgia	Joint venture	Acquired	37.5 % [1]	01/04/2008	0
MAGNAT Asset Management GmbH, Vienna, Austria	Subsidiary	Acquired	100.00 % [3]	31/08/2009	23,777
MAGNAT Capital Markets GmbH, Vienna, Austria	Subsidiary	Acquired	100.00 % [4]	31/08/2009	35
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG, Vienna, Austria	Subsidiary	Acquired	100.00 % [4]	31/08/2009	0
R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG, Vienna, Austria	Subsidiary	Acquired	99.00 % [4]	31/08/2009	0
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG, Vienna, Austria	Subsidiary	Formed	100.00 % [4]	22/12/2009	3

[1] Shares are held indirectly via MAGNAT Investment I BV, Hardinxveld Giessendam, Netherlands.
[2] Original cost is shown as a percentage according to the respective share of the Group held directly or indirectly by the parent company. In each case, total original costs are derived by extrapolating them to 100 per cent.
[3] Shares are held indirectly via MAGNAT AM AG, Vienna, Austria and Altira ImmoFinanz GmbH, Frankfurt am Main.
[4] Shares are held indirectly via MAGNAT Asset Management GmbH, Vienna, Austria.

Despite a percentage holding of less than 20 per cent, JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH was classified as an associate in the MAGNAT Group since a material right to information and a right to co-determination in exceptional business transactions exist.

The number of fully consolidated companies was extended by MAGNAT AM AG (formerly R-Quadrat Holding AG) and Altira ImmoFinanz GmbH on 31 August 2009. Both companies own a stake in MAGNAT Asset Management GmbH, which owns shares in other companies:

	31/08/2009 - 31/03/2010 Net profit for the period EUR '000
MAGNAT AM AG, Vienna	216
Altira ImmoFinanz GmbH, Frankfurt am Main	-4
MAGNAT Asset Management GmbH, Vienna	1,211
MAGNAT Capital Markets GmbH, Vienna	42
MAGANT Asset Management Deutschland GmbH, Frankfurt am Main	7
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG, Vienna	-142
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG, Vienna	-53
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG, Vienna	-131
MAGNAT Management GmbH, Frankfurt am Main	-200
SQUADRA Management GmbH, Frankfurt am Main	-37

Transfer of the shares in Altira ImmoFinanz GmbH and the shares of MAGNAT AM AG took place by means of a capital increase. The share capital of MAGNAT was increased to EUR 8,604,651 against contributions in kind by issuing 8,604,651 no-par bearer shares at an issue price of EUR 3.44 per new share with dividend rights from 1 April 2009. This results in a contribution to the share capital and capital reserve amounting to TEUR 29,600, which reflects the value of the contribution. Measurement of the issue price of the shares was based on MAGNAT's market price. However, in addition to using the market price at the time of the capital increase as a basis, the rules for measuring a fair return in the context of takeover and mandatory offers were also applied. In the case of a takeover or mandatory offer, section 5 para 1 German Securities Acquisition and Takeover Act (Wertpapiererwerbs- und Übernahmegesetz/WpÜG) stipulates that the consideration must at least equal the weighted average of the domestic market price of the shares to be acquired by the offeror in a target company during the last three months prior to publication of the decision to launch an offer or bid to acquire a controlling interest. This rule has been applied to the capital increase analogously. A period of three months prior to the decision on the capital increase on 8 September 2009 was applied. Specifically, the General Partner established the issue price of EUR 3.44 on the basis of the self-determined weighted average of the domestic market prices for the period 5 June 2009 up to and including 4 September 2009.

The goodwill resulting from the transaction of TEUR 28,279 can be broken down as follows:

	Goodwill EUR '000
Cash-generating unit Asset Management	27,821
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG, Vienna	366
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG, Vienna	10
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG, Vienna	0
MAGNAT Management GmbH, Frankfurt am Main	15
SQUADRA Management GmbH, Frankfurt am Main	67

The acquisitions in Fiscal Year 2009/2010 can be summarised as follows:

In EUR '000	Amounts recognised at the time of acquisition	Carrying amounts of the acquired companies
ASSETS		
Non-current assets		
Intangible assets	12,371	12,371
Property plant and equipment	63	63
Other financial assets	706	706
Shares in affiliated companies	24,205	24,205
	37,345	**37,345**
Current assets		
Real estate inventory	2,927	2,927
Trade receivables and other receivables	4,473	4,473
Financial receivables and other financial assets	3,445	3,445
Cash and cash equivalents	849	849
	11,694	**11,694**
Total assets	**49,039**	**49,039**
EQUITY AND LIABILITIES		
Total equity	**38,056**	**38,056**
Liabilities		
Provisions	1,050	1,050
Trade liabilities and other liabilities	1,003	1,003
Financial debts	8,930	8,930
	10,983	**10,983**
Total liabilities and equity	**49,039**	**49,039**

If the companies concerned were included in the consolidated financial statements at the beginning of the fiscal year, they would have shown the following results:

In EUR '000	Proceeds	Net profit for the period
MAGNAT AM AG, Vienna		-266
Altira ImmoFinanz GmbH, Frankfurt am Main		28
MAGNAT Asset Management GmbH, Vienna	2,708	2,059
MAGNAT Capital Markets GmbH, Vienna		39
MAGANT Asset Management Deutschland GmbH, Frankfurt am Main	443	16
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG, Vienna		-192
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG, Vienna		-64
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG, Vienna		-131
MAGNAT Management GmbH, Frankfurt am Main		-210
SQUADRA Management GmbH, Frankfurt am Main		-30

A complete listing of all affiliated companies, associated companies and joint ventures can be found below the Notes.

2. Consolidation methods

Consolidation methods
The Consolidated Financial Statements include the financial statements of MAGNAT and its subsidiaries at 31 March of each fiscal year. The financial statements and interim financial statements of the subsidiaries are prepared using uniform accounting policies on the same balance sheet date as those of the parent company.

Capital consolidation was carried out using the purchase method offsetting the cost of the shares with the prorated re-valued equity of the subsidiaries at the acquisition date. In the case of first-time consolidation, the conditions found at the time of the acquisition of shares in the consolidated subsidiary companies are taken into account. Any resulting differences are allocated to the subsidiary's assets and liabilities insofar as their fair values differ from the carrying amounts shown on the financial statements. Discovered hidden reserves will be amortised in line with the corresponding assets and liabilities in subsequent consolidations. Where other minority interests own a share in the equity of the subsidiary on the balance sheet date, this is assigned to minority interests.

Intra-group transactions, expenses and income as well as all receivables and liabilities between the consolidated companies were eliminated.

Associated companies and joint ventures are consolidated in the Group at equity.

Currency translation
The functional currency method is used for the financial statements of consolidated entities prepared in foreign currencies. Under IAS 21 (Effects of Changes in Foreign Exchange Rates), foreign currency assets and liabilities are translated into the reporting currency, EUR, at the rate prevailing on the reporting date and expenses and income are translated at annual average rates.

The currency used by the Group is the EUR. For subsidiaries or companies valued using the equity method that report in foreign currencies, the functional currency is determined by the primary economic environment in which the respective company operates.

In Ukraine, for example, only transactions in the national currency are permitted. The national currency is that in which the majority of sales revenues and costs are processed. To a large extent, companies operate independently on their local markets.

During the reporting period, the financial statements of certain companies valued using the equity method were not prepared in the reporting currency (EUR). To the extent that these companies were included in the Consolidated Financial Statements at equity, the prorated equity was translated to the reporting currency in accordance with the functional currency method. Translation of the prorated share of the result is carried out using annual average rates.

Currency translation differences are presented directly in equity (TEUR 8,431, of which TEUR 1,041 in minority interests). These include currency translation differences from monetary items under IAS 21.32 or IAS 21.45, amounting to TEUR 1,403 (of which TEUR 351 going to minority interests).

C. ACCOUNTING POLICIES

The Consolidated Financial Statements were prepared on the assumption of a going concern.

Assets and liabilities are broken down by maturity (more than/less than one year). Deferred taxes are reported as non-current.

The Statement of Income was prepared on a voluntary basis in line with the recommendations of the EPRA (European Public Real Estate Association), last amended May 2009.

The reporting currency is the EUR. If figures have been rounded to the nearest thousand, this has been stated. Rounding differences are possible due to showing the figures in EUR '000.

As a basic principle, assets are measured at cost. This does not apply, inter alia, to derivative financial instruments or securities, which are measured at fair value. Investment property is initially measured at cost including related costs. In subsequent valuations, investment property is measured at fair value (IAS 40).

Intangible assets

Intangible assets include goodwill in the amount of TEUR 28,702 (previous year: TEUR 381).

Goodwill results from business combinations or acquisitions. It represents the difference between cost and the pro rata and corresponding net fair value of identifiable assets, liabilities and certain contingent liabilities. In accordance with IAS 36, goodwill is not subject to amortisation on a regular basis.

An impairment test is carried out at least once a year in accordance with IAS 36 under which the impairment of the value must be proven ('impairment only approach'). This scheduled impairment test is always carried out during the third quarter on the basis of the half-year figures. If indications of impairment exist, new tests are to be performed regardless of the mandatory annual impairment test. The impairment test is carried out by comparing the recoverable amount of each cash-generating unit (CGU) with its carrying amount.

The value in use of the goodwill attributed to the CGU Asset Management was determined using generally accepted valuation principles by means of the capitalised value method. The calculations are based on budget estimates, which as per the phase method are presented in a detailed planning period (until 2014) and a terminal value based on that (value creation at the end of the detailed planning period). A capitalisation rate of 9.25 per cent (before tax) was used and a growth rate of 1.00 per cent was applied for the terminal value.

Property plant and equipment

Fixed assets are shown at cost less scheduled straight-line depreciation.

Impairment of non-financial assets

Assets within the meaning of IAS 36.1 are to be tested for impairment in the event that factors or changed circumstances indicate that an asset's carrying amount may not be recoverable.

As soon as an asset's carrying amount exceeds the amount recoverable, impairment is recognised on the Statement of Income. The recoverable amount is the higher of net selling price and the asset's value in use. The net selling price is the amount recoverable from the sale of an asset under current market conditions less the cost of sale. Value in use is the expected present value of estimated future cash flows arising from the continuing use of an asset and its disposal at the end of useful life. The recoverable amount is calculated for each asset individually or, in the event that this is not possible, for the cash-generating unit to which the asset belongs.

A write-up of previously impaired assets is mandatory if the reason for the impairment is no longer evident. The only exceptions to this rule are impairments to goodwill, for which a write-up is explicitly prohibited.

Financial assets

When acquired, financial assets and debts are classified in accordance with the categories of IAS 39. The company mainly owns financial instruments of the category loans and receivables, derivatives of financial investments held for trading and financial liabilities at amortised cost.

'Loans and receivables' include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost. If there is substantial objective evidence of impairment, this is recognised immediately on the Statement of Income. In the same manner, subsequent reversals are recognised on the Statement of Income up to the original cost. Long-term non-interest bearing or low-interest receivables are carried at present value.

MAGNAT posts loans to companies valued using the equity method, trade receivables and other receivables as well as financial receivables in this category. Certain trade receivables and other receivables (taxes) are not financial assets

'At fair value through P&L/financial assets and financial liabilities' can include both original and derivative financial instruments. Subsequent measurement in this category is determined by the fair value. Profit/loss on financial instruments under this valuation category is directly recorded on the Statement of Income. MAGNAT only assigns derivatives to the valuation category 'Held for trade'.

'Other financial liabilities' are non-derivative financial liabilities, which are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are shown distributed over the term on the Statement of Income. MAGNAT assigns financial debts as well as trade and other payables to this category.

Loans to companies valued using the equity method, trade and other receivables (excluding receivables from income taxes and turnover tax) and financial receivables are allocated to the category 'Loans and receivables' and recorded at the time of initial evaluation at fair value.

Thereafter, these are measured at amortised cost using the effective interest method. Credit risks are accounted for with write-downs if they are not covered by insurance. Non-interest-bearing or low-interest receivables are carried at present value.

Shares in affiliated and associated companies, which for reasons of materiality are not fully consolidated or are consolidated using the equity method, are recognised in accordance with IAS 27, IAS 28 and/or IAS 31.

Derivative financial instruments are classified in their entirety as 'Held for trade' and carried at fair value at the time of purchase as well at the balance sheet date. Recognition occurs on the trading day. Derivative financial instruments are recognised as assets if their fair value is positive and as liabilities if their fair value is negative. At the time of purchase, fair value equals the cost. Changes to fair value between the time of purchase and the balance sheet date were recognised in full in profit or loss. Fair values were determined on the basis of recognised valuation methods with option pricing models. The confirmations issued by the contracting parties as of the reporting date are consulted for purposes of comparison.

Inasmuch as the conditions of IAS 39 are not present, hedge accounting is currently not employed.

No use has been made of the option to designate assets or liabilities, when added, as recognised at fair value through profit or loss.

The company removes a financial asset from its accounts when it has expired due to payment or when payment may no longer be expected.

Impairment of financial assets

The Group tests financial assets or groups of financial assets for impairment at every balance sheet date.

If there is objective evidence that impairment on loans and receivables carried at amortised cost has occurred, the amount of the loss results from the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding expected future loan defaults that have not yet occurred) discounted by the financial asset's original effective interest rate (i.e. the effective interest rate determined upon initial recognition).

The carrying amount of the asset is reduced through use of an allowance account. The impairment is recognised on the Statement of Income.

It is first determined whether an objective indication of individual impairment exists for financial assets which are significant in and of themselves, and of individual or collective impairment for financial assets which are not significant in and of themselves. If the Group determines that no objective indication of impairment exists for an individually tested financial asset, whether significant or not, it assigns the asset to a group of financial assets with similar credit risk characteristics and collectively tests them for impairment. Assets that are tested individually for impairment and for which an impairment loss is recorded are not included in the collective impairment assessment.

If the amount of a write-down decreases in a subsequent reporting period and the decrease can be related objectively to a circumstance arising after the impairment was recognised, the previously recorded write-down is reversed. The amount of the reversal is limited to the amortised cost at the date of the reversal. The reversal is recognised as profit in the valuation category 'Loans and receivables'. For trade receivables, if there are objective indications (such as likelihood of insolvency or significant financial difficulties of the debtor) that not all amounts due under the original payment terms will be collected, impairment loss is charged using an allowance account. The amount of impairment is de-recognised when a receivable is classified as irrecoverable.

Shares in companies valued at equity

Shares in those companies over which MAGNAT is able to exercise significant influence, but over which no control is held, are recognised using the equity method in accordance with IAS 28. Similarly, shares in joint ventures are recognised using the equity method in accordance with IAS 31. Shares in companies valued using the equity method are initially recognised at cost. Goodwill is the difference between cost and prorated equity. Subsequently, the carrying amount of the shares will increase or decrease in accordance with the shareholder's portion of profit of the company valued using the equity method for the period under review (including foreign currency translation). Application of the equity method ends when the significant influence ceases or when the company is no longer classified as a joint venture.

After application of the equity method, the Group makes a determination as to whether it is necessary to recognise an additional impairment for the Group's shares in those companies valued using the equity method. As of each balance sheet date, the Group determines the extent to which there are objective indications that a share of a company valued at equity is impaired. If this is the case, the positive difference between the carrying amount and the recoverable amount (the higher of either value in use and fair value less cost of disposal) is recorded as an impairment loss on the Statement of Income.

Investment property

The company recognised investment property at fair value in the Group for the first time in fiscal year 2007/2008. During the reporting period, investment property was held within the Group only by SQUADRA Immobilien GmbH & Co. KGaA (Frankfurt am Main) and by companies of the GAIA Real Estate Investments S.A. (Luxembourg) subgroup, all the aforementioned being valued at equity. The fair values used were determined on the basis of a valuation by an independent expert from outside the company. In calculating the fair values, assumptions were made with respect to changes in rent, vacancy rates, revenue reductions, maintenance costs, and discount rates. Due to their long-term orientation, these predicted valuations are subject to uncertainty, which can result in either positive or negative changes of value in the future.

Real estate inventory

Real estate inventory is recognised in accordance with IAS 2. Real estate inventory is recognised at either cost or net realisable value, whichever is lower. Net realisable value is the estimated selling price obtainable in the ordinary course of business less estimated costs up to completion and estimated selling costs. Besides directly attributable individual costs, cost also includes overhead costs attributable to production. In accordance with IAS 23, borrowing costs are included in the cost of production.

Net realisable value is recalculated in each subsequent period. When the circumstances that previously led to an impairment of the property's value to a level below its cost no longer exist, or when, due to altered economic circumstances, there is a substantive indication of an increase in net realisable value, the amount of the impairment is reversed insofar as necessary to make the new carrying amount equal to the lower of cost or adjusted net realisable value (i.e. the reversal is limited to the amount of the original impairment). This is the case, for example, when properties reported at net realisable value due to a decline in their selling price are still in the portfolio in a subsequent period and their selling price has increased again.

Taxation

Current tax assets and liabilities for prior periods are measured as the amount expected to be recovered from or paid to the taxation authorities. They are calculated on the basis of the tax rates and tax laws applicable on the balance sheet date.

Deferred taxes

Accumulation of deferred taxes is performed using the liability method for temporary differences existing at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences except for deferred tax liabilities from taxable temporary differences in connection with investments in subsidiaries, associated companies and joint ventures if the timing for reversing the temporary differences can be controlled, and it is probable that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, tax loss carry-forwards not yet used and unused tax credits to the extent that there is a likelihood that taxable income will be available against which the deductible temporary differences and the unused tax loss carry-forwards and unused tax credits can be offset, except

- deferred tax assets related to deductible temporary differences arising from the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the result for the period under commercial law nor the taxable income, and

- deferred tax assets from taxable temporary differences connected with investments in subsidiaries, associated companies and joint ventures, where it is probable that the temporary differences will not be reversed in the foreseeable future, and that sufficient taxable income will not be available against which the temporary differences can be applied.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced insofar as it is no longer probable that sufficient taxable income will be available against which at least part of the deferred tax asset can be offset. Unrecognised deferred tax assets are reviewed at each balance sheet date and recognised insofar as it has become probable that future taxable income will allow the deferred tax asset to be realised on.

Deferred tax assets and liabilities are measured using the tax rates expected to apply in the period in which the asset is realised on or the liability is satisfied. They are calculated on the basis of the tax rates (and tax laws) applicable at the balance sheet date. Subsidiaries' deferred tax assets and liabilities are measured using the tax rates of their respective countries.

Deferred tax relating to items which are recognised directly in equity is recognised in equity and not on the Statement of Income. Deferred tax assets and deferred tax liabilities are offset against each other when the Group has an enforceable right to offset current tax assets against current tax liabilities, and these assets and liabilities relate to income taxes levied by the same taxation authority against the same taxable entity.

Turnover tax

Sales revenues, expenses and assets are recognised net of turnover tax, with the following exceptions:

- When the turnover tax incurred on a purchase of assets or services is not recoverable from the taxation authorities, the turnover tax is recognised as part of the asset's cost or as part of the expense item.
- Receivables and liabilities are recognised with turnover tax included.

The amount of turnover tax recovered from or paid to the taxation authority is included under receivables or liabilities in the Consolidated Balance Sheet.

Cash and cash equivalents

Cash and cash equivalents include cash and demand deposits and are recognised at their face amount. Cash in a foreign currency is translated at the rate prevailing on the reporting date.

Trade liabilities and other liabilities

After their initial recognition, liabilities are measured at amortised cost. Gains and losses are recognised in profit or loss for the period in which the liabilities are de-recognised.

Financial debts

Financial debts are initially recognised at their fair value taking into account all directly incurred and attributable transaction costs and any discounts associated therewith. In subsequent periods, transaction costs and any discounts are carried using the effective interest method. Recognition of financial debts is subsequently made at amortised cost. A financial debt is de-recognised when it is repaid or ultimately expires.

Provisions

During the fiscal year, corresponding provisions were recorded for future liabilities to third parties for which an outflow of funds is probable. Provisions are created in the amount of the present value of the expected outflow of funds for those obligations for which no pecuniary charge is expected as early as in the following year. The value recorded for the provisions is reviewed at each balance sheet date.

Treasury shares

If the Group acquires treasury shares, these are deducted from equity. The purchase/sale of treasury shares is not recorded in profit or loss.

Minority interests

Minority interests in the net assets were calculated and reported separately from the shareholders of the parent company's share in consolidated equity. Minority interests in net assets are made up of the amount of minority interests at the prior year's balance sheet date and the minority's share of changes in equity during the fiscal year.

Leasing

a) Determination as to whether an agreement contains a lease

The determination as to whether an agreement is or contains a lease takes place initially on the basis of the economic content of the agreement, based on an assessment of whether performance of the agreement depends upon the utilisation of a certain asset and the agreement conveys a right to use that asset.

After commencement of the lease, a new assessment of whether an agreement contains a lease is to be made only when one of the following conditions is met:

- There is a change to the terms of the lease if the change concerns more than just a renewal or extension of the agreement
- A renewal option is exercised or an extension is granted unless the conditions of renewal or extension were already originally taken into account during the term of the lease agreement
- There is a change in the determination of whether performance depends on a specific asset
- There is a significant change to the asset

b) Group as lessor

Leases in which essentially all of the risks and rewards associated with ownership are not transferred by the Group to the lessee are classified as operating leases. Initial direct costs incurred in negotiating and entering into an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term corresponding to the rental income. Contingent rents are recognised as income in the period in which earned.

Rental agreements concluded by the Group in connection with residential properties reported under real estate inventory do not represent leases within the meaning of IAS 17 because usually the lease agreements do not cover a fixed term, but are concluded for an indefinite period. Lessees may terminate the agreement by the statutory notice periods. See also the Notes under E.7 and on revenue recognition.

c) Group as lessee

Lease payments for operating leases are recognised on the Statement of Income as a straight-line expense over the term of the lease.

Revenue recognition

Sales revenues comprise proceeds from the sale of real estate companies, proceeds from asset management, net rent and incidental rental expenses. Net rent and incidental rental expenses were reported as rental income on the Consolidated Statement of Income. Sales revenues are recorded on an accrual basis in accordance with the provisions of the underlying contract and when it is probable that the company will receive the economic benefits from the transaction. However, if doubts as to the collectibility of an amount already recognised as revenue arise, rather than an adjustment being made to the revenue the doubtful or uncollectible amount is recorded as an expense.

Revenue is recognised from sales transactions when:

- All material risks and rewards connected with ownership are transferred to the buyer
- The Group retains neither rights of disposition nor effective control over the object of sale
- The amount of revenue and the costs arising in connection with the sale can be measured reliably
- It is sufficiently probable that the Group will receive an economic benefit from the sale
- Expenses incurred or to be incurred in connection with the sale can be measured reliably

D. NOTES TO THE CONSOLIDATED STATEMENT OF INCOME

1. Rental income

Rental income for the Group is summarised as follows:

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 –31/03/2009
Net rent	4,468	4,195
Proceeds from incidental rental expenses	2,151	2,380
	6,619	**6,575**

Rental income is largely attributable to the leasing of land with commercial and residential buildings.

2. Operating expenses for the generation of rental income

Operating expenses for the generation of rental income amounted to TEUR 4,206 for the year under review (previous year: TEUR 5,029). Operating expenses of TEUR 2,151 (previous year: TEUR 2,380) are allocable and can be passed on to tenants. Operating expenses of TEUR 2,055 (previous year: TEUR 2,649) are non-allocable.

3. Gains/losses relating to the sale of real estate companies

The Group sold 100 per cent of the shares in two subsidiary companies for a total price of TEUR 8,541 during the previous fiscal year. In addition, shares of two companies previously valued at cost were sold for a price of TEUR 29. Receivables from the selling price of the subsidiaries at 31 March 2010 are reported in trade receivables and other assets.

The cost of the sale of the subsidiaries resulted mainly from the outflow of the net assets of the companies in the amount of TEUR 3,780, while the carrying amount of the companies previously valued at cost is TEUR 50.

4. Gains/losses relating to asset management

The Group generated revenue of TEUR 719 with real estate asset management for third parties during the reporting period. Expenses attributable to this area consist mainly of personnel costs and other expenses (of the subsidiaries MAGNAT Asset Management GmbH and MAGNAT Asset Management Deutschland GmbH) in the amount of TEUR 515. Due to first-time inclusion of the asset manager on 31 August 2009, gains/losses relating to asset management do not include the entire reporting period.

5. Gains/losses relating to companies valued at equity

Gains/losses relating to companies valued at equity of TEUR -5,768 (previous year: TEUR 2,738) include gains/losses from GAIA Real Estate Investments S.A., Luxembourg of TEUR 1,470 (previous year: TEUR 3,421). The income resulted mainly from the valuation of investment property at fair value according to IAS 40 and the sale of real estate investments in subgroup GAIA Real Estate Investments S.A. Gains/losses relating to companies valued at equity included an impairment charge of TEUR 5,931 on the value of OXELTON Enterprises Limited, Limassol, Cyprus. Assessment of the market value of the underlying project is based on the residual value approach. Within the framework of the residual value approach, the current market value of the real estate was first determined after completion using the income value approach. Following that, the costs incurred both for realising the construction project as well as other related costs in connection with the product development are deducted. A capitalisation rate of 10.25 per cent was applied for the purposes of establishing the income value. In the previous year, proceeds from the partial sale of OXELTON Enterprises Limited of TEUR 4,776 were included in gains/losses relating to companies valued at equity. The share of profit or loss assumed by MAGNAT in the companies valued at equity is shown under E.1.3.

Prorated cumulative losses of respectively TEUR 4,637 and TEUR 261 were not recorded for R-QUADRAT Polska Alpha Sp. z o.o. and Irao Magnat 28/2 LLC, both companies recognised at equity, of which from the current period prorated losses of TEUR 4,624 (R-QUADRAT Polska Alpha Sp. z o.o.) and TEUR 85 (Irao Magnat 28/2 LLC) were included. The percentage of the loss exceeded the value of the investment in the case of both companies and therefore no further share of the losses was recorded.

6. Other operating income

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Proceeds from real estate projects	912	0
Proceeds from closing warranties (co-proprietor's building schemes)	790	0
Other revenues	352	122
Other rental income	316	0
Commissions	248	0
Management compensation	64	0
Price gains	43	172
Insurance compensation	8	5
Out of period income	0	65
Income from the release of provisions	0	38
Other	72	36
	2,805	**438**

7. General and administrative expenses

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Expenses for Asset Management	1,758	0
Legal and consulting fees	1,269	1,847
Management expenses	643	0
Management fees	523	931
Management compensation, MAGNAT Management GmbH	210	582
PR and travel expenses	142	266
Supervisory Board compensation	88	84
	4,633	**3,710**

8. Other operating expenses

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Write-down on trade receivables	1,975	67
Amortisation of real estate inventory	1,435	844
Non-deductible input tax	565	695
Price losses	185	104
Amortisation of goodwill	106	279
Cost of financing and charges	99	376
Commission	89	0
Annual Shareholders' Meeting and share management costs	80	104
Sales fees	0	108
Other	463	456
	4,997	**3,033**

9. Financial result

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Financial income	1,639	2,310
Financial expenses	-5,205	-11,482
	-3,566	**-9,172**

Financial income stems mainly from loans granted to companies valued at equity. In the previous year, financial income included TEUR 653 from foreign currency derivatives.

The financial expenses include impairment losses on loans to companies valued at equity amounting to TEUR 2,173. In addition, the financial expenses include the interest paid to credit institutions and shareholders owing to the Group's extensive investment activities. Reference is made to item I.1.

In the previous year, write-downs of TEUR 6,280 were made on financial assets in connection with the Ukrainian investments. Furthermore, financial expenses included the loss from the valuation of foreign currency derivatives amounting to TEUR 1,491.

10. Income taxes

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Current income tax expense	332	-8
Deferred income tax expense	112	57
	444	**49**

Current tax expenses include corporation tax and tax on trade earnings for the domestic companies as well as the asset management companies based in Austria.

Income taxes at home and in other countries can be divided as follows:

In EUR '000	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
At home	187	48
Other countries	257	1
	444	**49**

At the balance sheet date, companies included in the Consolidated Financial Statements recorded unused tax loss carry-forwards of TEUR 17,759 (previous year: TEUR 10,385). Deferred tax assets are only recognised based on these loss carry-forwards if it is probable that there will be sufficient profit against which they may be offset in the foreseeable future.

Deferred taxes amounting to TEUR 45 (previous year: TEUR 78) have been credited directly to equity. They are allocated to assumption of equity changes not affecting income of companies valued at equity.

11. Tax reconciliation statement

Tax reconciliation between the theoretical and actual (including deferred) tax expense is shown on the basis of a consolidated tax rate of 31.93 per cent (previous year: 31.93 per cent). The Group's tax rate of 31.93 per cent includes 15 per cent corporation tax applicable since 1 January 2008, 5.5 per cent solidarity surcharge and 16.1 per cent trade tax. A tax rate of 31.93 per cent is applied for calculating the deferred taxes of domestic companies. In the case of each foreign subsidiary, the tax rates applicable in the country in which the subsidiary is based were used.

IN EUR '000	01/04/2009 –31/03/2010	01/04/2008 – 31/03/2009
Income before taxes	**-13,542**	**-6,452**
Expected tax expense	**-4,324**	**-2,060**
Tax rate differences of foreign subsidiaries	-114	0
Tax effect from non-deductible losses and expenses	3.113	2,161
Tax effects from income exempt from taxes	-503	-4,131
Tax effects from unused losses for which no deferred tax assets were recognised	2,065	3,940
Other	207	139
Effective income taxes (original + deferred taxes)	**444**	**49**

Income exempt from taxes (tax effect TEUR 503) stems from income from investments and participation of TEUR 1,658 exempt from taxes. This income from investments and participation is recorded on the Statement of Income under gains/losses relating to companies valued at equity. Losses for which no deferred tax assets were applied of TEUR 6,468 exist. The tax effect from non-deductible losses and expenses of TEUR 9,749 amounts to TEUR 3,113 and is mainly the result of the loss from companies valued using the equity method.

Distributions of Magnat Real Estate Opportunities GmbH & Co. KGaA to shareholders have no affect on either the corporation tax or the trade tax of the company. However, the company basically owes German gains tax plus solidarity surcharge (withholding tax), which it must withhold from the distribution and pay to the competent German taxation authority.

Income tax and corporation tax are generally applied to distributions to shareholders if these are not subject to taxation due to tax status or other circumstances. Withholding tax deducted and paid by the company is, depending on the tax status of the shareholder, basically chargeable or refundable against the shareholder's income tax or corporation tax debt.

12. Gains/losses net of taxes – of which minority interests

The impact of minority interests on gains/losses net of taxes amounting to TEUR -2,770 (previous year: TEUR -301) is mainly attributable to minority interests in MAGNAT Investment I BV, Netherlands.

13. Earnings per share

Basic earnings per share are made up the share of the profit attributable to the shareholders of the company in the period under review divided by the weighted average of the number of shares outstanding.

A resolution was passed at the General Meeting of 23 February 2009 to reduce the share capital by 90 per cent by way of an ordinary capital reduction and consolidate shares. The company's share capital was reduced in accordance with the provisions of the German Stock Corporation Act by way of an ordinary capital reduction from TEUR 52,900 by TEUR 47,610 to TEUR 5,290. The reduction of shares was effected by consolidating the shares in the ratio 10 to 1.

Section 6 of MAGNAT's Articles, as amended by resolutions of the Extraordinary General Meeting of 23 February 2009, authorised, with the approval of the Supervisory Board, the General Partner to increase the company's share capital until 30 June 2012 through the issuance of up to 26,450,000 new bearer shares in the form of no-par shares with a notional value of EUR 1.00 against TEUR 26,450; pre-emptive rights of the limited shareholders are excluded (Authorised Capital 2007). In accordance with a resolution passed during the Annual Shareholders' Meeting of 29 October 2009, the company's share capital of TEUR 5,290, divided into 5,285,000 no-par bearer shares and 5,000 no-par registered shares, was increased by EUR 8,604,651 against contributions in kind to EUR 13,894,651 by issuing 8,604,651 new no-par bearer shares with dividend rights from 1 April 2009 and a prorated amount of share capital of EUR 1.00 per share. Implementation of the capital increase was filed in the commercial register on 23 November 2009.

	01/04/2009 –31/03/2010	01/04/2008 – 31/03/2009
Share in loss attributable to shareholders of the parent for the period under review (EUR '000)	-11,216	-6,200
Weighted average of the theoretical number of shares outstanding	8,329,329	5,290,000
Basic earnings per share (EUR)	**-1.35**	**-1.17**
Diluted earnings per share (EUR)	**-1.35**	**-1.17**

The basic earnings are equal to the diluted earnings because no dilution is present.

Pursuant to IAS 33.64, the effect on basic and diluted earnings per share should be shown as if the capital increase had already taken place at the start of the fiscal year. The effects on basic and diluted earnings per share are shown below:

	01/04/2009 – 31/03/2010	01/04/2008 – 31/03/2009
Share in loss attributable to shareholders of the parent for the period under review (EUR '000)	-11,216	-6,200
Weighted average of the number of shares outstanding	13,894,651	5,290,000
Basic earnings per share (EUR)	**-0.81**	**-1.17**
Diluted earnings per share (EUR)	**-0.81**	**-1.17**

E. NOTES TO THE CONSOLIDATED BALANCE SHEET

1. Non-current assets

1.1 Intangible assets

1.1.1 GOODWILL

This includes the goodwill of the subsidiaries of MAGNAT Investment I BV as well as MAGNAT AM AG and Altira ImmoFinanz GmbH as well as the subsidiaries of these two companies measured in connection with the capital consolidation. The additions in the current fiscal year essentially concern the first-time inclusion of the two previously mentioned companies (MAGNAT AM AG and Altira ImmoFinanz GmbH) and their subsidiaries.

In EUR '000	2009/2010	2008/2009
Cost at 01/04 of the fiscal year	891	334
Additions	28,427	700
Disposals	0	143
Cost at 31/03 of the fiscal year	29,318	891
Accumulated depreciation	616	510
Carrying amount at 31/03 of the fiscal year	**28,702**	**381**

In EUR '000	31/03/2010	31/03/2009
Accumulated depreciation;	616	510
of which impairment	616	510

In EUR '000	31/03/2010
Current year change in impairment	106
Of which reallocation	106

1.1.2 OTHER INTANGIBLE ASSETS

A useful life of 3-4 years is applied for other intangible assets. In addition to computer software, this includes other intangible assets. The amounts of depreciation are shown on the Statement of Income under other operating expenses.

In EUR '000	2009/2010
Cost at 31/03/2009	0
Accumulated depreciation up to 31/03/2009	0
Carrying amounts at 31/03/2009	**0**
Cost at 31/03/2010	26
Accumulated depreciation up to 31/03/2010	8
Carrying amounts at 31/03/2010	**18**

Additions from acquisitions:

In EUR '000	31/03/2010
Software and other intangible assets	16

1.2 Property plant and equipment

Property plant and equipment includes operating and office equipment. For depreciation, useful life of 3-15 years has been applied. The amounts of depreciation are shown on the Statement of Income under other operating expenses.

In EUR '000	2009/2010	2008/2009
Cost at 01/04 of the fiscal year	44	7
Accumulated depreciation up to 01/04 of the fiscal year	5	0
Carrying amounts at 01/04 of the fiscal year	**39**	**7**
Currency translation	0	0
Additions	90	37
Disposals	0	0
Depreciation	30	5
Carrying amount at 31/03 of the fiscal year	**99**	**39**
Cost at 31/03 of the fiscal year	133	44
Accumulated depreciation up to 31/03 of the fiscal year	34	5
Carrying amounts at 31/03 of the fiscal year	99	39

Additions from acquisitions:

In EUR '000	31/03/2010
Other fixed assets	63

1.3 Shares in companies valued at equity

Shares in companies valued at equity of TEUR 49,030 (previous year: TEUR 51,748) include the shares in associated companies of TEUR 10,275 (previous year: TEUR 10,037) and in joint ventures of TEUR 38,755 (previous year: TEUR 41,711).

1.3.1 SHARES IN ASSOCIATED COMPANIES

In EUR '000	Book value at 31/03/2010	Book value at 31/03/2009
Company		
SQUADRA Immobilien GmbH & Co. KGaA	3,858	4,188
Russian Land AG	2,619	2,431
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	3,798	3,418
Total	**10,275**	**10,037**

The share of profit or loss assumed by MAGNAT according to the annual or interim financial statements of the associated companies follows:

In EUR '000	Gains/losses at 31/03/2010	Gains/losses at 31/03/2009
Company		
SQUADRA Immobilien GmbH & Co. KGaA	-380	-151
Russian Land AG	188	-124
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	-29	-440
Total	**-221**	**-715**

A summary of all the assets, liabilities, earnings and gains/losses of the associated companies for the period is shown in the following table.

Summarised financial information on associated companies:

In EUR '000	31/03/2010	31/03/2009
Aggregated assets	55,797	52,114
Aggregated liabilities	15,005	11,402
Aggregated earnings	1,997	1,434
Aggregated gains/ losses for the period	-2,005	-3,010

The following associated companies and subgroups have a balance sheet date differing from the consolidated balance sheet date: JJW Palais Schwarzenberg Betriebsgesellschaft mbH and Russian Land AG. MAGNAT exercises significant influence over the associated companies jointly with other equity holders and, hence, the fiscal year of MAGNAT Real Estate Opportunities KGaA cannot serve as a basis. In connection with the preparation of the Consolidated Financial Statements, interim financial statements are prepared for the companies.

1.3.2 SHARES IN JOINT VENTURES

In EUR '000	Book value at 31/03/2010	Book value at 31/03/2009
Company		
R-QUADRAT Polska Alpha Sp. z o.o.	0	0
Irao MAGNAT 28/2 LLC	0	0
MAGNAT Investment II BV	1,503	2,386
GAIA Real Estate Investments S.A.	23,980	20,018
OXELTON ENTERPRISES Limited	13,272	19,307
Total	**38,755**	**41,711**

The share of profit or loss assumed by MAGNAT according to the annual or interim financial statements of the joint ventures follows:

In EUR '000	Gains/losses at 31/03/2010	Gains/losses at 31/03/2009
Company		
R-QUADRAT Polska Alpha Sp. z o.o.	0	-365
Irao MAGNAT 28/2 LLC	-48	-55
MAGNAT Investment II BV	-805	-4,056
GAIA Real Estate Investments S.A.	1,871	3,864
OXELTON ENTERPRISES Limited	-233	-285
Total	**785**	**-897**

Summarised financial information on joint ventures in accordance with IAS 31.56 (prorated values of the subgroups):

In EUR '000	31/03/2010	31/03/2009
Aggregated non-current assets	14,309	43,885
Aggregated current assets	33,540	31,243
Aggregated non-current liabilities	8,763	38,511
Aggregated current liabilities	14,414	40,787
Aggregated income	34,006	22,943
Aggregated expenses	35,612	23,899

The following joint ventures and subgroups have a balance sheet date differing from the consolidated balance sheet date: R-QUADRAT Polska Alpha Sp. z o.o., Irao Magnat 28/2 LLC, GAIA Real Estate Investments S.A., OXELTON ENTERPRISES Limited. In connection with the preparation of the Consolidated Financial Statements, interim financial statements are prepared for the companies.

1.4 Other financial assets
The fair values for other financial assets amounted to TEUR 163.

1.5 Loans to companies valued at equity
Loans to companies valued at equity amounting to TEUR 6,545 (previous year: TEUR 13,773) are mainly related to a loan to R-QUADRAT Polska Alpha Sp. z o.o., Poland of TEUR 3,328 (previous year: TEUR 3,584) and a loan to OXELTON ENTERPRISES Limited, Cyprus, of TEUR 2,356 (previous year: TEUR 2,137). The previous year's level included a loan with accrued interest to Hekuba S.A., Luxembourg, of TEUR 7,240. The loan to R-QUADRAT Polska Alpha Sp. z o.o. was granted for development of the 'Katy Wroclawskie' project and bears an interest rate of 11 per cent p.a. The loan is divided into different tranches which have a term of four years. The agreement is subject to termination by either party within three months. In the past fiscal year, the loan was adjusted proportionately in the amount of TEUR 2,173 (previous year: TEUR 970). The repayment date of the loan to OXELTON ENTERPRISES Limited is contingent upon the occurrence of certain future conditions and bears an interest rate of 10 per cent p.a. The loan is to be repaid by no later than 31 December 2011.

2. Current assets

2.1 Real estate inventory

Reported real estate inventory amounting to TEUR 63,666 (previous year: TEUR 60,102) concerns undeveloped and developed plots scheduled for resale. During the period under review, impairment of TEUR 1,435 (previous year: TEUR 844,000) was carried out, which is shown on the Statement of Income under other operating expenses. Reversal of an impairment loss did not take place during the period under review. Real estate inventory is recognised at either cost or fair value (net realisable value), whichever is lower.

The following real estate inventory was pledged as collateral for liabilities:

In EUR '000	Carrying amount 31/03/2010	Carrying amount 31/03/2009	Property
Company			
Erste MAGNAT Immobiliengesellschaft mbH	6,258	6,258	Employment Office Worms, Employment Office Parchim, Employment Office Schwerin, Halle
Zweite MAGNAT Immobiliengesellschaft mbH	24,936	24,848	Eberswalde
Dritte MAGNAT Immobiliengesellschaft mbH	3,059	3,059	Rostock
Vierte MAGNAT Immobiliengesellschaft mbH	6,510	7,450	Saalfeld
Fünfte MAGNAT Immobiliengesellschaft mbH	5,680	5,618	Delitzsch
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG	1,081	0	Vienna, Austria
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG	1,760	0	Vienna, Austria
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	1,971	0	Wr. Neustadt, Austria
	51,255	**47,233**	

2.2 Trade receivables and other receivables

In EUR '000	31/03/2010	31/03/2009
Purchase price receivables	7,482	9,241
Trade receivables due from third parties	2,593	570
Receivables due from atypical silent partners	2,302	0
Administrator accounts	523	497
Receivables from the management of turnover tax	376	90
Other	945	125
	14,221	**10,523**

All receivables have short-term maturity. Write-downs amounting to TEUR 2,225 (previous year: TEUR 170) were accounted for, their development is shown in the following table. Other than those, there are no material overdue payments. Expenses from the transfer of the write-downs are shown on the Statement of Income in other operating expenses.

Purchase price receivables include receivables from the previous year's sale of project companies R-Quadrat UA Alpha Ltd., Kiev, Ukraine (Project Alexander) and R-Quadrat UA Beta Ltd., Kiev, Ukraine (Project Koncha Zaspa). The outstanding purchase price is mortgaged in the land register of each Ukrainian property. Talks are currently being held on short-term payment of the purchase price claims and drawing the mortgage.

In EUR '000	2009/2010	2008/2009
Balance at the beginning of the fiscal year	170	103
From acquisitions	104	0
Write-downs	1,975	67
Reversal of write-downs	24	0
	2,225	**170**

Write-downs in connection with purchase price receivables were recognised in the amount of TEUR 1,759 since the market values of the mortgaged real estate have reduced. The write-downs are shown on the Statement of Income in other operating expenses.

2.3 Financial receivables and other financial assets

Financial receivables and other financial assets mainly include short-term financial receivables due from R Quadrat Capital Beta GmbH amounting to TEUR 2,475 (previous year: TEUR 2,920). There are no items that are significantly past due and, as was the case last year, no value adjustments were recognised.

2.4 Derivative financial instruments

The financial instruments recognised last year of TEUR 465 concerned MAGNAT’s long position (foreign currency options). Reference is made to item I.1 in this regard.

2.5 Cash and cash equivalents

Cash and cash equivalents of TEUR 8,822 (previous year: TEUR 7,625) relate to cash in hand and balances with credit institutions.

3. Equity

MAGNAT’s share capital currently stands at EUR 13,894,651.00. This amount is divided into 13,894,651 no-par bearer shares with a notional par value of EUR 1 per share. All shares are fully paid in.

In the event of a capital increase, the participation in profit of new shares may be defined in a manner deviating from section 60 paragraph 2 AktG. The share in the capital of the General Partner, Magnat Management GmbH, a subsidiary of MAGNAT, amounts to EUR 50,000.00.

Limited shareholders are not entitled to the issue of individual share certificates. The company can group together individual shares of one class into share certificates representing a majority of shares. Limited shareholders' shares are represented in several global certificates.

	31/03/2010	31/03/2009
Number of no-par bearer shares issued	13,894,651	52,850,000
Number of no-par registered shares issued	0	50,000
	13,894,651	**52,900,000**
Of which paid in full	**13,894,651**	**52,900,000**

The company's share capital was reduced by 90 per cent by the way of an ordinary capital reduction and shares consolidated. The capital freed-up by the capital reduction was used to offset the accumulated loss and the surplus amounts were allocated to the capital reserve.

The General Partner is, with the approval of the Supervisory Board, authorised to increase the company's share capital until 30 June 2012 through the issuance of up to 26,450,000 new ordinary shares in the form of no-par bearer shares with a notional value of EUR 1.00 per share against cash or contributions in kind in partial amounts and on one or more occasion(s) to up to EUR 26,450,000 (Authorised Capital 2007). In principle, limited shareholders shall have pre-emptive rights with exclusion thereof being possible in the particular cases defined in the resolution of the Annual Shareholders' Meeting of 30 August 2007.

Furthermore, until 30 June 2012, the General Partner is, with the consent of the Supervisory Board, authorised to issue convertible bonds and/or bonds with warrants attached ('debt securities') in bearer and/or registered form for a total par value of up to EUR 100,000,000 on one or several occasion(s) and with or without a limitation on the duration, and to grant the holders and/or creditors of debt securities warrant or conversion rights for new bearer shares of the company with a prorated amount of share capital of up to EUR 26,450,000 in accordance with the terms relating to warrants and/or convertible bonds described in more detail in the resolution of the Annual Shareholders' Meeting of 30 August 2007.

In this context, the company's share capital will be conditionally increased by up to EUR 26,450,000 through the issuance of up to 26,450,000 new bearer shares. The conditional capital increase facilitates the granting of subscription or conversion rights to the holders of warrant and/or convertible bonds issued by the company or by subordinate companies within the Group pursuant to the above authorisation. The conditional capital increase will only be implemented if the holders or creditors of warrant or conversion rights make use of such rights or the holders under an obligation to convert fulfil such duty and no cash settlement is allowed or no treasury shares or shares created out of authorised capital are employed.

Use was made of these powers in Fiscal Year 2009/2010. The company's share capital of EUR 5,290,000.00 was increased by EUR 8,604,651 against contributions in kind to EUR 13,894,651 through the issuance of 8,604,651 new no-par bearer shares. Due to the capital increase, the authorised capital of the Articles of Association reduced from EUR 26,450,000.00 by EUR 8,604,651.00 to EUR 17,845,349.00.

The company is authorised to acquire up to a total of 10 per cent of the existing share capital until 28 October 2014. At the same time, shares acquired on the basis of this authorisation together with other treasury shares already acquired or owned by the company may not represent more than 10 per cent of the existing share capital of the company.

The amount raised in excess of the par value for the capital increases during the previous fiscal years was, in each case, transferred to the capital reserve. The cost involved in capital procurement was deducted directly from the capital reserve. Profit carried forward and the current period gains/losses are shown in the retained earnings.

4. Non-current liabilities

4.1 Deferred tax assets and tax liabilities

Deferred tax assets and tax liabilities are composed of temporary differences in the following balance sheet items:

In EUR '000	31/03/2010	31/03/2009
Companies valued at equity	203	189
Loss carry-forwards	552	349
Deferred tax assets	**755**	**538**
Companies valued at equity	158	111
Real estate inventory	703	453
Other	71	5
Deferred tax liabilities	**932**	**569**

TEUR 552 of this amount meets the requirements of IAS 12.74. After netting out deferred tax assets and deferred tax liabilities, the following deferred tax assets and tax liabilities remain:

In EUR '000	31/03/2010	31/03/2009
Companies valued at equity	203	189
Deferred tax assets	**203**	**189**
Companies valued at equity	158	111
Real estate inventory	151	104
Other	71	5
Deferred tax liabilities	**380**	**220**

4.2 Long-term financial debts

Long-term financial debts consist of liabilities due to credit institutions of TEUR 37,588 (previous year: TEUR 35,239) with a remaining time to maturity of more than one year and loans from atypical silent partners of TEUR 483. This item also includes a liability from a mezzanine loan amounting to TEUR 3,586 (nominal value of TEUR 6,500) and liabilities to shareholders from loans of TEUR 4,141 (nominal value of TEUR 3,500).

The nominal interest rate is virtually identical to the effective interest rate as only minimal transaction costs were incurred.

Long-term portion of loans
Mezzanine loan
Loan R-Quadrat Capital Gamma GmbH for MAGNAT ReOpKGaA
Loan GAIA Real Estate Investments S.A. for MAGNAT ReOpKGaA
DKB annuity loan for 1st MAGNAT Immobilienges.mbH
DKB roll-over credit for 1st MAGNAT Immobilienges.mbH
DKB variable-rate credit for 2nd MAGNAT Immobilienges.mbH
DKB roll-over credit for 3rd MAGNAT Immobilienges.mbH
DKB annuity loan for 4th MAGNAT Immobilienges.mbH
DKB roll-over credit for 4th MAGNAT Immobilienges.mbH
DKB annuity loan for 5th MAGNAT Immobilienges.mbH
DKB roll-over credit for 5th MAGNAT Immobilienges.mbH
Credit for R-Quadrat Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG
Loan for R-Quadrat Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG
Loan for R-Quadrat Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG
Revolving exploitable credit for R-Quadrat Immobilien GmbH & Co. Kastnergasse 16 KG
Loan atypical silent partner for MAGNAT Capital Markets GmbH

TEUR 41,175 of the long-term debt is collateralised by assets, which include real estate inventory (see E.2.1) and shares in companies valued at equity (TEUR 13,272).

Nominal interest rate %	Maturity	31/03/2010 (in EUR '000)	31/03/2009 (in EUR '000)
12.00 %	06/07/2014	3,586	6,818
11.00 %	30/04/2011	4,141	3,726
3M-EURIBOR + 2.50 %	12/11/2011 and 28/04/2012	1,695	0
4.57%	30/06/2010	3,538	0
3M-EURIBOR + 1.20 %	30/12/2010	0	3,634
6M-EURIBOR + 1.00 %	30/03/2013	19,538	19,952
3M-EURIBOR + 1.10 %	30/03/2013	2,256	2,008
4.57%	30/06/2014	5,006	0
3M-EURIBOR + 1.20 %	30/12/2010	0	5,676
4.57%	30/06/2014	3,863	0
3M-EURIBOR + 1.20 %	30/12/2010	0	3,969
Average of secondary-market yields 'Bond' + 1.5% and 3M-EURIBOR + 1.5%	01/04/2022	1,729	0
5.35%	30/06/2022	136	0
5.35%	30/06/2022	65	0
3M-EURIBOR + 1.75%	31/01/2013	1,458	0
Bearing no interest	31/12/2022	483	0
		47,494	**45,783**

5. Short-term debts

5.1 Provisions

In EUR '000	31/03/2010	31/03/2009
Purchase price adjustment	1,630	1,630
Financial statement and auditing fees	437	300
Legal and consulting fees	200	0
Personnel costs	166	0
Outstanding invoices	142	131
Supervisory Board compensation	49	15
Valuations	45	0
Other	67	0
	2,736	**2,076**

In EUR '000	31/03/2009	Acqui-sitions	Use	Unused amounts	Additional-ly formed provisions	31/03/2010
Purchase price adjustment	1,630	0	0	0	0	1,630
Financial statement and auditing fees	300	58	337	18	434	437
Legal and consulting fees	0	300	0	100	0	200
Personnel costs	0	82	0	39	123	166
Outstanding invoices	131	67	156	15	115	142
Supervisory Board compensation	15	20	34	0	48	49
Valuations	0	0	0	0	45	45
Other	0	523	325	188	57	67

5.2 Trade payables and other payables

In EUR '000	31/03/2010	31/03/2009
Trade payables	654	711
Liabilities from deductions	317	0
Liabilities from deferrals	139	120
Liabilities due to administrators	97	35
Turnover tax liabilities	126	7
Liabilities from purchase price overpayment	0	1,328
Liabilities due to related parties	0	538
Miscellaneous	356	359
	1,689	**3,098**

Liabilities due to related parties concern liabilities from last year due to R-QUADRAT Immobilien Beratungs GmbH.

Trade payables of TEUR 654 (previous year: TEUR 711) are entirely made up of liabilities to third parties and have short-term maturity.

Liabilities to administrators consist mainly of remuneration for the administration of leased properties. The liabilities are short-term in nature.

5.3 Tax liabilities

Current income tax liabilities amounting to TEUR 846 (previous year: TEUR 48) concern trade tax of TEUR 39 (previous year: TEUR 15), corporation tax of TEUR 523 (previous year: TEUR 33) and gains tax of TEUR 284 (previous year: TEUR 0).

5.3 Short-term financial debts

Short-term financial debts are composed of liabilities due to credit institutions amounting to TEUR 2,243 (previous year: TEUR 2,404), liabilities due to companies in which a participating interest exists or investments valued at cost and other amounting to TEUR 9,747 (previous year: TEUR 1,526). TEUR 4,879 of the above TEUR 9,747 is made up of loans.

TEUR 2,243 of the total (TEUR 11,990) is made up of short-term loans.

Amounts owed to credit institutions include TEUR 7 in interest liabilities (previous year: TEUR 143). Liabilities due to associate companies are short-term and relate predominantly to liabilities due to minority interests.

Short-term financial debts include dividends to be paid by MAGNAT Asset Management GmbH to the former shareholders of TEUR 2,326.

	Nominal interest rate %	Maturity	31/03/2010 (in EUR '000)	31/03/2009 (in EUR '000)
Current portion of loans due to credit institutions				
Interest liabilities for long and short-term loans	n/a	n/a	7	143
Redemption DKB loan for 1st MAGNAT Immobilienges. mbH	4.57%	01/04/2010 till 31/03/2011	97	116
Redemption DKB loan for 2nd MAGNAT Immobilienges. mbH	6M-EURIBOR + 1.00 %	30/09/2010 and 30/03/2011	416	415
Redemption DKB loan for 3rd MAGNAT Immobilienges. mbH	3M-EURIBOR + 1.10 %	05/06/2010 and 05/12/2010	47	41
Redemption DKB loan for 4th MAGNAT Immobilienges. mbH	4.57%	01/04/2010 till 31/03/2011	138	118
Redemption DKB loan for 5th MAGNAT Immobilienges. mbH	4.57%	01/04/2010 till 31/03/2011	106	127
Redemption credit for MAGNAT AM AG	1.13%	31/05/2010	502	0
Redemption credit for R-Quadrat Immobilien Management GmbH & Co. Schumanngasse 16 KG	2.38%	30/06/2010	905	0
Redemption loan for R-Quadrat Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG	5.35%	30/06/2010 and 31/12/2010	25	0
Current account liability MAGNAT KGaA	n/a	n/a	0	1,444
			2,243	**2,404**

	Nominal interest rate %	Maturity	31/03/2010 (in EUR '000)	31/03/2009 (EUR '000)
Current portion of loans due to various				
Mezzanine loan	12.00%	06/07/2010 and 30/09/2010	4,100	0
Loan R-Quadrat Capital Gamma GmbH for MAGNAT Asset Management	11.00%	21/04/2010	367	0
Loan R-Quadrat Capital Gamma GmbH for MAGNAT Capital Markets GmbH	11.00%	20/04/2010	200	0
Loan R-Quadrat Capital Gamma GmbH for R-Quadrat Immobilien Management GmbH & Co. Schumanngasse 16 KG	11.00%	20/04/2010	212	0
			4,879	**0**

The nominal interest rate is virtually identical to the effective interest rate as only minimal transaction costs were incurred.

5.4 Derivative financial instruments

Derivative financial instruments amounting to TEUR 594 carried as short-term debts in the previous year are made up of the short position of MAGNAT (foreign currency options).

6. Operating leases – Group as lessee

One vehicle was leased at the balance sheet date; minimum lease payments of TEUR 12 (up to one year) and TEUR 7 for a period of between one to five years arise from the lease agreement.

7. Operating leases – Group as lessor

The Group has taken on commercial property leases in connection with its acquisition of real estate in the property management companies held for sale. The property held includes office space not used by the Group itself.

As of the reporting date, the following leases were in existence:

At the balance sheet date, a non-cancellable remaining lease term until the end of May 2011 existed for the 'Parchim Employment Office'. The tenant has two options to extend the fixed lease term by five years at a time unilaterally. After the balance sheet date, this tenancy was extended to 31 December 2011 and the options of two times five years adjusted so that the option period does not begin until 1 January 2012. A non-cancellable remaining lease term until the end of November 2010 exists for the annex belonging to the Parchim Employment Office. The tenant has one option to extend the fixed lease term by six years unilaterally.

The 'Worms Employment Office' property has a non-cancellable remaining lease term until the end of March 2011. The tenant has two options to extend the fixed lease term by five years at a time unilaterally.

Non-cancellable lease terms exist for the individual tenants of the Delitzsch property; these are between 3 and 117 months at the balance sheet date. A substantial part of the tenancy agreements will expire at 30 June 2013. Options to extend are structured in various manners for certain tenants.

As described above, the lease terms agreed to by the Group in connection with residential properties do not represent leases within the meaning of IAS 17.

The following receivables exist for future minimum lease payments from non-cancellable operating leases:

In EUR '000	31/03/2010	31/03/2009
Up to 1 year	749	965
1-5 YEARS	936	1,706
More than 5 years	126	151
	1,811	**2,822**

F. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash flow from operating activities is calculated using the indirect method. Cash flow from investing and financing activities is calculated on a payment-related basis. Cash flow contains interest of TEUR 305 (previous year: TEUR 178) and paid interest of TEUR 1,162 (previous year: TEUR 1,927).

Cash outflow from operating activities

Cash outflow from operating activities totals TEUR -5,476. A movement of TEUR -2,059 was recognised for real estate inventory. Trade receivables and other receivables show a movement of TEUR -1,234, financial receivables are included with a movement of TEUR 1,356. Movements in trade liabilities and other liabilities and movements in provisions resulted in a net effect of TEUR -1,844. Non-cash-related-expenses and income amounted to TEUR 11,740. A breakdown of the significant items is shown separately in non-cash items.

In addition to payments-out, cash outflow from operating activities includes income tax refunds. The balance from payments-in/out for income taxes amounted to TEUR 259 (previous year: TEUR -215).

Cash inflow from investing activities

Cash outflow, based on companies valued at equity and other participating interests, totals TEUR 809. Loans granted to companies valued using the equity method and other participating interests resulted in payments-out of TEUR 1,385 and investments for fixed assets accounted for payments-out of TEUR 27. This outflow is compensated by an inflow from loans from companies valued at equity in the amount of TEUR 7,417 and the inflow of cash and cash equivalents from the acquisition of subsidiaries.

Cash inflow from financing activities

Cash inflow from financing activities amounting to TEUR 816 is influenced by the assumption of financial debts of TEUR 17,310 and the redemption of financial debts of TEUR 16,416.

Non-cash items

Non-cash items stem mainly from write-downs (TEUR 5,522), gains/losses of companies valued using the equity method (TEUR 5,768), currency translation (TEUR 491), income taxes (TEUR -444) and the revaluation of derivative financial instruments pursuant to IAS 39 (TEUR -128).

Cash and cash equivalents

Cash and cash equivalents correspond with the amount shown on the Consolidated Balance Sheet of TEUR 8,822 (previous year: TEUR 7,625). This item includes cash on hand and current balances with credit institutions.

G. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

1. Notes to the Consolidated Statement of Changes in Equity for the period 1 April 2009 to 31 March 2010

Capital transactions with shareholders
On 20 April 2009, a resolution on ordinary capital reduction passed at the Extraordinary General Meeting of 23 February 2009 was filed in the commercial register. The share capital was reduced by 90 per cent (TEUR 47,610) to TEUR 5,290. The capital freed-up by the capital reduction was used to offset the accumulated loss (TEUR 3,970) and the surplus amounts were allocated to the capital reserve.

On 23 November 2009, a capital increase of TEUR 8,605 was registered. In that respect, the share capital was increased from TEUR 5,290 to TEUR 13,895. The capital increase was effected by issuing 8,604,651 new no-par bearer shares with dividend rights from 1 April 2009 with a prorated amount of the share capital of EUR 1.00 per share against contributions in kind. The premium from the capital increase was allocated to the capital reserve (TEUR 20,995).

There were no distributions made to shareholders during the year under review or in the following year through to the time at which the financial statements were prepared.

Treasury shares
The subsidiary MAGNAT Asset Management GmbH owns 5,000 no-par bearer shares. Original cost amounted to TEUR 28, the portion of capital amounts to 0.04 per cent.

Additional changes recognised directly in equity
Additional changes recognised directly in equity result from a positive foreign currency translation difference amounting to TEUR 2,223, of which TEUR 54 is attributable to minority interests, and, in the opposite direction, TEUR -12 from the assumption of other reserves of companies valued using the equity method. A positive movement of TEUR 347 resulted from the valuation of financial instruments available for sale in a company valued at equity. .

Gains/losses for the period
The negative result for the period attributable to the shareholders of the parent amounts to TEUR 11,216; a share of losses amounting to TEUR 2,770 is attributable to minority interests.

2. Notes to the Consolidated Statement of Changes in Equity for the period 1 April 2008 to 31 March 2009

Capital transactions with shareholders

There were no distributions made to shareholders during the year under review or in the following year through to the time at which the financial statements were prepared.

Additional changes recognised directly in equity

Additional changes recognised directly in equity result from a negative foreign currency translation difference amounting to TEUR 4,030, of which TEUR 288 is attributable to minority interests, and, in the opposite direction, TEUR 305 from the assumption of other reserves of companies valued using the equity method.

Gains/losses for the period

The negative result for the period attributable to the shareholders of the parent amounts to TEUR 6,200; a share of losses amounting to TEUR 301 is attributable to minority interests.

H. GROUP SEGMENT REPORTING

1 April 2009 – 31 March 2010

In EUR '000	Business segments by segment			
	Investments	Asset Management	Central Functions	Group
Revenue	6,619	719	0	7,338
Other income	313	2,265	228	2,805
Profit from companies valued at equity	1,658	0	0	1,658
Segment earnings	**8,589**	**2,984**	**228**	**11,801**
Net assets from sold real estate companies	0	0	0	0
Other expenses	-7,045	-2,498	-4,807	-14,351
Loss from companies valued at equity	-7,426	0	0	-7,426
Segment expenses	**-14,472**	**-2,498**	**-4,807**	**-21,778**
Segment gains/losses	**-5,882**	**485**	**-4,580**	**-9,976**
Interest income	1,080	83	476	1,639
Interest expense	-3,246	-644	-1,316	-5,205
Income tax	-129	-435	121	-444
Gains/losses for the period				**-13,986**
Significant non-cash-related expenses	**11,582**	**-4**	**162**	
Impairment loss in gains/losses for the period	**11,544**	**231**	**0**	
Additional information				
Segment assets	110,697	40,027	14,201	164,924
Of which shares in companies valued at equity	49,030	0	0	49,030
Loans to companies valued at equity	6,545	0	0	6,545
Financial receivables and other financial assets	37	487	4,378	4,902
Tax assets	146	0	187	332
Total assets				**176,702**
Segment liabilities	871	1,017	2,918	4,805
Long-term financial debts	35,895	3,871	7,727	47,494
Short-term financial debts	1,855	4,482	5,653	11,990
Tax liabilities	126	435	286	846
Total liabilities				**65,135**

In EUR '000	Geographical segments			
	D/A [1) 2)]	CEE/SEE [1)]	CIS [1)]	Group
Revenue	7,338	0	0	7,338
Other income	2,763	42	0	2,805
Profit from companies valued at equity	0	1,470	188	1,658
Segment earnings	**10,101**	**1,512**	**188**	**11,801**

Additional information				
Segment assets	103,517	35,753	25,655	164,924
Of which shares in companies valued at equity	7,656	23,979	17,394	49,030
Loans to companies valued at equity	0	3,328	3,217	6,545
Financial receivables and other financial assets	4,887	0	15	4,902
Tax assets	332	0	0	332
Total assets	**108,735**	**39,081**	**28,886**	**176,702**
Total liabilities	**63,091**	**1,870**	**175**	**65,135**
Of which long-term financial debts	45,799	1,695	0	47,494

1) CEE = Central & Eastern Europe; SEE = South-Eastern Europe; CIS = Commonwealth of Independent States
D / A = Germany and Austria
2) Including the Dutch holding MAGNAT Investment I BV

1 April 2008 – 31 March 2009

In EUR '000	Business segments by segment		
	Investments	Central Functions	Group
Revenue	15,116	29	15,145
Other income	143	295	438
Profit from companies valued at equity	8,197	0	8,197
Segment earnings	**23,457**	**324**	**23,780**
Net assets from sold real estate companies	-3,780	-50	-3,830
Other expenses	-8,903	-2,868	-11,771
Loss from companies valued at equity	-5,459	0	-5,459
Segment expenses	**-18,142**	**-2,918**	**-21,060**
Segment gains/losses	**5,314**	**-2,594**	**2,720**
Interest income	1,175	1,135	2,310
Interest expense	-9,209	-2,273	-11,482
Income tax	-46	-3	-49
Gains/losses for the period			**-6,501**
Significant non-cash-related expenses	**9,733**	**1,491**	
Impairment loss in gains/losses for period	**8,440**	**0**	
Additional information			
Segment assets	122,994	8,201	131,195
Of which shares in companies valued at equity	51,748	0	51,748
Loans to companies valued at equity	13,773	0	13,773
Financial receivables and other financial assets	1,076	3,756	4,832
Tax assets	52	534	586
Total assets			**150,386**
Segment liabilities	1,012	4,976	5,988
Long-term financial debts	35,239	10,544	45,783
Short-term financial debts	1,712	2,219	3,391
Tax liabilities	48	0	48
Total liabilities			**55,750**

In EUR '000	Geographical segments			
	D/A [1) 2)]	CEE/SEE [1)]	CIS [1)]	Group
Revenue	6,604	0	8,541	15,145
Other income	400	0	38	438
Profit from companies valued at equity	0	3,421	4,776	8,197
Segment earnings	**7,004**	**3,421**	**13,355**	**23,780**

Additional information				
Segment assets	64,743	31,767	34,685	131,195
Of which shares in companies valued at equity	7,606	20,017	24,125	51,748
Loans to companies valued at equity	0	10,825	2,948	13,773
Financial receivables and other financial assets	4,817	0	15	4,832
Tax assets	586	0	0	586
Total assets	**70,146**	**42,592**	**37,648**	**150,386**
Total liabilities	**55,335**	**198**	**217**	**55,750**
Of which long-term financial debts	45,783	0	o	45,783

1) CEE = Central & Eastern Europe; SEE = South-Eastern Europe; CIS = Commonwealth of Independent States
D / A = Germany and Austria
2) Including the Dutch holding MAGNAT Investment I BV

Segmentation of the data on the Annual Financial Statements is based on the internal alignment according to strategic business segments and regional factors as per IFRS 8. The segment information presented in accord with the management approach represents the information to be reported to the Board of Management. The Group is divided into the business segments Investments and Asset Management. Separation of the Investments segment into Portfolio and Development as applied in the previous report has been abandoned. The prior year figures have been grouped accordingly. The Investments segment contains information related to investment property held as long-term fixed assets as well as the units Revitalisation, Project Development and Land Banking. The Asset Management segment represents the activities of the asset manager since internalisation thereof. The 'Corporate Functions' segment contains the holding companies, which do not represent independent segments. This includes, inter alia, the activities of MAGNAT as Group holding company. However, this is presented separately in the interest of clarity.

The revenues of the fiscal year resulted primarily from letting and the sale of real estate companies and were generated predominantly in the Investments segment.

The activities of the companies in the non-operational segment or the primary segment Corporate Functions are limited to administration of the subsidiaries and other companies.

The amortised investment carrying amounts of companies valued using the equity method of TEUR 49,030 (previous year: TEUR 51,748) are attributable entirely to the Investments segment.

The amortised investment carrying amounts of companies valued using the equity method of TEUR 49,030 (previous year: TEUR 51,748) are distributed over the regional segments as follows: Germany/Austria TEUR 7,656 (previous year: TEUR 7,606), the CEE/SEE region TEUR 23,979 (previous year: TEUR 20,017) and the CIS region TEUR 17,394 (previous year: TEUR 24,125).

The depreciation of fixed assets and other intangible assets are distributed as follows: Business Segment Investments TEUR 8 (previous year: TEUR 5), Business Segment Asset Management TEUR 17 (previous year: TEUR 0) and Central Functions TEUR 16 (previous year: TEUR 0).

I. OTHER DISCLOSURES

1. Financial instruments

MAGNAT, the parent company, arranged two additional foreign currency options (EUR/USD Plain Vanilla OTC currency options) with a bank during the period under review in addition to those that already exist. However, these were closed-out on 31 March 2010 (term until the end of September 2009). These transactions have the basic character of a hedging instrument, but do not meet the requirements to qualify for recognition as a hedge transaction under IAS 39.

Therefore, the currency options were classified as being held for trade and measured at fair value at the balance sheet date of the previous period. The derivative financial instruments recognised as a debt last year amounting to EUR 594,000 resulted from the writers' position of MAGNAT, measured at the balance sheet date. The positive change from closing the derivative transactions during the reporting period in the amount of TEUR 129 (previous year: TEUR -1,080 and -411) was recorded on the Consolidated Statements of Income under financial result.

An option contract was concluded between MAGNAT and JJW Ltd., Guernsey (JJW Ltd.) on 18 July 2007. The option to purchase grants JJW Ltd. the possibility to make a unilateral statement of acceptance to acquire MAGNAT's share in JJW Hotel im Palais Schwarzenberg Betriebsgesellschaft mbH for the period 1 June 2011 to 31 July 2011. In turn, the option to sell grants MAGNAT the possibility to make unilateral statement of acceptance to transfer MAGNAT's shares in JJW Hotel im Palais Schwarzenberg Betriebsgesellschaft mbH to JJW Ltd. for the period 1 June 2011 to 31 August 2011. According to IAS 39 AG81, measurement is precluded for an underlying not held for trading and its respective derivatives if the range of reasonably estimated fair values is significant or the probability of the various estimates of fair value within that range cannot be reasonably assessed and used for the estimate. It is not possible to reasonably estimate the fair value of the option and thus that the identification of probabilities irrelevant. Hence, the requirements of IAS 39 AG80 cannot be met and a fair value measurement of the shares of the contract is thus abstained from.

Interest rate risks in connection with cash flows relate to funds placed in demand deposit accounts and to fixed and variable interest rates on borrowed capital. Interest rate risks are not expected to have any significant negative effects over the long-term, as the liquid funds are only available until the investments are made in the material amount reported at the balance sheet date and, in accordance with plans, will then be tied up in projects. For the amount deposited at the balance sheet date amounting to TEUR 8,822 (previous year: TEUR 7,625), a 0.5 per cent p.a. reduction in interest rates would lead to a reduction in annual interest income of TEUR 44 (previous year: TEUR 38), which equates to TEUR 4 per month.

The maximum credit risk from all financial assets corresponds to the carrying amounts of the loans in the other financial investments, advance payments on financial assets, trade receivables and other receivables, financial receivables and other financial assets, thus a total of TEUR 26,000 (previous year: TEUR 29,713).

The credit risk is met by maintaining close contact with the debtors and thereby identifying unfavourable trends at an early stage.

Financial risk management
Group financial assets consist mainly of shares in and loans to companies valued using the equity method, trade receivables, financial receivables, other receivables and cash in banks. A considerable percentage of trade receivables consist of rents and receivables from Asset Management. Potential defaults in connection herewith are taken into account.

The significant financial liabilities utilised by the Group, with the exception of financial derivatives, comprise bank loans and current account facilities, trade liabilities, advance payments received and loans granted. The main purpose of these financial liabilities is the financing of the Group's business activities.

The Group is exposed to various financial risks through its business activities: foreign currency risk, interest rate risk, credit risk and liquidity risk. Overarching risk management focuses on the ongoing identification and active management of risks typical for the business. Within certain boundaries, risks are accepted, being counterbalanced by corresponding opportunities for returns. The goal is to cap peak risks so as to ensure that they do not threaten the continued existence of the company.

The Management of the General Partner identifies, evaluates and safeguards against financial risks in close cooperation with the asset manager and in coordination with the Group's Supervisory Board.

Foreign currency risk
MAGNAT operates predominantly in markets outside the euro area and is therefore exposed to currency risks. Where possible and feasible, projects are processed in the local currency (e.g. financing of construction costs with outside capital in the local currency).

The remaining exchange rate risk, limited in the textbook case to the equity invested and the potential profit, is only partially hedged: in principle, preference is given to hedging individual project-related risks on an aggregate basis, and here, in turn, hedging is considered only when certain ranges of fluctuation are exceeded, only for particular currencies and only for the equity invested (but not for the potential profit). This approach is based on a cost/benefit analysis, but also on the knowledge that currency risk as a whole cannot be entirely isolated, rather that many additional interdependencies outside of pure exchange rate fluctuations play a role. In summary, the management of currency risks is geared toward taking on such risks within a certain range of fluctuation. Hedging is merely sought to cap peak risk at the aggregate level and with certain currencies in order to counteract developments that could threaten the existence of the parent company. The currency hedging strategy is determined in close coordination with the Supervisory Board.

A special case relating to currency risks exists in the Ukraine since the end of 2008. Due to economic developments, conversion of the local currency into foreign currency and export of foreign currency was restrictively limited in the Ukraine. In addition, the regulation on mandatory conversion was adopted. Using classical option instruments to hedge the local currency is, due to a lack of providers, either not possible or only possible at very unfavourable terms and with complex structures. In this context, under inclusion of the Supervisory Board of the company an alternative measure to minimise the risk of an eventual currency loss has been discussed, whereby subject to restrictive conditions in terms of the quality of the property, tenants and tenancy agreements, any reflows occurring in Ukraine will be reinvested in Ukraine.

The following table shows a breakdown of assets and liabilities by currency.

	EUR	USD	Other	Total
Shares in companies valued at equity	49,030	0	0	49,030
Loans to companies valued at equity	5,684	861	0	6,545
Trade receivables and other receivables	14,050	0	171	14,221
Financial receivables and other financial assets	4,902	0	0	4,902
Cash and cash equivalents	8,580	0	242	8,822
Other assets	80,771	0	12,412	93,183
	163,016	**861**	**12,825**	**176,702**
Long-term financial debts	47,494	0	0	47,494
Short-term financial debts	11,825	0	166	11,990
Other liabilities	5,470	0	182	5,652
	64,789	**0**	**348**	**65,135**

Interest risk
The MAGNAT Group uses outside capital to finance real estate projects, in part with floating interest rates. This exposes the MAGNAT Group to the risk of changing interest rates, as rises in interest rates increase financing costs. A change in interest rates by +/-100 basis points would mean an increase or decrease of the interest expense of the company by approximately TEUR 200 p.a.

An evaluation of this policy is made at regular intervals and in close coordination with the Supervisory Board.

Credit risk
There are no significant concentrations of credit risk within the Group.

Liquidity risk
The liquidity risk in the company's initial phase was managed predominantly through the maintenance of a liquidity reserve in the form of readily accessible cash in banks as well as, to a limited degree, credit lines which could be drawn on at all times. In the present situation, dependence of the liquidity situation on receipts from exploitation activities as well as planned renewals of due loans has increased considerably. Furthermore, the liquidity situation is affected by any additional contributions for further project funding, especially in connection with co-investors.

Further particulars on risk management and financial risks are disclosed in the Risk Report included with the Management Report.

Capital management

The overriding objective of the Group's capital management system is to secure future debt repayment capability and preserve the Group's financial assets. It is the intention of the Board of Management to obtain a sufficiently strong equity base and win the confidence of investors and the market. Furthermore, the strengthening of equity is sought through profit retention. While the equity commitment in Germany and Austria stands at 20-30 per cent of the total investment, considerably higher equity commitment must be allowed for in the CEE/SEE/CIS countries, especially in the early stages.

The Group monitors its capital through the equity ratio. Components of this ratio are the total assets and the equity of the parent company and other shareholders reported in the Consolidated Financial Statements. MAGNAT intends to utilise available equity as a means for improved leverage, but will continue to maintain an equity base higher than the industry average. At 31 March 2010, the equity ratio stood at 63.1 per cent (previous year: 62.9 per cent).

Meaning of the abbreviations on the following tables:

AtFVtPL:	At Fair Value through Profit and Loss / Financial assets and financial liabilities measured at fair value recorded as income or expense
AfS	Available for sale / Financial assets available for sale
L&R	Loans and receivables
n.a	Not applicable
o.L.	Other Liabilities

Additional information about financial instruments at 31 March 2010

In EUR '000	Valuation according to IAS39					Value	
	Valuation category	Carrying amount	Fair value through profit or loss	Fair value recognised directly in equity	Amortised cost	Value at equity	Fair value
Shares in companies valued at equity	at equity	49,030	0	0	0	49,030	0
Other financial assets	n.a.	163	0	0	0	0	0
Loans to companies valued at equity	L&R	6,545	0	0	6,545	0	6,545
Trade receivables and other receivables	L&R	13,845	0	0	13,845	0	13,845
Trade receivables and other receivables	n.a.	376	0	0	0	0	
		14,221	0	0	0	0	
Financial receivables	L&R	4,902	0	0	4,902	0	4,902
Cash and cash equivalents	Cash and cash equivalents	8,822	0	0	8,822	0	8,822
Long-term financial debts	o.L.	47,494	0	0	47,494	0	47,494
Trade payables	o.L.	1,564	0	0	1,564	0	1,564
Trade payables	n.a.	125	0	0	0	0	
		1,689	0	0	0	0	
Short-term financial debts	o.L.	11,990	0	0	11,990	0	11,990
Value per valuation category	L&R	0	0	0	25,292	0	0
	Cash	0	0	0	8,822	0	0
	o.L.	0	0	0	-61,048	0	0

Additional information about financial instruments at 31 March 2009

In EUR '000	Valuation according to IAS39					Value	
	Valuation category	Carrying amount	Fair value through profit or loss	Fair value recognised directly in equity	Amortised cost	Value at equity	Fair value
Shares in companies valued at equity	at equity	51,748	0	0	0	51,748	0
Other financial assets	n.a.	113	0	0	0	0	0
Loans to companies valued at equity	L&R	13,773	0	0	13,773	0	13,773
Trade receivables and other receivables	L&R	10,433	0	0	10,433	0	10,433
Trade receivables and other receivables	n.a.	90	0	0	0	0	0
		10,523	0	0	0	0	0
Financial receivables	L&R	4,832	0	0	4,832	0	4,832
Derivative financial instruments	AtFVtPL	465	465		0		465
Cash and cash equivalents	Cash and cash equivalents	7,625	0	0	7,625	0	7,625
Long-term financial debts	o.L.	45,783	0	0	45,783	0	45,783
Trade payables	o.L.	3,091	0	0	3,091	0	3,091
Trade payables	n.a.	7	0	0	0	0	0
		3,098	0	0	0	0	0
Short-term financial debts	o.L.	3,931	0	0	3,931	0	3,931
Derivative financial instruments	AtFVtPL	594	594		0		594
Value by valuation category	L&R	0	0	0	29,038		
	AfS	0	0	0	0		
	AtFVtPL	0	465		0		
	Cash	0	0		7,625		
	AtFVtPL	0	-594		0		
	o.L.	0	0	0	-52,805		

The carrying amount of financial instruments represents the maximum credit risk:

In EUR '000	31/03/2010	31/03/2009
Loans and receivables	25,292	29,038
Derivatives	0	465
Other financial assets	163	113
Cash and cash equivalents	8,822	7,625
Total	**34,277**	**37,241**

Overdue loans and receivables were neither evident at 31 March 2010 nor in the previous year.

Net profit/loss from 1 April 2009 to 31 March 2010

In '000	From subsequent measurement					
	From interest/realised profit	At fair value	Currency difference	Write-down	Reversal	Net gains/ losses
Loans and Receivables	1,190		-33	-4,148		-2,991
Derivatives	129					129
Other financial assets	45	-174				-129
Other liabilities	-2,582					-2,582
Total	**-1,218**	**-174**	**-33**	**-4,148**	**0**	**-5,573**

Net profit/loss from 1 April 2008 to 31 March 2009

In '000	From subsequent measurement					
	From interest/realised profit	At fair value	Currency difference	Write-down	Reversal	Net gains/ losses
Loans and Receivables	2,310		172	-1,037		1,445
Derivatives	653	-1,491				-838
Other Liabilities	-2,739					-2,739
Total	**224**	**-1,491**	**172**	**-1,037**	**0**	**-2,132**

Write-downs in connection with purchase price receivables (carrying amount at 31 March 2010: TEUR 6,782) were recognised in the amount of TEUR 1,759 as the market values of the mortgaged real estate have reduced. The carrying amount of these purchase price receivables reflects the market value of the property. In the case of receivables from the letting of commercial and residential properties in Germany, credit ratings of tenants have been considered through proportional write-downs. Loans to companies valued using the equity method include a loan to R-QUADRAT Polska Alpha Sp. z o.o., which was written-down proportionally in the past fiscal year by an amount of TEUR 2,173 (previous year: TEUR 970).

Movements in cash flow	2010/2011 in EUR '000	2011/2012 in in EUR '000	2012/2013 in EUR '000	2013/2014 in EUR '000	2014/2015 in EUR '000
Loans					
DKB - Magnat 1					
Interest	164	160	155	150	37
Redemption	97	102	107	112	3,217
DKB - Magnat 2					
Interest	415	407	398		
Redemption	416	416	19,121		
DKB - Magnat 3					
Interest	55	54	53		
Redemption	47	47	2,209		
DKB - Magnat 4					
Interest	232	226	219	212	52
Redemption	138	144	151	158	4,553
DKB - Magnat 5					
Interest	179	174	169	164	40
Redemption	106	111	117	122	3,513
Mezzanin loan					
Interest					2,949
Redemption	4,100				2,400
Loan R-Quadrat Capital Gamma					
Interest		1,137			
Redemption		3,500			
Loan R-Quadrat Capital Gamma					
Interest	29				
Redemption	340				
Loan R-Quadrat Capital Gamma					
Interest	18				
Redemption	183				
Loan R-Quadrat Capital Gamma					
Interest	21				
Redemption	192				
Credit für MAGNAT AM AG					
Interest	3				
Redemption	500				
Credit for R-Quadrat Immobilien Management GmbH & Co. Schumanngasse 16 KG					
Interest	11				
Redemption	900				
Current account	0				
Subtotal	**8,146**	**6,478**	**22,699**	**918**	**16,761**

Movements in cash flow	2010/2011 in EUR '000	2011/2012 in EUR '000	2012/2013 in EUR '000	2013/2014 in EUR '000	2014/2015 in EUR '000
Subtotal carried forward	**8,146**	**6,478**	**22,699**	**918**	**16,761**
Credit for R-Quadrat Immobilien Management GmbH & Co. Kastnergasse 16 KG					
Interest	43	36	30		
Redemption			1,450		
Loan for R-Quadrat Immobilien Management GmbH & Co. Grazer Straße 59-61 KG					
Interest	12	11	11	10	9
Redemption	25	25	25	25	25
Loann GAIA Real Estate Investments S.A. for MAGNAT ReOP KGaA					
Interest		44	71		
Redemption		683	1,000		
Subtotal	**8,226**	**7,277**	**25,286**	**953**	**16,795**
Liabilities associate companies	2,079				
Trade liabilities and other liabilities	1,564				
Total	**11,869**	**7,277**	**25,286**	**953**	**16,795**

2. Contingent assets and liabilities

Contingent liabilities amounting to TEUR 1,348 (previous year: TEUR 2,082) originated primarily in the form of comfort letters. In addition, a variable purchase price increase, which depends on the future occupancy rate, was agreed as part of the purchase of a property.

3. Related party disclosures

Due to acquisition of MAGNAT Asset Management GmbH and its subsidiaries during the reporting period, these companies, which were classified as related parties within the meaning of IAS 24 in the previous year, are now fully consolidated companies.

As in the previous year, a consulting relationship existed between MAGNAT and the company of Supervisory Board member Dr Carsten Strohdeicher during the fiscal year. The consulting agreement includes consulting for and brokering of outside financing for real estate projects in Germany. The corresponding fees are significantly lower than normal market conditions. In the past fiscal year, the consulting services were extremely beneficial to the company. Important financing plans were, against market trends, able to be executed quickly. TEUR 65 was paid for these consulting services during the fiscal year (previous year: TEUR 114) plus turnover tax.

Consulting services to the value of TEUR 28 were provided to MAGNAT by the law firm of Supervisory Board member Dr Christoph Jeannée during the fiscal year.

Supervisory Board members Friedrich Lind and Dr Marc-Milo Lube have an indirect or a direct interest in MAGNAT. On 31 March 2010, the voting interests were 17.15 per cent and 4.25 per cent. Consulting relationships also exist between MAGNAT (specifically MAGNAT Asset Management GmbH) and the enterprises of Supervisory Board members Friedrich Lind and Dr Marc-Milo Lube. In that context, TEUR 61 and TEUR 56 plus turnover tax has been paid respectively during the fiscal year for services rendered.

Furthermore, consulting relationships exist between MAGNAT (specifically MAGNAT Asset Management GmbH) and the enterprises of Dr Falko Müller-Tyl and Sven Erik Rischko. Both have a direct or an indirect interest in MAGNAT. These consulting relationships resulted in payments amounting to TEUR 57 and TEUR 81 plus turnover tax during the fiscal year.

A working relationship existed with the company Terradomo Projektmanagement GmbH during the fiscal year. Executive officer of the General Partner, MAGNAT Management GmbH, Mr Jan Oliver Rüster has an interest in this company. The order volume amounts to TEUR 28,000 plus turnover tax.

The Supervisory Board has approved all working relationships.

The following balances exist in relation to associated companies and joint ventures:

In EUR '000	31/03/2010	31/03/2009
Loans to companies valued at equity	6,545	13,773
Financial receivables and other financial assets	2,051	1,680
Short-term financial debts	10	0

Auditors
In the year under review, costs incurred by the MAGNAT Group for the auditor amounted to TEUR 281 including turnover tax (previous year: TEUR 246) for expenses related to the audit of the Annual Financial Statements.

Minority interests
MAGNAT also had dealings with minority interests. Those dealings were mainly in connection with the financing and acquisition of subsidiaries.

At the balance sheet date, MAGNAT Real Estate Opportunities GmbH & Co. KGaA held receivables against minority interest R-QUADRAT Capital Beta GmbH, Vienna, Austria, amounting to TEUR 2,253 (previous year: TEUR 1,844) and liabilities of TEUR 44 (previous year: TEUR 0).

4. Subsequent events

In May 2010, MAGNAT Asset Management GmbH, Vienna, acquired a further property for a co-proprietor's building scheme in Vienna. The 'Rennweg' project is the third co-proprietor's building scheme to be implemented. The MAGNAT Group is thus stepping up implementation of the strategy to drive the co-proprietor's building schemes forward via its Austrian subsidiary MAGNAT Asset Management GmbH.

In the course of June 2010, MAGNAT succeeded in extending the term of the loan from R-QUADRAT Capital Gamma GmbH, Vienna, Austria. The loan now matures on 30 April 2011.

The terms of repayment of the mezzanine loan with a nominal amount of TEUR 6,500 were renegotiated in July 2010. The originally planned repayment at 30 September 2010 was amended to the extent that TEUR 2,000 is due in July 2010 and TEUR 2,100 at the end of September 2010. The remaining amount is conditional upon the occurrence of certain events, but no later than July 2014.

5. Management, Supervisory Board and employees

a. Management

Pursuant to the Articles of Association, management of the parent is performed by the General Partner, MAGNAT Management GmbH, Frankfurt am Main. The General Partner's executive officers are Mr Jürgen Georg Faè and Mr Jan Oliver Rüster.

For Fiscal Year 2009/2010, compensation amounting to TEUR 571 was recorded for members of the Board of Management of MAGNAT Real Estate Opportunities GmbH & Co. KGaA.

b. Supervisory Board and employees

The members of the company’s Supervisory Board, their names, activities performed and positions as well as positions held on other oversight bodies are presented below.

Name	Position	Profession	Period
Professor Werner Schaffer, Urbar	Chairman	Fiscal consultant	Since 7 July 2006
Dr Carsten Strohdeicher, Frankfurt am Main	Vice Chairman	Independent management consultant	Since 7 July 2006
Dr Christoph Jeannée, Vienna, Austria		Lawyer	Since 31 July 2006
Dr Marc-Milo Lube, Vienna, Austria		Investment consultant	Since 9 December 2009
Friedrich Lind, Vienna, Austria		Businessman (Kaufmann)	Since 9 December 2009
Andreas Lange, Frankfurt am Main		Board member at Altira AG	Since 9 December 2009

Total compensation of the Supervisory Board amounted to TEUR 88 for Fiscal Year 2009/2010. In addition, travel expenses of the Supervisory Board members amounting to TEUR 12 were reimbursed.

Personnel costs during the fiscal year amounted to TEUR 1,320 (previous year: TEUR 28). These are made up of salaries amounting to TEUR 1,150 (previous year: TEUR 23) and statutory social security contributions amounting to TEUR 170 (previous year: TEUR 5).

At 31 March 2010, MAGNAT recognised short-term benefits for members of the Management of TEUR 12.

The number of personnel employed was:

	31/03/2010	31/03/2009
Salaried employees	23	1
	23	**1**

c. Notes to the 'German Corporate Governance Code'
The declarations of compliance with the German Corporate Governance Code required by sec. 161 AktG are made available by the company to shareholders once each calendar year. The Declaration of Compliance with the German Corporate Governance Code has been issued and is permanently accessible to shareholders on MAGNAT's website under 'Company'.

6. Approval for publication

These Consolidated Financial Statements were approved for publication on 28 July 2010 by MAGNAT Management GmbH as the Management of the company.

Frankfurt am Main, 12 July 2010
MAGNAT Real Estate Opportunities GmbH & Co. KGaA

Jan Oliver Rüster **Jürgen Georg Faè**

(Executive officers of MAGNAT Management GmbH, as Management of the company)

1) The share in equity equals the share in control before any minorities; the voting power equals the share in the capital.
2) Subsidiaries, non-consolidated company
3) Joint ventures, company not valued using the equity method
4) Based on the internal subgroup financial statements on which these Consolidated Financial Statements are based.

Affiliated companies, associated companies and joint ventures

Company	Type
MAGNAT Real Estate Opportunities GmbH & Co. KGaA	Parent
Germany	
Erste MAGNAT Immobiliengesellschaft mbH	Subsidiary
Zweite MAGNAT Immobiliengesellschaft mbH	Subsidiary
Dritte MAGNAT Immobiliengesellschaft mbH	Subsidiary
Vierte MAGNAT Immobiliengesellschaft mbH	Subsidiary
Fünfte MAGNAT Immobiliengesellschaft mbH	Subsidiary
SQUADRA Immobilien GmbH & Co. KGaA	Associated company 4)
Altira ImmoFinanz GmbH	Subsidiary
MAGNAT Management GmbH	Subsidiary
SQUADRA Management GmbH	Subsidiary
MAGNAT Asset Management Deutschland GmbH	Subsidiary
Other countries	
MAGNAT Investment I BV	Subsidiary
MAGNAT Investment II BV	Joint venture
MAGNAT Real Estate UA III BV	Subsidiary
MAGNAT Real Estate UA VI BV	Subsidiary
MAGNAT Real Estate UA VII BV	2)
MAGNAT Real Estate UA VIII BV	2)
MAGNAT Real Estate UA IX BV	2)
MAGNAT Real Estate UA X BV	2)
MAGNAT Real Estate UA XI BV	2)
MAGNAT Investment III BV	3)
MAGNAT Investment IV BV	2)
SC Teo Impex s.r.l.	Subsidiary
SC VICTORY Consulting International s.r.l.	Subsidiary
R-Quadrat Bulgaria EOOD	Subsidiary
Irao MAGNAT Digomi LLC	Subsidiary
Irao MAGNAT 28/2 LLC	Joint venture
MAGNAT Tbilisi Office 1 LLC	2)
MAGNAT Tbilisi Residential 1 LLC	2)
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	Associated company
Russian Land AG	Associated company
MAGNAT AM AG	Subsidiary
MAGNAT Asset Management GmbH	Subsidiary
MAGNAT Capital Markets GmbH	Subsidiary
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG	Subsidiary
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	Subsidiary
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG	Subsidiary
Profit Plus Ltd.	2)
R-Quadrat Ukraine VII Ltd.	2)
R-Quadrat Ukraine VIII Ltd.	2)
R-Quadrat Ukraine X Ltd.	2)
R-Quadrat Ukraine XI Ltd.	2)
OXELTON ENTERPRISES Limited	Joint venture 4)
GAIA Real Estate Investments S.A.	Joint venture 4)
R-QUADRAT Polska Alpha Sp. z o.o.	Joint venture 4)
PRUNUS Sp. z o.o.	Joint venture 4)
LYGOS Sp. z o.o.	Joint venture 4)
R-QUADRAT TR Management G.D.L.S.	2)

Registered office	Equity in EUR '000 31/03/2010	Voting power in % [1]	Gains/losses of the past fiscal year
Frankfurt am Main	1,935	100,00	
Frankfurt am Main	2,298	100,00	
Frankfurt am Main	173	100.00	
Frankfurt am Main	343	100.00	
Frankfurt am Main	833	100.00	
Frankfurt am Main	23,976	16.13	
Frankfurt am Main	972	100.00	
Frankfurt am Main	130	100.00	
Frankfurt am Main	92	100.00	
Frankfurt am Main	37	100.00	
Netherlands, Hardinxveld Giessendam	62,355	75.00	
Netherlands, Hardinxveld Giessendam	3,715	50.00	
Netherlands, Hardinxveld Giessendam	2,814	100.00	
Netherlands, Hardinxveld Giessendam	3,984	100.00	
Netherlands, Hardinxveld Giessendam	15	100.00	0
Netherlands, Hardinxveld Giessendam	15	100.00	0
Netherlands, Hardinxveld Giessendam	15	100.00	0
Netherlands, Hardinxveld Giessendam	15	100.00	0
Netherlands, Hardinxveld Giessendam	15	100.00	0
Netherlands, Hardinxveld Giessendam	8	50.00	-3
Netherlands, Hardinxveld Giessendam	9	75.00	-2
Romania, Bucharest	2,845	100.00	
Romania, Bucharest	6,389	100.00	
Bulgaria, Sofia	1,137	100.00	
Georgia, Tbilisi	-815	75.00	
Georgia, Tbilisi	-665	50.00	
Georgia, Tbilisi	0	100.00	0
Georgia, Tbilisi	0	100.00	0
Austria, Vienna	10,466	25.10	
Austria, Vienna	6,350	40.34	
Austria, Vienna	22,707	100.00	
Austria, Vienna	11,531	100.00	
Austria, Vienna	1,013	100.00	
Austria, Vienna	0	100.00	
Austria, Vienna	-570	99.00	
Austria, Vienna	3	100.00	
Ukraine Kiev	74	99.07	-68
Ukraine Kiev	6	100.00	-1
Ukraine Kiev	5	100.00	0
Ukraine Kiev	6	100.00	-1
Ukraine Kiev	5	100.00	-1
Cyprus, Limassol	2,359	60.00	
Luxembourg, Luxembourg	72,752	33.33	
Poland, Warsaw	-5,013	50.00	
Poland, Warsaw	-8	50.00	-2
Poland, Warsaw	-4	50.00	-2
Turkey, Istanbul	0	100.00	0

RESPONSIBILITY STATEMENT

As executive officers of MAGNAT Management GmbH (managing General Partner of MAGNAT Real Estate Opportunities GmbH & Co. KGaA), we declare to the best of our knowledge that, under applicable accounting principles, these Consolidated Financial Statements present a true and fair view of the net assets, financial position and result of operations and that the Group Management Report portrays business developments, including operating results and the situation of the Group, in a true and fair manner and describes the significant risks and rewards of the Group's foreseeable development.

Frankfurt am Main, 12 July 2010
MAGNAT Real Estate Opportunities GmbH & Co. KGaA

Jan Oliver Rüster **Jürgen Georg Faè**

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements, comprising the balance sheet, statement of income, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes as well as the group management report prepared by MAGNAT Real Estate Opportunities GmbH & Co. KGaA, Frankfurt am Main, for the fiscal year from 1 April 2009 to 31 March 2010. Presentation of the consolidated financial statements and group management report in accordance with the IFRS, as adopted by the EU, and the supplementary provisions applicable under section 315a paragraph 1 HGB is the responsibility of the Management of the company. Our task is to express an opinion on the consolidated financial statements and the group management report on the basis of our audit.

We conducted our audit of the consolidated financial statements in accordance with section 317 HGB and the generally accepted German principles for the auditing of financial statements promulgated by the German Institute of Auditors (Institut der Wirtschaftsprüfer/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 result 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 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 section 315a paragraph 1 HGB and give a true and fair view of the net assets, financial position and result of operations of the Group in accordance with those requirements. Viewed as a whole, the group management report is consistent with the consolidated financial statements, provides a true and fair view of the Group's position and appropriately presents the rewards and risks of future development.

Frankfurt am Main, 27 July 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Möller	**Hauk-Urban**
chartered accountant	chartered accountant

FINANCIAL CALENDAR 2010/2011

Event	Date
Publication of the 2009/2010 Annual Financial Statements	30 July 2010
Q1 Interim Report for period ending 30 June 2010	11 August 2010
Annual Shareholders' Meeting, Frankfurt/Main	2 November 2010
Half-Year Report 2010/2011	30 November 2010
Q3 Interim Report for period ending 31 December 2010	11 February 2011
Publication of the 2010/2011 Annual Financial Statements	29 July 2011

MAGNAT fiscal year: 1 April to 31 March of each year

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