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Key data at a glance

	2010/2011	2009/2010	2008/2009
Key corporate figures in EUR '000			
Profit/loss on rental activity	3,036	2,413	1,547
Profit/loss on sale of real estate companies	0	0	4,740
Profit/loss on sale of real estate	2,304	0	0
Profit/loss on asset management	-483	204	0
Profit/loss on companies measured at equity	-11,168	-5,768	2,738
Operating profit/loss (EBIT)	-15,898	-9,976	2,720
Profit/loss before tax (EBT)	-15,059	-13,542	-6,452
Consolidated net income after minority interests	-13,284	-11,216	-6,200
Equity	94,428	111,567	94,636
Total assets	149,423	176,702	150,386
Equity ratio	63.2%	63.1%	62.9%
Cash flow from operating activities	-3,497	-5,476	-1,235
Cash flow from investing activities	14	5,866	-13,998
Cash flow from financing activities	-15	816	18,082
Cash and cash equivalents	5,320	8,822	7,625
Key stock market data as of March 31			
Number of shares	13,894,651	13,894,651	52,900,000
Share price at fiscal year-and	1.75	3.60	0.34
Market capitalisation in EUR	24,315,639	50,020,744	17,986,000
Earnings per share*	-0.96	-1.35	-1.17
PER	-1.82	-2.66	-2.83
Net asset value (NAV) per share	6.17	7.63	1.63
Free float (shareholders < 3%)	38.95%	34.36%	74.68%

*Weighted average of the number of share outstanding

Other informations

Name	MAGNAT Real Estate AG
ISIN	DE000A0XFSF0 / DE000A1CRPG1
WKN	A0XFSF / A1CRPGF
Code	Bloomberg: M5RK, Reuters: M5RGk.DE
Market segment	General Standard
Open market	Berlin, Düsseldorf und Stuttgart
General Standard (regulated market)	Frankfurt Stock Exchange (Frankfurt and Xetra)

Important events in the 2010/2011 fiscal year

April 26, 2010 Corporate News

MAGNAT approves umbrella brand strategy for the MAGNAT Group

May 17, 2010 Corporate News

MAGNAT Asset Management boosts rental within German residential real estate portfolio since acquisition by more than 8,000 m²

May 26, 2010 Corporate News

MAGNAT Asset Management GmbH acquires further property for a "Bauherren-modell" in Vienna

September 14, 2010 Ad hoc announcement

MAGNAT reports about a tax claim received by a Turkish project company

September 17, 2010 Corporate News

Conversion into "MAGNAT Real Estate AG" public stock corporation completed

October 25, 2010 Ad hoc announcement

MAGNAT announces Management Board changes

November 2, 2010 Corporate News

MAGNAT AG approves all agenda items with by than 99%

November 26, 2010 Corporate News

MAGNAT Asset Management successfully concludes refurbishment of the Schrödterhaus in Leipzig

December 10, 2010 Ad hoc announcement

Dr. Marc-Milo Lube strengthens MAGNAT Management Board

January 19, 2011 Corporate News

MAGNAT announces further successful partial sale from Turkish YKB portfolio

February 4, 2011 Corporate News

MAGNAT announces further successful partial sale from Turkish YKB portfolio (Levent Plaza)

February 7, 2011 Corporate News

The Schrödterhaus in Leipzig, which MAGNAT has revitalised, nominated for renowned MIPIM Awards 2011

February 23, 2011 Corporate News

MAGNAT focuses on three to four core markets in Eastern Europe

February 25, 2011 Ad hoc announcement

R-QUADRAT Capital Alpha GmbH and R-QUADRAT Capital Beta GmbH announced the launching of reorganisation proceedings MAGNAT Real Estate AG is the first Frankfurtlisted real estate company that focuses on real estate development in Austria and selected countries within the emerging economies of the Black Sea region.

MAGNAT is an integrated real estate group, addressing the entire value chain and covering the acquisition, development, and disposal of projects and construction land. The Group also offers real estate management for third parties.





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FOREWORD BY THE EXECUTIVE BOARD

Dear shareholders, Ladies and gentlemen,

The 2010/2011 fiscal year was a very difficult and unpleasant year for MAGNAT and its shareholders. The share's value fell over the course of the fiscal year from EUR 3.60 to EUR 1.75. This negative trend also did not end after the fiscal year-end, and continued instead.

The most important reason for this development is that MAGNAT's investment markets failed to report a sustainable recovery in the fiscal year elapsed. Property disposals proved impossible over the past twelve months as a consequence, and remain difficult.

This was reflected with corresponding valuation adjustments on the balance sheet date based on independent valuation surveys for our projects, particularly in the Ukraine. Together with the adjustment required for the balance sheet valuation of the interest in the Palais Schwarzenberg in Vienna, impairment charges totalled EUR 6.9 million in the 2010/11 fiscal year.

With regard to the Palais Schwarzenberg, we utilised the option of an existing contractual exit regulation after the fiscal year-end, and sold our interest to the co-shareholder for the purchase price of EUR 6.5 million. However, this co-shareholder had failed to pay the purchase price by mid-July, despite it being due, and in spite of reminder notices having been issued. As a consequence, we will initiate legal steps to collect the purchase price. In line with commercial prudence, we fully wrote down the EUR 3.4 million valuation of the Palais Schwarzenberg in the year under review.

We also applied valuation adjustments to receivables. This concerns receivables due from the companies R-Quadrat Capital Alpha GmbH and R-Quadrat Capital Beta GmbH. Both companies, who have functioned as co-investors to MAGNAT in important projects, have informed us that they are in financial difficulties, and that, as a consequence, it can hardly be envisaged that they will fully settle the outstanding receivables. The outstanding receivables result from financing balances arising from joint investment projects, and outstanding asset management fees. The MAGNAT subsidiary MAGNAT Asset Management GmbH rendered asset management services for both companies until March 2011. The volume of the related valuation adjustments amounts to EUR 4.5 million.

Although we have indicated clearly in related capital market communications that, there are no further connections with either of the bond companies besides these business relationships, a very undifferentiated public discussion was nevertheless conducted about these circumstances until recently, particularly in Austria, which exerted a negative impact on the price of the MAGNAT share, especially around mid-2011.

The significance of these developments for the company pushed positive developments over the past fiscal year into the background. In Turkey, for instance, we continued to operate very successfully in the 2010/2011 fiscal year. The portfolio that we purchased in 2007 has meanwhile been largely marketed. The disposal proceeds that we generated in the year under review fully confirmed the portfolio's balance-sheet valuations. The disposals generated EUR 7.6 million of cash inflows for MAGNAT, and a further net EUR 4.0 million after the end of the reporting year in April 2011.

MAGNAT also succeeded in rapidly and efficiently implementing the integration of the asset manager that it took over in the 2009/2010 fiscal year. Asset management comprises an essential component of our business model. Above and beyond this, internal asset management also generates considerable cost benefits for MAGNAT compared to an outsourcing variant.

As a consequence of the financial crisis and MAGNAT's sustainably negative performance, the company's Management and Supervisory boards adjusted the company's strategy, and sharpened its corporate profile. MAGNAT's current investment portfolio is being restructured, and its diversity is being significantly reduced. Out of currently nine countries, MAGNAT will focus in the medium term on the countries of the Ukraine, Turkey, Georgia, and, potentially, Romania ("Black Sea region"). We are already substantially active there, we know the markets well, and we enjoy excellent local networks. We will gradually withdraw from other countries such as Germany, Poland, Bulgaria and Russia, by contrast. In doing so, we aim to build up the requisite liquidity to expand our asset base in the targeted growth markets.

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We aim to push ahead with the implementation of the strategic reorientation already during the current 2011/2012 fiscal year, and we wish to part company with strategically peripheral activities, as well as with projects in countries that no longer comprise our core markets. We are confident that we can reverse the MAGNAT Group's negative trend of the last fiscal years with these measures, and tangibly improve our profitability over the coming twelve months.

Yours sincerely

Dr. Marc-Milo Lube (CEO)

Jürgen Georg Faè (CFO)





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REPORT OF THE SUPERVISORY BOARD

Dear shareholders,

In the 2010/2011 fiscal year, the Supervisory Board performed the tasks and exercised the responsibilities incumbent upon its pursuant to the law, the articles of association of MAGNAT Real Estate AG, and its internal rules of business procedure.

The Supervisory Board engaged in continuous cooperation and intensive dialogue with the Management Board. Along with the aforementioned topics, this also comprised all further significant questions relating to the company and the Group. The Supervisory Board consulted regularly with the Management Board. It supervised the management of transactions on the basis of legality, effectiveness and economic efficiency. The Management Board directly involved the Supervisory Board in decisions of fundamental significance for the company or the Group. In particular, the Group's strategic reorientation occurred in close coordination between the Management and Supervisory boards.

The Management Board informed the Supervisory Board using detailed and comprehensive written and verbal Management Board reports that were submitted on a timely basis. This included a detailed discussion of all significant questions relating to the development of markets of relevance for the company and the Group, short-and long-term corporate planning, and current business progress. The position of the company and the Group, including the liquidity and risk positions, the Group-wide risk management system, ongoing development projects, and the Group's strategic further development also formed part of these discussions. The information provided by the Management Board was subjected to a critical plausibility review by the Supervisory Board. In this context, the items and scope of Management reporting was at all times and fully in accordance with the Supervisory Board's requirements.

Where the course of business diverged from previously approved plans and targets, as well as from appropriate measures to counter such divergences, the Management Board submitted detailed clarifications, which the Supervisory Board reviewed. Where required according to provisions of the law or the articles of association, and following thorough examination and consultation, the Supervisory Board gave its approval to the reports and proposed resolutions submitted by the Management Board.

The Management Board also informed the Supervisory Board Chairman between its meetings by way of verbal and written reports about particular business transactions that were of key significance for an assessment of the situation, development and management of the company and the Group. The Management Board submitted in good time matters that required approval so that related resolutions could be passed.

Of particular importance in the year under review was the company's change of legal form from that of a company limited by shares to a public stock corporation. The AGM on October 29, 2009 approved the change of legal form almost unanimously. The change of legal form became effective when it was entered in the commercial register on September 17, 2010, since when the company has borne the name "MAGNAT Real Estate AG". Shareholder rights were significantly strengthened with the company's change of legal form into that of a public stock corporation.

A further matter of particular significance was the withdrawal from office on substantial grounds of the previous Chief Executive Officer, Jan Oliver Rüster, which took immediate effect. Mr. Jürgen Faè continued to manage the business of MAGNAT Real Estate AG until December 31, 2010 as sole Management Board member. The Supervisory Board would like to thank Mr. Faè for his extraordinary commitment during this period, particularly since the preparation and implementation of the Ordinary AGM on November 2, 2010 occurred during this phase. As Chief Financial Officer, Mr. Faè continues to be responsible for the commercial areas.

With effect as of January 1, 2011, the Supervisory Board appointed Dr. Marc-Milo Lube to be a new Management Board member, and also appointed him to be the Management Board Spokesman (Chief Executive Officer). He has more than 15 years of entrepreneurial experience in the real estate sector, and is responsible, in particular, for the asset management, marketing and sales areas. Dr. Lube had previously been a Supervisory Board member of MAGNAT Real Estate AG. The Supervisory Board would like to thank Dr. Lube for his untiring commitment as a Supervisory Board member, and would like to wish him happiness and success in the further development of the company in his new function.

Besides this, there were no further events in the 2010/2011 year elapsed that could be classified as extraordinary or problematic.

The Supervisory Board Chairman was in regular and intensive contact with the Management Board, and was regularly informed about current business progress and significant business transactions. He also informed the other Supervisory Board members outside the scope of meetings, and discussed developments with them.

In the year under review, there were no conflicts of interests on the part of Management and Supervisory board members that would require immediate disclosure to the Supervisory Board, and about which the AGM must be informed.

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Supervisory board members in the 2010/2011 fiscal year

Prof. Dr. Werner Schaffer, Urbar (Chairman)
Dr. Carsten Strohdeicher, Frankfurt am Main (Deputy Chairman)
Dr. Christoph Jeannée, Vienna, Austria
Friedrich Lind, Vienna, Austria
Andreas Lange, Frankfurt am Main
Until December 31, 2010: Dr. Marc-Milo Lube, Vienna, Austria

Work conducted by the plenary session

The Supervisory Board intensified its activities in the 2010/2011 fiscal year, and convened on a total of five occasions: on July 28, September 9, November 3, and December 10, 2010 and on March 3, 2011. With four exceptions, the Supervisory Board members were present in their full number at all meetings.

At all its meetings, the Supervisory Board concerned itself with the current situation on relevant market, and with ongoing development projects and investments. At four of its meetings, it discussed the relevant Management Board report relating to the commercial and operating situation, including the status of the integration of the asset manager that was acquired in the previous year. At a full-day strategy meeting held in December 2010, it also concerned itself with the Group's new strategic orientation. Following extensive analysis, the Management Board developed a new strategic orientation for the company, and presented this to the Supervisory Board for review. At its core, the new strategy envisages concentrating on a small number of promising core markets in the region surrounding the Black Sea, which exhibit above-average potential, and where the company has already developed a firm position. The Supervisory Board reviewed the new strategy in detail at its strategy meeting, discussed it with the Management Board, and approved it. Supervisory Board meetings also covered questions relating to the AGM, risk management, financing and liquidity.

In July 2010, and together with the Management Board, the Supervisory Board discussed the statements of compliance of MAGNAT Real Estate AG pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette in the version of June 18, 2009 and May 26, 2010 respectively, as well as any divergences from these recommendations, and published it on its website (www.magnat.ag). The Corporate Governance Report reproduced in the 2010/2011 annual report of MAGNAT Real Estate AG contains further comments about corporate governance, and the Corporate Governance Statement pursuant to Section 289a of the German Commercial Code.

Single-entity annual financial statements and consolidated financial statements as of March 31, 2011

At its meeting on July 28, 2011, the Supervisory Board covered in detail the single-entity annual financial statements and the consolidated financial statements for the 2010/2011 fiscal year, including the management report for both the company and the Group. The single-entity annual financial statements of MAGNAT Real Estate AG and the management report were prepared according to the regulations of the German Commercial Code (HGB). The consolidated financial statements and the Group management report were prepared according to the principles of International Financial Reporting Standards (IFRS), as applicable in the EU, and the supplementary German commercial law regulations pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB). The single-entity annual financial statements, the consolidated financial statements, the single-entity management report and the Group management report, as well as the audit reports prepared by the auditor, were distributed to the Supervisory Board members ahead of the meeting. The auditor was present at the meeting on July 28, 2011, and reported on all the significant findings of its audit.

KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, Frankfurt am Main branch, was chosen to be auditor by the AGM, and was mandated by the Supervisory Board. The auditor audited the single-entity annual financial statements and the management report of MAGNAT Real Estate AG, and the consolidated financial statements and Group management report, and issued them with unqualified audit opinions.

The Supervisory Board subjected the single-entity and consolidated financial statements, and the management reports for both the company and the Group, to its own review, and approved the result of the audit conducted by the auditor at its meeting on July 28, 2011. No objections were raised following the conclusive result of the Supervisory Board's review. The Supervisory Board approves the consolidated and single-entity annual financial statements, which are thereby adopted.

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Supervisory board committees

The Supervisory Board forms no committees. It is composed of six members. Were an even smaller committee to be formed from this body, the Supervisory Board believes that the risk exists that, in the case of particularly important or complex matters, the expertise of all of the Supervisory Board members would not be available; for this reason, it is better to give preference to considering such matters at plenary Supervisory Board meetings.

Thanks from the supervisory board

The Supervisory Board would like to thank all Group staff and both Management Board members, Dr. Lube and Mr. Faè, for their commitment and constructive cooperation in the 2010/2011 fiscal year.

The Supervisory Board discussed this report in detail, and approved it, at its meeting held on July 28, 2011.

Frankfurt am Main, July 28, 2011

Prof. Dr. Werner Schaffer

(Chairman of the Supervisory Board)



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CORPORATE GOVERNANCE

MAGNAT Real Estate AG is committed to managing and supervising the Group in a manner that is responsible and value-creating. The transparency of the Group's management principles, and the traceability of its development, should be ensured in order to foster, maintain and strengthen confidence among shareholders, business partners, customers, capital market participants and employees. The Management and Supervisory boards work closely together to the company's benefit, in order to ensure that the company is managed and controlled responsibly through good corporate governance.

Organisation and steering

The parent company, MAGNAT Real Estate AG, is headquartered in Germany. The headquarters of the subsidiaries, associated companies and joint ventures are mostly located in the countries in which they are predominantly active.

The Group is split into two segments in line with its two core business activities. The "Investments" segment pursues real estate development in nine selected countries that comprise the CEE/SEE and CIS region along with Germany. In the medium term, MAGNAT plans to restructure its investment portfolio, and to concentrate on the Ukraine, Turkey, Georgia, and, potentially, Romania (core markets), in other words, countries around the Black Sea region. In its "Asset Management" segment, MAGNAT renders real estate and land management services, particularly relating to the analysis, acquisition, financing, development and sale of real estate. In this segment, MAGNAT provides services both for its own Investments segment (internal asset management) and for third parties (external asset management).

The Management Board steers the Group and the segments on the basis of cash flow, and within the framework of clearly defined individual budgets. The development of the segments and of the respective individual budgets on the basis of budgeted targets forms part of regular strategy and reporting meetings between the Management Board and the respective individuals responsible for the operations.

Shareholders and the Annual General Meeting

Shareholders in MAGNAT Real Estate AG exercise their management and controlling rights at the Annual General Meeting. The Ordinary AGM exercises all of the tasks and responsibilities that are incumbent upon it according to the law. It is held within the first eight months of each fiscal year. The fiscal year-end of MAGNAT Real Estate AG is March 31. The Supervisory Board Chairperson chairs the AGM. All shareholders are entitled to participate in the AGM, to speak about the respective agenda items, and to demand information about company matters to the extent that such information is required to make an objective assessment of AGM agenda items.

All of the issued shares of MAGNAT Real Estate AG are ordinary bearer shares that carry identical rights and obligations. Each share carries one vote at the AGM. There are no maximum limits for shareholders' voting rights, and there are no special voting rights. Resolutions generally require a simple majority. A three-quarters majority of the capital represented is required in certain statutorily regulated instances (including for proposed resolutions relating to capital changes and amendments to the articles of association, for example).

MAGNAT Real Estate AG shares held by board members and major shareholders

Shares held by board members: The Chairman, Dr. Marc-Milo Lube, held 550,586 shares in the company at the end of the 2010/11 fiscal year. This represents 3.96% of the company's issued shares. The Supervisory Board Chairman, Prof. Dr. rer. pol. Werner Schaffer, held 1,642 shares in the company. This represents 0.0118% of the company's issued shares. Supervisory Board member Dr. Christoph Jeannée held 1,700 shares in the company, representing 0.0122% of the issued shares.

Shares held by major shareholders: Tisca Stiftung held 2,383,419 shares, representing 17.15% of the company's issued shares, FDM Privatstiftung held 1,943,732 shares, representing 13.99% of the company's issued shares, and Altira AG held 2,017,407 shares, representing 14.52% of the company's issued shares. The remaining 54.92% are held by institutional and private investors. This information is based on voting right announcements made by shareholders pursuant to the German Securities Trading Act (WpHG), and information submitted by the company's Supervisory Board members.

Accounting and auditing

The consolidated financial statements are prepared according to International Financial Reporting Standards (IFRS).

The Management Board is required to prepare the annual financial statements (balance sheet, income statement, and notes to the financial statements) and the company's management report within the first three months of a fiscal year, and to present it immediately to the auditor. Following this audit, it is to be presented to the Supervisory Board, along with the report prepared by the auditor, as well as the Management Board's proposal for the application of unappropriated retained earnings. The Supervisory Board examines the annual financial statements, the management report and the Management Board's proposal for the application of unappropriated retained earnings, and forwards its related report to the Management Board within one month from having received the Management Board's drafts and the auditor's report about the audit of the annual financial statements.

The following agreements exist with the auditor:

- 1. The Supervisory Board Chairperson is to be informed immediately if potential reasons for exclusion or disqualification occur during the audit that cannot be excluded immediately.
- 2. The auditor is to report on all findings and events that occur during the audit that are of significance for the Supervisory Board's tasks.
- 3. If the auditor establishes facts during the audit that contradict the statement of compliance with the German Corporate Governance Code that is issued by the Management and Supervisory boards, the auditor is required to note this in its audit report, and is required to notify the Supervisory Board Chairperson accordingly.

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Transparency

MAGNAT places a high priority on information that is prompt, standardised and comprehensive. The company reports on the Group's situation and development, and particularly business events, in its annual report, and in its interim reports for the first, second, and third quarters. The Group also provides information to the public by way of press releases and ad hoc announcements pursuant to Section 15 of the German Securities Trading Act (WpHG). In addition, the Management Board engages in intensive financial communication with relevant capital market participants, including at events with financial analysts both in Germany and abroad. All financial publications, announcements and presentations that are prepared for financial communication are available on the Internet. The financial calendar that is also posted on the Internet provides early information about regular reporting dates.

MAGNAT Real Estate AG has set up an insider list pursuant to Section 15b of the German Securities Trading Act (WpHG). Respective individuals are informed about statutory duties and sanctions.

Compensation report

The compensation report can be found in the notes to this annual report.

Corporate governance statement pursuant to Section 289a of the German Commercial Code (HGB)

MAGNAT Real Estate AG (hereinafter also referred to as "MAGNAT" or the "company") issues a corporate governance statement pursuant to Figure 3.10 of the German Corporate Governance Code, and pursuant to Section 289a of the German Commercial Code (HGB). The statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) that this statement contains is also accessible on the company's website (www.magnat.ag).

Composition and working methodology of the Management and Supervisory boards

As a listed German public stock corporation, the management of the company is determined by the German Stock Corporation Act, the further statutory provisions of commercial and corporate law, and the requirements of the German Corporate Governance Code in its respective current version. German law requires that public stock corporations operate a dual management system. In other words, there is a stringent separation in terms of personnel between the management board as the company's management body, and the supervisory board as a supervisory body, whereby management and supervisory boards work closely together in the company's interest.

The Management Board manages the company at its own responsibility, and represents it when entering into transactions with third parties. It determines strategy in coordination with the Supervisory Board, and implements this strategy with the aim of creating sustainable value. Independently of their joint responsibility for the Group, the Management Board members are responsible for individual areas. They work together on a mutually helpful and considerate basis, and inform each other constantly about important events and measures within their areas of responsibility. The Management Board is required to obtain Supervisory Board approval in statutorily determined instances. MAGNAT's articles of association also list extraordinary transactions that require Supervisory Board assent. The Management Board has set out no rules of business procedure for itself, and neither has the Supervisory Board issued the Management Board with rules of business procedure.

The Management Board informs and reports to the Supervisory Board regularly, promptly and comprehensively about all planning, business development and risk questions of relevance to the company. The Management Board is required to report other important matters to the Supervisory Board Chairperson. The Supervisory Board Chairperson is also informed regularly and continuously about business progress. As part of this reporting, the Management Board makes recourse to the risk management system that applies across the entire MAGNAT Group.

The Management Board consists of two members who enjoy equal entitlements. The Management Board has a Chairperson (Chief Executive Officer). The Management Board has formed no committees.

The Supervisory Board appoints the Management Board members, determines their respective overall compensation, and supervises it in their management of the company. It also consults with the Management Board concerning the management of the company. The Supervisory Board adopts the singleentity annual financial statements for the parent company, and approves the consolidated financial statements. Important Management Board decisions require Supervisory Board assent. The Supervisory Board has also issued rules of business procedure for itself.

Pursuant to the articles of association, the Supervisory Board consists of six members elected by the MAGNAT AGM. The Supervisory Board currently consists of five members elected by the AGM, and one court-appointed member. Following the next Ordinary AGM, the Supervisory Board will propose a suitable candidate for election to replace the court-appointed member. The Supervisory Board Chairperson coordinates the Supervisory Board's work. The Supervisory Board has formed no committees.

Further details about the Supervisory Board's specific work can be found in the Supervisory Board Report that forms part of this annual report.

The company assumed its current legal form in the 2010/2011 fiscal year through a change of legal form from that of a commercial partnership limited by shares ("Kommanditgesellschaft auf Aktien" – hereinafter also referred to as "KGaA") with a limited company ("Gesellschaft mit beschränkter Haftung" – hereinafter also referred to as "GmbH") as a personally liable shareholder, to that of a public stock corporation ("Aktiengesellschaft" or "AG"). Given this, we present below the significant differences between these two corporate forms in an appropriately brief manner:

The commercial partnership limited by shares is a corporate constitution that combines elements of an unincorporated firm with elements of an incorporated firm. The consequence of this is that the shareholders' general meeting has only limited influence over the company's management.

Whereas the supervisory board of a public stock corporation exercises the function of appointing the management board, and of recalling it from office, this is not the case with a commercial partnership limited by shares. The personally liable shareholder – in this case, MAGNAT Management GmbH – is responsible for managing a commercial partnership limited by shares. The members of the management of commercial partnerships limited by shares are generally not appointed by the supervisory board. Instead, the management of the personally liable shareholder appoints the management according to the regulations valid for the respective legal

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form of the personally liable shareholder. Since MAGNAT Management GmbH is a limited company, or was a limited company, its management is, or was, appointed and recalled from office by its shareholder meeting. As a consequence, final control over management appointments in the case of a commercial partnership limited by shares lies with the shareholders of the personally liable shareholder. Compensation of the personally liable shareholder or of its management members is also not the responsibility of the supervisory board. The compensation for the personally liable shareholder was set out in the articles of association of the commercial partnership limited by shares. On the other hand, compensation for the management of the personally liable shareholder is according to the statutory regulations valid for the legal form of the personally liable shareholder, in other words, limited company law in this case. However, since all shares in MAGNAT Management GmbH were transferred to MAGNAT as part of a restructuring, the General Shareholders' Meeting on October 29, 2009 passed a resolution to amend the articles of association, among other matters, whereby MAGNAT shareholder rights are, and were, exercised at MAGNAT Management GmbH by the Supervisory Board. This amendment to the articles of association was entered in the commercial register on December 9, 2009. Since then, MAGNAT's Supervisory Board has been responsible for decisions concerning the appointment, recall from office, and compensation of the shareholders of the personally liable shareholder, as a consequence of which the structure of responsibilities was similar to that of a public stock corporation to this extent.

Wording of the last statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG)

The Management and Supervisory boards of MAGNAT Real Estate AG (hereinafter also referred to as the "company") issued a new compliance statement pursuant to Section 161 of the German Stock Corporation Act (AktG) due to the company's change of legal form from that of a commercial partnership limited by shares (hereinafter also referred to as "KGaA") into that of a public stock corporation, which was entered in the commercial register of the Local Court of Frankfurt am Main on September 17, 2010. For reasons of readability, a separate section following the statement below contains more detail about the corporate legal form connected with the original legal form of the company as a commercial partnership limited by shares.

The Management and Supervisory Boards of the company supervise compliance with the German Corporate Governance Code. They hereby declare that they have complied, and will comply, with the recommendations of the "German Corporate Governance Code Government Commission", as published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, in the past 2010/11 fiscal year from April 1, 2010 until September 16, 2010 in the version of the Code of June 18, 2009, and since September 17, 2010 in the version of the Code of May 26, 2010, with the following exceptions:

Figures 2.3.1 and 2.3.3: In its current valid version, the company's articles of association do not include the option for shareholders to vote by post, or a corresponding authorisation of the Management Board. There is also currently no intention to introduce such postal voting. Introducing the option of postal voting is connected with legal risks, and would give rise to additional administrative expense. In addition, postal voting offers no additional value when compared with voting by proxy, as practised by the company.

Figure 3.8: A deductible for directors & officers' (D&O) insurance has been agreed for the Mament Board since April 1, 2010, although there is no such deductible for the Supervisory Board. company's opinion, agreeing such a deductible for the Supervisory Board would significantly the attractiveness of Supervisory Board activity at the company, and thereby have a detrimental on opportunities to recruit appropriate candidates for activity as a Supervisory Board member company.	In the educe effect
Figure 4.2.1: The Management Board has drawn up no rules of business procedure for itself si consists of two individuals, as a consequence of which the company is of the view that rules of bu procedure do not appear requisite. The company's articles of association stipulate the measure require Supervisory Board assent.	siness
Figure 4.2.3: The compensation for Management Board members roughly corresponds to their whereby the variable components are granted as short-term incentive components, and the settle cap in the first year of activity exceeds two years' compensation.	
Figure 5.1.2: No age limit has been set for Management Board members. The company is of the that age is not an appropriate criterion to be applied when appointing Management Board members.	
Figure 5.3: The Supervisory Board forms no committees. It is composed of six members. Were ar smaller committee to be formed from this body, the Supervisory Board believes that the risk exist in the case of particularly important or complex matters, the expertise of all of the Supervisory members would not be available; for this reason, it seems better to give preference to considering matters at plenary Supervisory Board meetings.	s that, Board
Figure 5.4.1: No age limit has been set for Supervisory Board members. The company is of the viewage is not an appropriate criterion to be applied when appointing Supervisory Board members.	w that
Figure 5.4.3: One Supervisory Board member stood down from office in the 2010/2011 fiscal year. A appointed a Supervisory Board member to replace him. The corresponding motion included no limits until the next Ordinary AGM, in order to ensure that the Supervisory Board was supplem rapidly, and, above all, on a stable basis. Irrespective of this, an appropriate candidate is to be profor election to the Supervisory Board at the next Ordinary AGM to replace the court-appointed visory Board member.	time ented posed
Figure 5.4.6: The Supervisory Board members receive no performance-based compensation in or thereby further strengthen their independence.	der to

______7.1.2: Until further notice, the company will publish information according to statutory publication deadlines. It will nevertheless endeavour to make constant improvements to processes and reporting, and to

base its future behaviour on the shorter deadlines of the Corporate Governance Code.

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The company assumed its current legal form in the 2010/2011 fiscal year through a change of legal form from that of a commercial partnership limited by shares with a limited company as a personally liable shareholder, to that of a public stock corporation. Given these circumstances, the recommendations in sections 1 to 7 of the Code were not complied with word for word until the date when the company changed its legal form into that of a public stock corporation, but were complied with only in spirit. For this reason, along with the exceptions already presented above, the following further exceptions are also presented that are due to the particularity of the legal form of the commercial partnership limited by shares, and its structure within the articles of association:

- Figure 4.2.3: The compensation rules for the management envisaged only fixed compensation; compensation for the managing general partner was set out in the articles of association of the company.
- Figure 4.3.1: The general manager, its managing directors and shareholders were exempted in the articles of association from the prohibition on competition in Section 284 of the German Stock Corporation Act (AktG).
- Figure 4.3.5: The pursuit of ancillary activities by the managing general partner company did not require Supervisory Board approval.

This statement is accessible to shareholders by way of direct reproduction on the company's website at www. magnat.ag.

Frankfurt am Main, June 2011 MAGNAT Real Estate AG

For the Supervisory Board **Prof. Dr. Werner Schaffer**

For the Management Board

Dr. Marc-Milo Lube, Jürgen Georg Faè



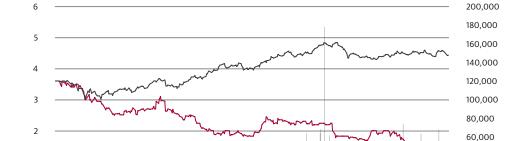
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MAGNAT ON THE CAPITAL MARKET

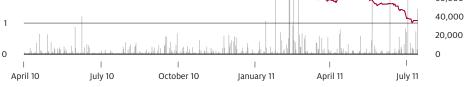
The share of MAGNAT Real Estate AG failed to participate in the equity market upturn in the 2010/2011 fiscal year. While the DAX share index of the largest German stocks appreciated by 22 percent, the MAGNAT share price underwent a significant decline. Having started the year at a price of EUR 3.60, the share closed the fiscal year as of March 31, 2011 at EUR 1.75. The starting price for the fiscal year also represented the share's high for the year, with the low for the year being reached on March 28, 2011 at EUR 1.70.

Although the real estate equity segment also generally outperformed the MAGNAT share, regional performance was extremely differentiated: the Germany index of the European Public Real Estate Association, the EPRA Germany, performed in line with the DAX with an increase of 21 percent, the comprehensive index of German real estate stocks, the DIMAX Deutschland, which is prepared by Ellwanger & Geiger private bank, and in which the MAGNAT share is also represented, appreciated by a significantly slower rate of 13 percent, and the DIMAX Osteuropa (Eastern Europe) was down by 9 percent over the same period. In line with MAGNAT's greater focus on Eastern European markets, the comparatively weak performance in Eastern Europe exerted a corresponding impact on MAGNAT's share price.

Besides these dampening effects, however, company-specific developments also contributed to the unsatisfactory share price performance. For instance, the ad hoc announcement on May 3, 2010 relating to the impairment charge, particularly for the Ukrainian investments in the MAGNAT investment portfolio, triggered a share price decline from EUR 3.30 that lasted several weeks until the share reached a price of EUR 2.50 on June 10. The ad hoc announcement concerning the Turkish tax authorities' tax demand, which was published on September 15, 2010, fed through to a strong slide in the share price from EUR 2.45 to EUR 1.87. The ad hoc announcement on February 25, 2011 concerning the launching of reorganisation proceedings for the two Austrian bond companies, which are co-investors in various MAGNAT real estate projects, subsequently eliminated the recovery of the MAGNAT share price to a peak of EUR 2.44 that had meanwhile occurred. This correction resulted in the lowest share price reported until that date of EUR 1.78 on March 1, 2011. The MAGNAT share price subsequently proved unable to withstand the effects of the continued debate on further developments at the two bond companies.



Development of MAGNAT stock

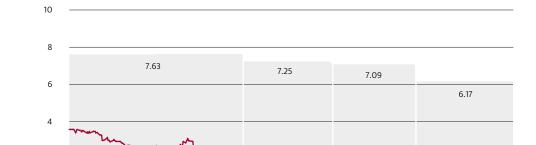




Source: Reuters

As a consequence, the erosion of the MAGNAT share price far exceeds the 20 percent decline in net asset value per share that was reported in the 2010/2011 fiscal year. Whereas the share price still accounted for almost 47 percent of NAV at the start of the 2010/2011 fiscal year, it stood at only 25 percent by the fiscal year-end. This ratio subsequently fell further, to just 17.5 percent by mid-July 2011.

Consequently, the share price meanwhile reflects only a fraction of the share's intrinsic value. This development, which is regarded as very unsatisfactory by MAGNAT's management, reflects a loss of confidence on the part of market participants. Restoring such confidence comprises the most important task of MAGNAT's capital market communications. Besides prompt and at all times transparent reporting, the sharpening of the company's business orientation that was presented in spring 2011 represents a further important step on this path. MAGNAT will concentrate on attractive markets surrounding the Black Sea in the future, and focus on its target countries of Georgia, Turkey and the Ukraine. Rumania also remains on the radar screen, and will be expanded to become its fourth target country if economic and real estate market trends prove promising there. This concentration on clearly defined target markets will be accompanied by a gradual withdrawal from other countries where MAGNAT is still represented with real estate projects. These investments are to be resold in the medium term on a value-retaining basis in order to strengthen liquidity, and to thereby broaden the company's impact when developing new real estate projects in its target regions. The attractive "co-proprietors' building scheme" that form part of the Asset Management segment in Austria form a clear exception to this strategy.



October 10

January 11

April 11

July 11



Source: Reuters

NAV and share price (in EUR)

April 10

July 10

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MAGNAT continued to cultivate intensive communications with the capital market in the 2010/2011 fiscal year. Renowned houses such as Close Brothers Seydler Research AG and Silvia Quandt Research AG published research on MAGNAT. MAGNAT held roadshows in Frankfurt, Zürich and London in November 2010, and participated in the DVFA Real Estate Conference in Frankfurt am Main in February 2011. MAGNAT was also represented at the world's leading commercial real estate trade fair, the MIPIM in Cannes.

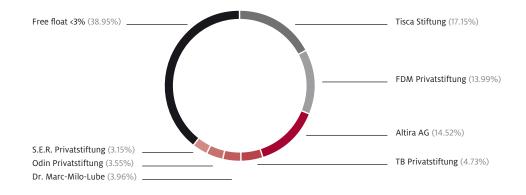
Shareholders and other interested parties can find extensive information about the MAGNAT share, and a current overview of the most important conferences and financial dates, on the company's website (www.magnat.ag) under "Investor Relations".

Name	MAGNAT Real Estate AG		
Number of shares	13.894.651		
Ticker / ISIN / WKN	M5RK / DE00A0XFSF0 / A0XFSF		
Bloomberg / Reuters	M5RK / M5RKGk.DE		
Transparency level	General Standard		
Market segment	Regulated Market		
Stock exchanges	Regulated Market Frankfurt Stock Exchange (Xetra and Frankfurt) Regulated Unofficial Market Berlin, Düsseldorf, Stuttgart		
Indices	DIMAX / C-DAX / DAXsector All Financial Services DAXsubsector All Real Estate / General Standard Index		
Free float (Deutsche Börse AG definition)*	54.3%		
Free float (shareholders < 3%)*	38.95%		

^{*} According to the company's knowledge; based on voting right announcements; as of March 31, 2011

	2010/2011	2009/2010
Number of shares as of March 31	13,894,651	13,894,651
Share price at start of fiscal year (Xetra)	3.60	3.59
Share price at end of fiscal year (Xetra)	1.75	3.60
Year high	3.60	5.12
Year low	1.70	2.66
Market capitalisation (March 31)	24,315,639	50,020,744
Average daily turnover (number of shares)	6,660	6,203
Earnings per share	-0.96	-1.35
NAV per share (March 31)	6.17	7.63

Shareholder structure



Interview

Dr. Marc-Milo Lube, CEO, and Jürgen Georg Faè, CFO MAGNAT Real Estate AG

Dr. Lube, the past fiscal year was anything other than satisfactory for MAGNAT shareholders. Your share price fell from EUR 3.60 to EUR 1.75, before heading significantly further downhill. What are you doing to halt this trend?

Lube: There has been a lot of bad news for MAGNAT over recent months: Turkish tax demands, reduced valuations, co-investors' insolvencies, and management change. This naturally had an impact on the share price. Nevertheless, the discount between our NAV and our share price is particularly high. This is unsatisfactory for us all. The only way to counter this is with a convincing and sharper business model, consistent action, and full reporting transparency. We have already prepared many of these measures, and we will implement them directly over the coming months.

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What's new about MAGNAT's business model?

Lube: MAGNAT is now clearly split into the mutually enhancing segments of "Investments" and "Asset Management", each with their own clearly defined responsibilities and tasks.

The Investments segment is focused on "develop & sell" and "buy & sell". The holding of real estate inventory does not form part of our business model. With regard to our Investments segment, we are now focusing on a few clearly defined target markets in the Black Sea region where we can build on our many years of experience and market knowledge. We are making an orderly withdrawal from other markets. We have already drawn up an ambitious resale programme for this purpose over the past fiscal year. We will use the funds that are released by the disposals to grow in our target markets.

The Asset Management segment represents a significant component of our business model, and is essential to securing MAGNAT's future. As our in-house Asset Management business manages our own projects (from the Investments segment), we have the requisite in-house expertise to implement real estate investments. The ability to draw on one's own resources is indispensable, particularly in difficult and high-risk Eastern European markets. To mandate third parties in these areas would represent a high additional risk. Operating our own asset management also clearly allows us to save on costs compared with an outsourcing solution.

Finally, we also offer asset management for third parties. We aim to expand this, with the strategic objective of stabilising and improving cash flow at Group level. Our Asset Management business should cover around 50 percent of Group operating costs.

You mentioned an ambitious resale programme that you aim to push ahead with in the 2011/12 fiscal year. What does this mean specifically?

Faè: We are currently still active on nine markets. That's not a very manageable situation. And we are too small as a company to be successfully active as entrepreneurs on all these markets. That's why we're concentrating on a few markets that we know well, and where we have access to excellent networks. In 2011 and 2012, we will push ahead with the resale of projects and properties that no longer fit with this profile. We will nevertheless focus on transactions that allow values to be retained. Despite the valuation adjustments that we needed to make in the 2010/2011 fiscal year, independent surveyors' valuations of our real estate show that MAGNAT's balance sheet reflects a great deal of value. We aim to raise these values. We are currently already in some specific negotiations about individual projects. Of course, it's impossible for us to issue clear forecasts about what will be sold, and when – some of these transactions are complex deals, after all. But this much is clear: we aim to realise several resales in the current fiscal year.

Nevertheless, allow us to put the question to you once again: surely, you must have an internal time-plan for the resale programme?

Lube: We aim to realise the disposals by the end of 2013 at the latest. We will announce transactions as soon as the respective agreements have been signed.

What is distinctive about the Black Sea region?

Lube: Almost 170,000,000 people live in this region, and they generated economic output of almost EUR 750 billion in 2010. Turkey, one of our target markets, is a prospering nation with enormous future prospects, both politically as a result of the EU membership that it is striving for, and also economically with a growth rate that is well above the global average. It was the highest in Europe at more than 8 percent in 2010. The country stands out clearly within the Black Sea region since its share of this region's population is 50 percent, and because of its economic output – in this case, its share amounts to as much as around 75 percent. But our other target markets also offer great potential. It's a fact that all Black Sea region countries were already growing faster than the EU-27 countries in 2010. And growth expectations for this and next year are above the EU average.

Faè: A further factor is that, during the financial market crisis, international investors "threw the baby out with the bathwater" in the former Soviet Union countries surrounding the Black Sea, and also in numerous Eastern European countries. To some extent, international capital was withdrawn on an entirely undifferentiated basis, and only a limited volume of new capital has returned to the region since. This is one of the main reasons why real estate markets in these areas are still lagging significantly behind general economic recovery. We are optimistic that this trend will reverse. Many countries are now doing their homework in terms of the finance policy tasks that the International Monetary Fund has set them. There is no massive backlog of reforms, despite it being unarguable that political uncertainties continue to exist. The fact is that state indebtedness in most Eastern European countries is below the 60 percent Maastricht limit, compared with the EU at 80 percent. This is why the rating agencies assess the current situation there as significantly better than in many European Union countries, as shown by Fitch's recent upgrade of Romania's sovereign debt rating. And Ukraine's spreads, for example, are significantly lower than is the case with Europe's problem children.

MAGNAT is now one of the few remaining project developers in its target markets. This represents a valuable positioning, particularly if international capital rediscovers the region as an interesting alternative. But it's also important that this positioning allows us to be noticed by the remaining national market participants, such as developers, real estate companies and banks, so that they open up corresponding business opportunities for us. We will exploit such opportunities consistently.

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Are you also aiming to expand your Asset Management business in these countries?

Lube: Yes. Our aim is to expand our Asset Management business in both our core markets and our home markets of Germany and Austria. In our core markets, a very positive factor is that we enjoy a unique position as a first-mover in countries such as Georgia, for instance, where we have many years of experience. Many developers have withdrawn from other countries such as the Ukraine over recent years due to the financial crisis. We are one of the few Western providers who can offer asset management services for professional investors once markets recover.

How is MAGNAT positioned on the financing side? Is there a requirement for additional capital? What can you say about liquidity?

Faè: Our budgets for the 2011/2012 fiscal year do not assume that there will be any significant improvement in the situation on the real estate markets where MAGNAT is active. Instead, we anticipate that the situation will tend to remain strained in the current fiscal year. That's why we have made very conservative assumptions concerning the property resales that have been included in the financial planning. Although the current liquidity definitely allows us to invest in new projects to a certain extent, the securing of liquidity remains a central component of our financial planning for this reason.

As before, MAGNAT continue to command very solid equity backing, which means that it has the reserves that enable it to absorb even further substantial valuation adjustments within its real estate portfolio. But we are not assuming that this will be the case. Also, we have already taken significant preventative action in the 2010/2011 financial statements. To answer your question specifically: MAGNAT currently has no requirement for additional capital. We aim to finance our growth from our own cash flow. This also forms part of our business model.



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OUR PROJECTS

MAGNAT is an integrated real estate group. Our business model comprises the entire value chain covering the purchase, development and sale of real estate and land. We pursue a "develop & sell" and "buy & sell" strategy with respect to the real estate and land that the company holds itself, in contrast to conventional real estate management companies that pursue a "buy & hold" strategy. As a rule, the period over which MAGNAT aims to hold its real estate and land should be adapted to the time required until resale or production as part of normal business activities.

We have structured our business into two segments, Investments and Asset Management. The "Investments" segment comprises the company's own real estate portfolio, in other words, all of the company's real estate or land. This entails direct or indirect interests in local project companies that develop the real estate projects for the real estate business. We give preference to majority investments where possible. We concentrate on investments in office and residential real estate, and on land that allows the development of real estate for such purposes.

The investment portfolio is currently split among nine countries. In the medium term, MAGNAT plans to restructure its investment portfolio, and to concentrate on the Ukraine, Turkey, Georgia, and, potentially, Romania (core markets), in other words, countries around the Black Sea region. We present our current projects below.

Projects in the Black Sea countries





Source: IMF; Economist Intelligence Unit 2010

Ukraine

Economic environment

Ukraine	2009	2010e	2011e	2012e	2013e	2014e
Gross domestic product (GDP; USD billion)	117.40	+6.4%	+4.5%	+4.3%	+4.2%	+4.1%
Population (in millions)	45.78	-0.5%	-0.5%	-0.5%	-0.5%	-0.5%
GDP per capita (USD)	2,564	+9%	+16%	+14%	+19%	+17%
Foreign direct investment (USD billion)	4.82	-14%	+9%	+17%	+14%	+13%

Following the severe economic downturn in 2009, when GDP shrank by 14.8% (domestic demand even fell by almost 23%), the Ukraine reported a slight recovery in 2010. Growth of 4.2% was achieved, primarily driven by domestic consumption. On the formation side of GDP, industrial production reported gratifying growth of 11.0%, due not least to rising demand on the part of the Ukraine's largest trading partner, Russia, for mechanical equipment, among other products. Industry registered significant growth, particularly in the final quarter of 2010. This nevertheless failed to fully compensate for the previous year's 21.9% downturn. Following a 25.1% setback in the previous year, exports also reported significant growth again of 10.4% in 2010. In overall terms, however, export trade still made a negative contribution to total growth in 2010, since domestic demand fed through to higher import growth.

The Ukrainian real estate market has stabilised at a low level overall following the devastating setbacks it suffered during the global financial crisis. There were virtually no domestic investments in 2010, and only very hesitant foreign capital inflows. Refinancing possibilities for real estate projects, whether through private or institutional funds, remained as sharply restricted as bank lending.

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Peremogi investment	
Use	Office
Land area (in m²)	10,000
Projected saleable / rentable area (in m²)	30,490
MAGNAT interest	45.0%
Balance sheet value (in EUR '000)	14,005
Balance sheet value (as percentage of total)	13%
Start	07/07

MAGNAT holds an interest in a Ukrainian project company that owns the building right to the corresponding property with existing permission for the construction of an office and commercial building. The plot of land on which the project is to be realised has an almost rectangular layout, and the area to be developed amounts to 6,150 m².

The property is located at around eight kilometres west of the city centre, and is regarded as an up-and-coming office location. The environment is characterised by residential construction. It is anticipated that further office and residential projects will be created along the road. The environs are characterised by high-rise buildings from the 1970s and 1980s. Not least, the location was lent further value by being connected to the underground railway system. Local amenities and shops are good, with a supermarket, social facilities, schools, hospitals, doctors and pharmacies.

A modern office centre is to be created on the plot of land. Construction commission exists for this purpose, and is valid for a further four years. There have been delays to the implementation of plans due to the economic crisis, and to the related financing bottlenecks in the Ukraine and at development projects. We are exploiting the current phase of restrained market development to further optimise our development concept in order to rapidly commence with the development of the property once the market situation improves.

Koncha Zaspa investment	
Use	Residential
Land area (in m²)	33,625
MAGNAT interest	75.0%
Balance sheet value (in EUR '000)	3,026
Balance sheet value (as percentage of total)	3%
Start	04/07

This property is located in the so-called Koncha Zaspa approximately 10 kilometres south-west of the city perimeter, and around 20 kilometres from the city centre of the capital Kiev with its around approximately 2,700,000 inhabitants. The property's immediate environment is characterised by agricultural operations. The Kozin housing estate is located nearby. Koncha Zaspa is an upmarket suburb of Kiev. The locality is favoured as a residential area by diplomats and rich Ukrainians.

The plot of land is earmarked for residential construction, although there is no building permission as yet. The original development plan to construct around 20 luxury villas or up to 300 apartments in four-storey buildings cannot be implemented in the current market environment due to a lack of financing possibilities. Alternative resale ideas have been examined, including the development of proposals to divide up the land at low cost in order to boost the land's value.

Chmelnitzky investment	
Use	Retail
Saleable / rentable area (in m²)	25,200
MAGNAT interest	33.3%
Balance sheet value (in EUR '000)	3,780
Balance sheet value (as percentage of total)	3%
Start	12/06

Chmelnitzky is the most important trading hub for Central and North Ukraine. This is where the country's main east-west and north-south trading routes intersect. MAGNAT has invested in a wholesale market centre located on one of the main traffic arteries on the city's perimeter, and acquired claims to 600 of 4,500 shops.

The market centre is easy to reach, and can be approached via the Kiev-Zhytomyr-Chernovtsy highway. It is located around 250 metres from the highway exit. Customers from Minsk can also reach it by railway. The newly developed market stands have better and more modern fittings than similar markets in the Ukraine. The infrastructure located at the market site, such as administrative buildings, warehousing areas, cafes and car parking spaces, ensure the smooth operation of the market to a quality level that exceeds similar markets.

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There are currently a total of 4,500 individual shops on an area of approximately 24 hectares. All shops comprise an area of 14 m², and are constructed in adjacent rows. An additional 42-hectare land plot offers the scope for expansion, and is located directly next to the existing market.

The Chmelnitzky wholesale market centre has all of the requisite official approvals. There were legal disputes in the prior year relating to the previous owners and the co-investors. These legal uncertainties have not yet been settled.

Alexander investment	
Use	Land Bank
Land area (in m²)	200,000
MAGNAT interest	75.0%
Balance sheet value (in EUR '000)	2,240
Balance sheet value (as percentage of total)	2%
Start	12/06

The property is located south-west of Kiev around 37 kilometres from the city centre, close to the city of Vasyl-kiv with its approximately 39,000 inhabitants. The land forms part of MAGNAT's real estate inventory. The company currently plans to resell the project without further development measures.

Vitaly investment	
Use	Residential
Land area (in m²)	77,600
MAGNAT interest	25%
Balance sheet value (in EUR '000)	381
Balance sheet value (as percentage of total)	0%
Start	12/06

The Vitaly project comprises a plot of land where the company intends to build houses. The project already had building permission at the time when MAGNAT made its investment. Of the 16 houses that have been realised, five have been sold to date. It was agreed at the shareholder level that the entire project (including the local project partners' interest) will be resold once circumstances allow.



Source: IMF; Economist Intelligence Unit 2010

Turkey

Economic environment

Turkey	2009	2010e	2011e	2012e	2013e	2014e
Gross domestic product (GDP; USD billion)	614.60	+8.2%	+4.6%	+5.1%	+5.4%	+5.3%
Population (in millions)	72.61	+1.0%	+0.9%	+0.9%	+0.9%	+0.9%
GDP per capita (USD)	8,460	+17%	+6%	+9%	+8%	+9%
Foreign direct investment (USD billion)	8.40	-17%	+21%	+105%	+29%	+13%

There was a renewed boom in the Turkish economy in 2010 with growth rates that have meanwhile reached double-digit figures, thereby representing an impressive economic turnaround. Following a 4.7 percent decline in 2009, GDP was up by 8.2 percent overall in 2010. The main contributor in this context was the domestic economy, predominantly private consumption and investment in capital equipment and construction.

There was a return of capital flows. Turkey is an attractive country for investors due to the possibilities to access its capital market, and its previous growth successes. It is also one of the Eastern European countries that has taken measures to limit risky lending practices and combat inflation. For instance, the country has introduced upper leverage limits for real estate financing and higher minimum payments for credit card accounts, and it has raised banks' minimum reserve requirements. This has nevertheless failed to brake the domestic demand boom, and its related credit expansion. The consequences are growing inflationary pressure and a strong expansion of the current account deficit, with corresponding negative effects on the external value of the Turkish lira.

Turkey nevertheless reported robust growth in its real estate sector in 2010 due to the resumption of a prospering economy. This is particularly the case with the greater metropolitan area of Istanbul and other major conurbations such as the Izmir region. Here, both commercial and residential real estate achieve high rental ratios, and rents per square metre reach international benchmark levels in Istanbul's best central locations. As an attractive European travel destination, Istanbul also particularly exhibits rising demand for hotel rooms, which was given an additional boost when the city was voted European Capital of Culture 2010.

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YKB investment	
Use	Office/Residential
Land space (in m²) on acquisition	1,115,047
MAGNAT interest	33.3%
Balance sheet value (in EUR '000)	11,580
Balance sheet value (as percentage of total)	10%
Start	07/07

In a consortium with project partners Adama Holding Public Ltd. (consortium manager) and Immofinanz AG, we had originally acquired one of the most extensive real estate portfolios from the Turkish bank Yapı ve Kredı Bankası A.S. ("YKB"), consisting of a total of around 400 individual interests in properties offering the most varied types of utilisation, with a regional focus on the greater metropolitan region of Istanbul.

The development and resale of the individual properties followed a satisfactory course overall. Further resales were also realised in the past fiscal year, as announced. For example, the sale of the "Bersan" land plot with a space of 7,740 m² generated a cash margin on the purchase value, in other words, the difference compared with the original un-revalued purchase cost, of almost EUR 8 million. The "Levent Plaza", which comprises an area 19,061 m², and which was sold a short time afterwards, consists of a property embedded within a commercial property, which is why the transaction was characterised by a high degree of complexity. A cash margin of more than EUR 4.5 million was nevertheless achieved.

MAGNAT had originally invested around EUR 21 million of equity in the YKB portfolio. We have already recovered the full amount that was invested through return cash inflows received by the end of April 2011. At the same time, the remaining portfolio continues to consist of a total of six interesting properties offering attractive development potential. Particularly in the case of the four largest properties, we are currently investigating their development, or alternatively a resale. These include the creation of commercial areas, and the potential exercise of a purchase option for a further plot of land, should appropriate financing solutions be available. In overall terms, we are consequently very confident concerning both further future fund inflows, and the total return that the investment can achieve after the resale of all properties.



Source: IMF; Economist Intelligence Unit 2010

Georgia

Economic environment

Georgia	2009	2010e	2011e	2012e
Gross domestic product (GDP; USD billion)	10.7	+6.4%	+5.5%	+5.2%
Population (in millions)	4.39	+0.1%	+0.1%	+0.2%
GDP per capita (USD)	2,450	+8%	+12%	+14%
Foreign direct investment (USD billion)	0.66	+6%	-14%	+33%

Georgia's economy also recovered in 2010. Following a comparatively moderate recession of -3.9 percent in the previous year, real GDP reported above-average growth of 6.4 percent in 2010. According to the IMF, Georgia is one of the few countries in the region that is reporting a self-supporting economic upturn – and this despite the fact that Georgia is one of the region's oil-importing countries, and consequently fails to benefit from rising crude oil prices. Growing inflationary pressure also represents a particular challenge for Georgia. As a net importer of foodstuffs, sharp price increases for food are also placing pressure on the country, along with the strong growth in the oil price. Food contributes almost 40 percent to overall inflation. Food prices were still rising at an annualised rate of four percent until mid-2010 in the Caucasus region. The price increase was even as high as an annualised rate of 17 percent in January 2011.

Although capital flows still remained well below their pre-crisis level in 2010, foreign investors take a positive view of stability measures to combat inflation and debt. For instance, the Georgian central bank has approved more stringent reserve and liquidity requirements for banks, as well as interest rate increases. Accordingly, the IMF has noted that the country enjoys an improved banking landscape with rising earnings, and – despite more expensive borrowing terms – growing lending, and a rising volume of foreign financing.

Georgia's real estate market reported further recovery in 2010. Following the ending of hostilities with Russia, better trends were already detectable here in 2009: after +11 percent in 2009, the number of transactions increased by 16 percent in 2010. Disposal proceeds measured in US dollars were even up by as much as 32 percent, a clear signal of rising purchasing power and a growing preparedness to invest. George's investment climate is particularly benefiting from the free movement of capital. The Georgian lari is fully convertible, and there are no repatriation restrictions for foreign capital and profits. The greater metropolitan region of the capital Tbilisi is one of the particularly attractive regions.

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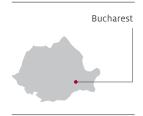
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Digomi investment	
Use	Commercial
Land area (in m²)	20,136
MAGNAT interest	56.3%
Balance sheet value (in EUR '000)	1,275
Balance sheet value (as percentage of total)	1%
Start	08/07

This land plot forms part of a large-area commercial park, and is located on the periphery of the capital Tbilisi. One of Georgia's most important highways, which connects Tbilisi with the port cities of the Black Sea, runs along its eastern side. The neighbourhood includes large car dealerships for automobiles of Western brands, and the region's largest food market. The newly constructed American Embassy is a further direct neighbour. Georgia's largest shopping centre offering more than 100,000 m² of retail space, and further office buildings, are also currently being constructed only two kilometres away. Both the location and size of the land plot offer the potential to realise many major commercial projects. There is no restriction on the type of development. We regularly conduct negotiations with interested parties about reselling this land.

Vake 28 investment	
Use	Residential
Land area (in m²)	2,406
Saleable / rentable area (in m²)	11,352
MAGNAT interest	37.5%
Balance sheet value (in EUR '000)	63
Balance sheet value (as percentage of total)	0%
Start	03/08

A building comprising apartments, a penthouse and commercial units was constructed together with a local partner. All units except the penthouse and the two commercial units have meanwhile been sold. These are to be resold given appropriate offers.



Source: IMF; Economist Intelligence Unit 2010

Romania

Economic environment

Romania	2009	2010e	2011e	2012e	2013e	2014e
Gross domestic product (GDP; USD billion)	161.1	-1.3%	+1.5%	+4.4%	+4.9%	+5.1%
Population (in millions)	21.46	-0.1%	-0.1%	+0.0%	+0.0%	-0.1%
GDP per capita (USD)	7,510	-4%	+4%	+9%	+10%	+11%
Foreign direct investment (USD billion)	4.62	-20%	+62%	+33%	+13%	+11%

The economy of EU country member Romania has not yet recovered, despite improved fundamentals in 2010. Following the 7.1 percent fall in the previous year, a renewed decline of 1.3 percent was recorded in 2010. In this context, it was primarily private demand that proved to be the growth-brake due to high unemployment, while exports and industrial production reported growth. There was a corresponding significant improvement in the current account deficit to most recently 4.25 percent of GDP, compared with more than 13 percent in 2007. Primarily due to this fact, capital markets in Romania report a positive trend, and the interest-rate spreads on sovereign debt are below those of many other EU countries. The inflation rate also reports a falling trend. Turbulence in the Eurozone had previously had only a slight impact on the country. The Romanian leu has appreciated against the euro since the start of 2011.

In the year under review, the real estate market continued to report an almost complete concentration on absolute top locations and projects, with there being as good as no new investments. Overall, the market recovered slightly from a low level. The residential market nevertheless lags significantly behind this trend, and construction activity remained in decline in 2010, particularly in the important region around the capital Bucharest. The sharp decline in building permissions represents a positive indicator, however. This might allow the supply overhang that still persists to be gradually reduced, leading to a rebalancing of the market situation in the future. The trend in building loans, however, shows that the demand side has reported a certain stabilisation since the end of 2010, and even showed signs of slight recovery in spring 2011.

Vacaresti investment	
Use	Residential
Land area (in m²)	6,623
MAGNAT interest	75.0%
Balance sheet value (in EUR '000)	6,892
Balance sheet value (as percentage of total)	6%
Start	06/07

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This property is located in Vacaresti, the southern part of Bucharest's city centre. The plot of land consists of three adjacent, flat parcels of land, and is intended for residential building development. Vacaresti is one of the bestdeveloping areas of Bucharest, and is one of the most popular residential areas. Numerous apartment buildings have been successfully developed in the immediate neighbourhood over the past few years.

The infrastructure is excellent: trams, buses and the underground railway system can be reached on foot. The city centre is less than ten minutes away by car. Bucharest's largest shopping mall, the Sun Plaza Mall, which was opened in 2010, is less than one kilometre away. At the same time, the locality is very attractive due to Bucharest's largest park, the Parcul Tineretului. The city's administration is planning to create an artificial lake next to the plot of land.

The original planning envisages the creation of around 450 apartments comprising a total area of around 30,000 m² together with 250 underground parking and around 200 car parking places outside the building. The PUZ (Plans Urbanistic Zonal, in other words, approval for general development) has already been granted for the plot of land. Planning permission has not yet been granted. We are currently considering both developing the project, and alternatively reselling the plot of land.

Mogosoaia investment	
Use	Residential
Land area (in m²)	57,162
MAGNAT interest	75.0%
Balance sheet value (in EUR '000)	2,969
Balance sheet value (as percentage of total)	3%
Start	12/06

The plot of land is located in Mogosoaia, one of Bucharest's most rapidly developing suburbs directly next to the city's periphery. The property derives its attractiveness both from large green and recreational areas, such as the Mogosoaia Lake, and its direct proximity to the city – Bucharest's city centre is only around 15 kilometres away. The plot of land is already earmarked for residential purposes. The property has not yet been developed, although all connections for electricity, gas, water and sewers are available due to directly adjacent constructions, and can be connected to the land plot without problem. We are currently planning to resell the plot of land without further development measures.





Projects in other countries

Germany

Eberswalde	Saalfeld	Rostock
Residential	Residential	Residential
61,329	29,126	3,296
59,911	17,141	8,042
75.0%	75.0%	75.0%
24,936	6,640	3,059
77%	58%	72%
22%	6%	3%
04/07	12/07	06/07
	Residential 61,329 59,911 75.0% 24,936 77% 22%	Residential Residential 61,329 29,126 59,911 17,141 75.0% 75.0% 24,936 6,640 77% 58% 22% 6%

At the Eberswalde, Saalfeld and Rostock locations, the residential portfolio comprises around 1,500 apartments that are more than 90% rented. The rental yield amounts to around 10.5% (actual net rent excluding heating relative to historic cost including ancillary costs). We are currently working intensively on reselling this investment.

Eberswalde residential portfolio

The "Brandenburgisches Viertel" residential portfolio in Eberswalde consists of 1,057 apartments and 11 commercial units. All buildings comprise six storeys and were extensively renovated between 1999 and 2001. The properties' environment consists of attractively arranged garden areas, many of which include play areas. There are more than sufficient parking places. The company further boosted the portfolio's rental status in the past fiscal year, which stood at 92.5% in June 2011 (on the basis of rental area).

Rostock housing development

The housing development in Rostock Evershagen comprises 19 storeys, 162 apartments and a potential commercial unit (80 m²). Extensive renovation work in 2001 included renewing the building's facade. The property is located in a good district within the city. The building's rental ratio stood at a high level of 91.3% in June 2011 (on the basis of rental area).

Saalfeld residential portfolio

The Saalfeld residential portfolio consists of seven multi-family homes comprising 280 residential units and one commercial unit. The building's fabric is solid although investments are required for its revitalisation above and beyond the maintenance measures that we are constantly performing. The location offers a green and peaceful environment, despite being located close to the city centre. The company raised the building's rental status further in the past fiscal year, which stood at 79.7% in June 2011 (on the basis of rental area).

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Commercial portfolio investment	A&T investment	Delitzsch investment
Land area (in m²)	6,075	5,760
Saleable / rentable area (in m²)	4,670	5,948
MAGNAT interest	75.0%	75.0%
Balance sheet value (in EUR '000)	6,160	5,680
Leverage	67%	73%
Balance sheet value (as percentage of total)	6%	5%
Start	11/06	12/07

The portfolio comprises the "A&T" commercial portfolio and the Delitzsch investment. The rental yield amounts to around 6.3% (current net rent excluding heating relative to historic cost including ancillary costs), and the acquisition cost amounted to around EUR 1,150 / m². The rental status of the entire commercial portfolio stood at around 69.1% in June 2011. We are currently in various negotiations concerning further rental agreements and/or about extensions to existing agreements. The portfolio's attractiveness, and consequently its resale prospects, will increase once these agreements have been concluded.

"A&T" commercial portfolio

This commercial portfolio consists of three properties located at Halle-Peissen, Parchim and Worms, with each property having one tenant. A successor tenant has meanwhile been found for the property in Halle-Peissen, with whom an agreement for 10.5 years was concluded. The local employment agencies are the tenants for the properties in Parchim and Worms. We are currently in negotiations concerning the extension of the existing rental agreements.

Delitzsch Medical Centre

The fiscal year was characterised by intensive discussions with the tenants with the objective of successfully further developing and positioning the centre. With a large tenant (an employment agency) having moved out, rental agreement negotiations are currently underway with new potential tenants from the medical area. Besides this, the focus is on further developing the site, and on making it more attractive.

SQUADRA investment	
Use	Office/Residential
Land area (in m²)	25,071
Saleable / rentable area (in m²)	37,698
MAGNAT interest	16.1%
Balance sheet value (in TEUR)	3,392
Balance sheet value (as percentage of total)	3%
Start	08/07

SQUADRA was formed in August 2007 with share capital of EUR 25.1 million; MAGNAT acquired EUR 4 million of this share capital. SQUADRA focuses on investments on the German real estate market. This investment's future prospects will derive particularly from the performance of the German real estate market in general, and on regional markets in which the properties are located.

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Poland

Nasze Katy investment	
Use	Residential
Land area (in m²)	66,025
Saleable / rentable area (in m²)	51,030
MAGNAT interest	50.0%
Balance sheet value (in TEUR)	13,113
Balance sheet value (as percentage of total)	12%
Start	11/06



The project is located at the centre of Katy Wroclawskie, a community with 18,000 inhabitants located 18 kilometres south-west of Wrocław, one of Poland's oldest and most beautiful cities, also referred to as "the Venice of Poland". With around 635,000 inhabitants, Wrocław is the fourth largest Polish city, and one of the most important academic centres. Numerous international companies such as SCANIA, Buderus, IKEA, SAP and Bosch have established operations in or around Wrocław over the past few years. LG Electronics is currently creating a new production site that is set to create around 12,000 additional jobs.

The company plans to construct residential dwellings and commercial areas in three construction steps with a total of around 77,700 m² of usable residential area, and approximately 5,100 m² of commercial areas. Two of the three construction sections have already been completed. Of the first construction stage entailing 67 apartments and three commercial units, 66 apartments have been sold. Of the second construction stage with 200 apartments in six commercial units, 71 apartments and three commercial units have meanwhile been sold. The building approval for the third construction stage enables 931 apartments to be created with an area of almost 60,000 m², and further commercial spaces with an area of almost 3.700 m². In addition, a general contractor agreement for this construction stage has also already been negotiated. We also restructured Nasze Katy in terms of its corporate legal status in the first half of the 2010/2011 fiscal year.



Russia

Russian Land investment	
Use	Land Bank
MAGNAT interest	40.3%
Balance sheet value (in TEUR)	1,650
Balance sheet value (as percentage of total)	1%
Start	09/07

Formed in August 2007, Russian Land AG focuses on the purchase and sale of plots of land within 80 to 150 kilometres of Moscow. The market situation in Russia remained very strained in the fiscal year under review. There were hardly any transactions. In particular, the company pushed further ahead with the situation relating to intended purposes, and with a rearrangement of land registry entries for projects that have either been purchased or for which options exist. Impairment charges were formed for a financing facility that Russian Land granted to a renowned developer in order to change the intended purpose relating to a large piece of land.

It remains the case that modifications to intended purposes, and adjustments to land tax, can impact Russian Land's business model, and for this reason they are monitored and examined in detail by the company's Management Board, and corresponding measures are developed if required.

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Bulgaria

Pancharevo investment	
Use	Residential
Land area (in m²)	7,774
Saleable / rentable area (in m²)	13,377
MAGNAT interest	75.0%
Balance sheet value (in TEUR)	1,002
Balance sheet value (as percentage of total)	1%
Start	06/07

The property is located in Pancharevo in the southern part of Sofia, around 13 kilometres from the city centre, and approximately 15 kilometres from the airport. It can be reached easily by car via the southern part of the ring road, and the Samokovsko Schosse Boulevard. Public transport connections are still poor.

The neighbourhood has been characterised by busy construction activity over recent years. Numerous residential construction projects have arisen in the direct environment that have been very well received by the population. Pancharevo and its environs are regarded as a very popular residential area with great recreational and tourism value. This is contributed to by the nearby Vitosha Mountains, Lake Pancharevo, and the River Iskar.

A project to develop six apartment blocks with a total of 112 residential units has been planned and approved. These plans also include 115 underground car parking places and a further 30 parking places outside the building. The total usable area is to comprise $13,400 \text{ m}^2$ plus $1,660 \text{ m}^2$ of garden areas. The company currently plans to sell the property including the existing building permission.

Sofia





MAGNAT Real Estate AG , Frankfurt am Main (until September 16, 2010: MAGNAT Real Estate Opportunities GmbH & Co. KGaA)

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GROUP MANAGEMENT REPORT

for the fiscal year from April 1, 2010 to March 31, 2011

MAGNAT Real Estate AG (hereinafter referred to in brief as "MAGNAT") presents in the following its Group management report for the 2010/2011 fiscal year as of March 31, 2011. The Group applies IFRS international accounting standards as applicable in the European Union. These accounts also take the German Accounting Law Modernisation Act into consideration. The composition of the scope of consolidated companies is presented in detail in the notes to the consolidated financial statements. Compared with the consolidated financial statements as of March 31, 2010, there were changes to this consolidation scope in the year under review, which are presented in the notes to the consolidated financial statements.

1. Company profile

1.1. Legal form

MAGNAT Real Estate AG is a public stock corporation according to German law ("Aktiengesellschaft", abbreviated as "AG"), whose Group head office is located in Frankfurt am Main, Germany. The company's roots date back to the company MAGNAT Real Estate Opportunities GmbH & Co. KGaA, which was founded on April 6, 2006. This company's legal form was changed to that of a public stock corporation, and this change of form was entered in the commercial register on September 17, 2010, since when the company has been named "MAGNAT Real Estate AG".

The shares of MAGNAT Real Estate AG are traded on the Regulated Market (General Standard) on the Frankfurt Stock Exchange and on XETRA.

1.2. Structure

Investments	Asset Management
75% Interest in MAGNAT Investment I B.V., NL This indirectly and directly holds 100% in each of the following project companies in Germany (A&T, Eberswalde, Rostock, Saalfeld, Delitzsch) Romania (Mogosoaia, Vacaresti) Bulgaria (Pancharevo) Ukraine (Alexander Land, Koncha Zaspa) As well as each of the following interests in Austria (25.1 % in Palais Schwarzenberg) Georgien (50% in Vake, 75% in Digomi) Ukraine (60% in Peremogi)	100% Interest in MAGNAT Asset Management GmbH, A This indirectly holds 100% in each of the branches in Germany (MAGNAT Asset Management Deutschland) Ukraine (MAGNAT Asset Management Ukraine) And in connection with "Co-proprietors' building scheme" and investment models 100% in 3 project companies (Schumanngasse, Kastnergasse, Rennweg) 99% in 1 project company (Grazer Strasse) 100% in MAGNAT Capital Markets GmbH / Vienna
50% Interest in MAGNAT Investment II B.V., NL This indirectly holds 66.7% in Chmelnitzky / Ukraine and 50% in Investment Vitaly / Ukraine	
Direct interest MAGNAT Real Estate AG holds the following interests in Turkey (33.3% in YKB Portfolio) Germany (16.1% in SQUADRA) Poland (50.0% in Nasze Katy) Russia (40.3% in Russia Land)	

1.3. Business activities and strategy

MAGNAT is an integrated real estate group. MAGNAT's business model comprises the entire value chain covering the purchase, development and sale of real estate and land. MAGNAT pursues a "develop & sell" and "buy & sell" strategy with respect to the real estate and land that it holds itself, in contrast to conventional real estate management companies that pursue a "buy & hold" strategy. As a rule, the period over which MAGNAT aims to hold its real estate and land should be adapted to the time required until resale or production as part of normal business activities.

The company has structured its business into two segments: "Investments" and "Asset Management". The "Investments" segment comprises the company's own real estate portfolio, in other words, all of the company's real estate or land. These assets relate to direct or indirect interests in local project companies that are responsible for real estate development projects on a local basis. MAGNAT gives preference to majority investments where possible. The company concentrates on investments in office and residential real estate, and on land that allows the development of real estate for such purposes.

MAGNAT's investment portfolio is currently distributed across nine countries. In the medium term, MAGNAT plans to restructure its investment portfolio, and to concentrate on the Ukraine, Turkey, Georgia, and, potentially, Romania (core markets), in other words, countries around the Black Sea region. Due to the disruption of liquidity on real estate markets resulting from the recent years' financial market crisis, particularly in Eastern Europe, but also in Germany, the company has been obliged to report significant shortfalls compared to its planning with respect to both its planned holding periods, and in terms of the targeted capital appreciation for its existing investments.

Value creation within the Investments segment derives from the disposal gain on real estate investments, which, in turn, is derived from the difference between the disposal value of the developed and exit-ready property, and all development costs up to disposal – in other words, purchase costs plus development and financing costs, as well as asset management costs and sales costs. Any net rental profits are to be added to the disposal value where they are generated. Only once an investment has been successfully sold do significant cash inflows accrue to MAGNAT in this segment. Along with the life cycle phase in which the individual projects are positioned, the investments' disposability also depends to a high degree on the trends of local real estate and financial markets. As a consequence, it only with difficulty that cash inflows in this segment can be forecasted, and such forecasts depend on numerous influencing factors, including external factors.

While taking into account MAGNAT's liquidity reserves, the company aims to reinvest the cash inflows deriving from the sale of investments from its existing real estate portfolio, and to finance the company's growth in its core markets. Along with this internal growth, the company also regularly examines external growth options.

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In its Asset Management segment, MAGNAT renders real estate and land management services, particularly relating to the analysis, acquisition, financing, development and sale of real estate. In this segment, MAGNAT provides services both for its own Investments segment (internal asset management) and for third parties (external asset management).

Internal asset management forms an essential component of MAGNAT's business model because it comprises the expertise that is critical to conducting real estate investments, thereby representing an important factor to secure MAGNAT's future. As a result of MAGNAT's real estate development activities, and its geographic orientation to countries with high risk profiles, MAGNAT requires internal asset management to directly control and influence its projects. Above and beyond this, the large number and broad geographic distribution of its investments render internal asset management more cost-effective than outsourcing such functions.

Along with internal asset management, MAGNAT also currently provides asset management services for SQUADRA Immobilien GmbH & Co. KGaA in Germany, as well as, to a limited extent, for R-QUADRAT CAPITAL GAMMA GmbH in Austria. The Asset Management segment also designs and markets so-called "Co-proprietors' building scheme" in Vienna, Austria.

Earnings from the Asset Management segment are based on contractually agreed fees for the rendering of asset management services, and design and sales fees for the realisation of "Co-proprietors' building scheme". This segment enjoys and continues earnings and cash flow streams, which are consequently significantly easier to budget and forecast than for the Investments segment. MAGNAT's objective is to cover half of total Group costs with its Asset Management segment.

MAGNAT is endeavouring to expand its external asset management area. Along with existing activities in Germany and Austria, this also includes the rendering of asset management services for third parties in MAGNAT's core markets

1.4. Corporate management

MAGNAT's corporate management is oriented to cash flow, thereby taking into account the risk inherent in its business model of sharp fluctuations in cash inflows. Integrated cash flow planning interconnects both the company's business segments, and its individual projects. In this context, cash inflows from the Asset Management segment are intended to cover at least one half of the Group's structural costs.

Both projects and staff are managed within the framework of defined project budgets and cash flow plans, which are monitored continuously, and adapted where required.

2. General environment

2.1. Macroeconomic overview

Following the severe crisis of 2008 and 2009, the global economy reported significant recovery trends last year. These trends have continued to date in 2011, albeit more weakly in part. This recovery nevertheless reflected very different regional developments. While emerging markets, particularly in Asia and South America, recovered strongly, recovery in Western European industrial states and Japan was somewhat sluggish and varied. The following specific trends were observable:



Overall, the global economy recovered by 5.0 percent in 2010, following a 0.5 percent decline in 2009. Industrial nations reported real growth of 3.0 percent, compared with significantly stronger growth of 7.3 percent in emerging economies. Germany stood out among the developed countries, and China and India reported the highest growth among emerging economies with rates of 10.3 percent and 10.4 percent respectively.

From mid-2010, improved economic outward fed through to trend reversals on money and commodity markets. After a period of very low inflation rates and interest rates as a consequence of the economic crisis, long-term interest rates have undergone a significant increase from mid-2010. For instance, the reference rate on the 10-year "Bund" German government bond reported a marked increase of more than 100 basis points from 2.10 percent to 3.31 percent between August 2010 and the first quarter of 2011. In the meantime, considerable increases in inflation rates and commodity prices have also been in evidence.

While it appears that the consequences of the financial and economic crisis have been mastered for companies and banks for the time being, a fundamentally different picture is emerging for the financial position of nation states and currency markets. Here, risks have risen considerably over the past months, and it remains unclear

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what consequences these developments will have for the global economy in the short and medium term. In particular, the main risks lie in the high levels of indebtedness and state deficits of the USA and Japan, and the debt crisis in Greece and other European states, where even state bankruptcies cannot be excluded in individual cases. Escalating state indebtedness in combination with an historically relaxed monetary policy, particularly in the USA and United Kingdom, and an underlying decline in confidence in state financial management (debt policy), carried a high risk of rising inflation and interest rates in the medium term.

Although MAGNAT is not directly invested in the countries that form the current focus of these debates, there may nevertheless be indirect effects on MAGNAT projects such as:

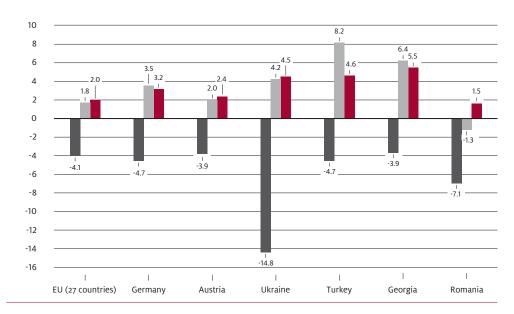
- A crisis of confidence in the US dollar, or a collapse of the Eurozone, feeding through to a renewed slump in the global economy, or to a renewed banking crisis. This would also result in the anticipation of significant volatility in currency exchange rates.
- The development and financing costs for real estate projects would change in a sustained manner, because inflation rates and interest rates would undergo a sharp increase.

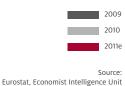
2.2. Germany / Austria

In Germany, the economic upturn broadened over the course of the 2010/2011 fiscal year: in the second half of 2010, continued growth in exports was augmented by domestic economic impulses in the form of rising corporate capital investment and the gathering of momentum in terms of consumption spending. This was further strengthened by the significant rise in construction investment in the first calendar quarter of 2011. Overall, the German economy reported real growth of 3.5 percent in 2010. As a consequence, Germany reported above-average growth among industrial nations in 2010, which together grew by only 3.0 percent, and particularly within the European Union (+1.8 percent). The dynamism of the German upturn remained high in the first quarter of 2011 with real GDP (gross domestic product) growth of 1.5 percent compared with the previous quarter.

Although the recovery in Austria was somewhat better than in the EU, with GDP up by 2.0 percent, it fell short of the German growth level. Its recession in 2009 was nevertheless also not as severe as Germany's (-3.9 percent compared with -4.7 percent). Following stagnation at the start of the year, there was a strong pickup at the mid-year stage, driven mainly by export trade. Industry benefited from the dynamic export economy – with the most important impulses coming from its largest trading partner, Germany. Investment was up for the first time in two years as a consequence. Construction investment was disappointing, by contrast: both residential and civil engineering investment continued to report declines. Private consumption failed to deliver any growth impulses in 2010 due to the moderate growth in real incomes.

Real economic growth 2009 to 2011 (in percent)





2.3. MAGNAT target region: "Black Sea countries"

Ukraine

Following the severe economic downturn in 2009, when GDP contracted by 14.8 percent (domestic demand even fell by almost 23 percent), the Ukraine reported a slight recovery in 2010. Growth of 4.2 percent was achieved, primarily driven by domestic consumption. On the formation side of GDP, industrial production reported gratifying growth of 11.0 percent, due not least to rising demand on the part of the Ukraine's largest trading partner, Russia, for mechanical equipment, among other products. Industry registered significant growth, particularly in the final quarter of 2010. This nevertheless failed to fully compensate for the previous year's 21.9 percent downturn. Following a 25.1 percent setback in the previous year, exports also reported significant growth again of 10.4 percent in 2010. In overall terms, however, export trade still made a negative contribution to total growth in 2010, since domestic demand fed through to higher import growth.

Turkey

There was a renewed boom in the Turkish economy in 2010 with growth rates that have meanwhile reached double-digit figures, thereby representing an impressive economic turnaround. Following a 4.7 percent decline in 2009, GDP was up by 8.2 percent overall in 2010. The main contributor in this context was the domestic economy, predominantly private consumption and investment in equipment and construction.

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There was a return of capital flows. Turkey is an attractive country for investors due to the possibilities to access its capital market, and its previous growth successes. It is also one of the Eastern European countries that has taken measures to limit risky lending practices and combat inflation. For instance, the country has introduced upper leverage limits for real estate financing and higher minimum payments for credit card accounts, and it has raised banks' minimum reserve requirements. This has nevertheless failed to brake the domestic demand boom, and its related credit expansion. The consequences are growing inflationary pressure and a strong expansion of the current account deficit, with corresponding negative effects on the external value of the Turkish lira

Georgia

Georgia's economy also recovered in 2010. Following a comparatively moderate recession of -3.9 percent in the previous year, real GDP reported above-average growth of 6.4 percent in 2010. According to the IMF, Georgia is one of the few countries in the region that is reporting a self-supporting economic upturn – and this despite the fact that Georgia is one of the region's oil-importing countries, and consequently fails to benefit from the rising crude oil price. Growing inflationary pressure also represents a particular challenge for Georgia. As a net importer of foodstuffs, sharp price increases for food are also placing pressure on the country, along with the strong growth in the oil price. Food contributes almost 40 percent to overall inflation. Food prices were still rising at an annualised rate of 4 percent until mid-2010 in the Caucasus region. The price increase was even as high as an annualised rate of 17 percent in January 2011.

Although capital flows still remained well below their pre-crisis level in 2010, foreign investors take a positive view of stability measures to combat inflation and debt. For instance, the Georgian central bank has approved more stringent reserve and liquidity requirements for banks, as well as interest rate increases. Accordingly, the IMF has noted that the country enjoys an improved banking landscape with rising earnings, and – despite more expensive borrowing terms – growing lending, and a rising volume of foreign financing.

Romania

The economy of EU country member Romania has not yet recovered, despite improved fundamentals in 2010. Following the 7.1 percent fall in the previous year, there was a renewed decline of 1.3 percent in 2010. In this context, it was primarily private demand that proved to be the growth-brake due to high unemployment, while exports and industrial production reported growth. There was a corresponding significant improvement in the current account deficit to most recently 4.25 percent of GDP, compared with more than 13 percent in 2007. Primarily due to this fact, capital markets in Romania report a positive trend, and the interest-rate spreads on sovereign debt are below those of many other EU countries. The inflation rate also reports a falling trend. Turbulence in the Eurozone had previously had only a slight impact on the country. The Romanian leu has appreciated against the euro since the start of 2011.

Trends on regional real estate markets

MAGNAT's target countries around the Black Sea reported differing real estate market trends in the year under review. In all countries, investments clearly focused on projects in conurbation areas. While, in particular, the Ukraine remained largely characterised by stagnation, real estate markets in Turkey and Georgia reported growth.

Following the devastating setbacks on the Ukrainian market during the global financial crisis, it has stabilised at a low level overall. There were as good as no domestic investments in 2010, and only very hesitant foreign capital inflows. Refinancing possibilities for real estate projects, whether through private or institutional funds, remained as sharply restricted as bank lending.

Turkey nevertheless reported robust growth in its real estate sector in 2010 due to the resumption of a prospering economy. This is particularly the case with the greater metropolitan area of Istanbul and other major conurbations such as the Izmir region. Here, both commercial and residential real estate achieve high rental ratios, and rents per square metre reach international benchmark levels in Istanbul's best central locations. As an attractive European travel destination, Istanbul also particularly exhibits rising demand for hotel rooms, which was given an additional boost when the city was voted European Capital of Culture 2010.

Georgia's real estate market reported further recovery in 2010. Following the ending of hostilities with Russia, better trends were already detectable here in 2009: after +11 percent in 2009, the number of transactions increased by 16 percent in 2010. Disposal proceeds measured in US dollars were even up by as much as 32 percent, a clear signal of rising purchasing power and a growing preparedness to invest. George's investment climate is particularly benefiting from the free movement of capital. The Georgian lari is fully convertible, and there are no repatriations restrictions for foreign capital and profits. The greater metropolitan region of the capital Tiflis is one of the particularly attractive regions.

In the year under review, the real estate market of EU member country Romania continued to report an almost complete concentration on absolute top locations and projects, with there being as good as no new investments. Overall, the market recovered slightly from a low level. The residential market nevertheless lags significantly behind this trend, and construction activity remained in decline in 2010, particularly in the important region around the capital Bucharest. The sharp decline in building permissions represents a positive indicator, however. This might allow the supply overhang that still persists to be gradually reduced, leading to a rebalancing of the market situation in the future. The trend in the building loans, however, shows that the demand side has reported a certain stabilisation since the end of 2010, and even showed signs of slight recovery in spring 2011.

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3. The 2010/2011 fiscal year

Key MAGNAT Group markets continue to be affected by the consequences of the financial and banking crisis in the 2010/2011 fiscal year, as a consequence of which there was no broad-based recovery there in real estate prices, and transaction volumes remained at a low level, not least due to an entire lack of financing offers, or the existence of only very expensive financing offers. Due to these market trends, the number of disposals that the MAGNAT group realised in the year under review remained low, and renewed adjustments were required to the valuation levels of the real estate portfolio, in particular the Ukrainian investments.

A lack of proceeds from real estate sales in various markets also placed a burden on our co-investors. Reorganisation proceedings have meanwhile commenced for the assets of R-QUADRAT Capital Alpha GmbH, and insolvency proceedings have been launched for the assets of R-QUADRAT Capital Beta GmbH. Both proceedings are according to the Austrian insolvency directive. These proceedings result in both tangible and intangible burdens for the MAGNAT Group that impact the year under review, and will continue to have effects in the current fiscal year.

Significant burdens incurred in the year under review also derived from a Turkish project company of GAIA Real Estate Investments S.A., Luxembourg, Luxembourg, in which MAGNAT holds in interest, being exposed to a high tax claim in the reporting year. As reported after the end of the year under review, a solution has meanwhile been developed for this situation that has led to a significant reduction in the burden incurred by MAGNAT.

A change in Chief Executive Officer also occurred at Group management level. The appointment of Mr. Jan Oliver Rüster as a Management Board member was revoked with immediate effect as of October 25, 2010. The Supervisory Board appointed Dr. Marc-Milo Lube to be the new Chief Executive Officer with effect as of January 1, 2011.

Despite the manifold challenges that faced the Group in the reporting year, the company continued to successfully develop various projects further: for example, MAGNAT Asset Management largely concluded the refurbishment of the Schrödterhaus in Leipzig in November 2010, entailing a total rentable area of around 9,000 m². The rental status of the originally vacant property was rapidly raised with multi-year rental agreements to around 75 percent due to the high-quality refurbishment concept.

Two transactions were successfully concluded in the high-growth Turkish market: from the YKB portfolio, in which MAGNAT holds a 33.3 percent interest, the land plots of "Bersan" and "Levent Plaza" in Istanbul were sold for a total of more than EUR 27 million. A high cash margin was realised on both projects.

Not least, the MAGNAT Group's strategic orientation was fundamentally revised and approved. The Group's investment portfolio is currently distributed across nine countries. The company plans to concentrate in the medium term on the Ukraine, Turkey, Georgia, and, potentially, Romania (core markets), in other words, countries around the Black Sea region.

4. Net assets, financial position and results of operations

4.1. Results of operations

Revenue and earnings trends

in EUR '000	2010/2011	2009/2010
Profit/loss on rental of real estate inventory	3,036	2,413
Profit/loss on sale of real estate	2,304	0
Profit/loss on companies measured at equity	-483	204
Profit/loss on asset management	-11,168	-5,768
Other operating income	5,016	2,805
General and administrative expenses	-7,465	-4,633
Other operating expenses	-7,138	-4,997
Profit/loss before interest and tax	-15,898	-9,976
Financial result	840	-3,566
Profit/loss before tax (EBT)	-15,059	-13,542
Total profit/loss	-15,192	-13,986
Of which, attributable to:		
Parent company shareholders	-13,284	-11,216
Basic earnings per share (EUR)	-0.96	-1.35
Diluted earnings per share (EUR)	-0.96	-1.35

Earnings trends in the 2010/2011 fiscal year were characterised by contrary trends: tangible growth in earnings from the renting of real estate inventory, a disposal gain on the sale of property – no property was sold in the previous year – and a significant improvement in the financial result were offset by higher losses on companies measured at equity, and a loss incurred by the Asset Management segment arising from services rendered for third parties.

The profit/loss from the rental of real estate inventory benefited, firstly, from 5.0 percent income growth to EUR 7.0 million, compared with EUR 6.6 million in the previous year, as a direct consequence of the further reduction in the vacancy rate. Secondly, it benefited from the 6.9 percent reduction in operating expenses to EUR 3.9 million, compared with EUR 4.2 million in the previous year, due to a reduction in non-transferable expenses to generate rental income.

As in the previous year, no income was generated from the disposal of real estate companies in the 2010/2011 reporting year. No gain was realised in this context accordingly.

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By contrast, the disposal of properties generated a profit of EUR 2.3 million in the year under review. This reflects the successful resale of properties from the Asset Management segment.

The profit/loss from the Asset Management segment itself exclusively contains income and expenses arising from services rendered for third parties. Asset Management activities above and beyond this, particularly the Austrian "Co-proprietors' building scheme", are explained in more detail in the segment report. The profit/loss on Asset Management also fell in the consolidated income statement, reporting a EUR o.5 million loss in the year under review, compared with a EUR o.2 million profit in the previous year. There was an almost 75 percent increase in revenue to EUR 1.3 million, compared with EUR o.7 million in the previous year, largely due to the fact that the segment in the previous year was not consolidated until August 31, 2009. Besides this, the rise in expenses to EUR 1.7 million, compared with EUR o.5 million in the previous year, is largely due to a valuation adjustment applied to receivables arising from Asset Management services for the Austrian bond companies, which informed MAGNAT Real Estate AG on February 25, 2011 that they would launch reorganisation proceedings, as well as specific valuation adjustments and provisions necessitated in this connection totalling EUR 1.3 million. The expenses allocated to this area would have declined without this effect.

At EUR -11.2 million, the loss incurred on companies measured at equity was below the previous year's loss of EUR -5.8 million. On the basis of updated valuation surveys and the resultant valuations of development projects, impairment charges were applied that burdened the profit/loss from companies measured at equity by a total of EUR 5.0 million. The surveys, which are prepared annually, identified a need to reduce valuations, particularly for the Ukrainian investments. There were also EUR 2.5 million of losses reported arising from the "Nasze Katy" development project in Poland, in which MAGNAT holds a 50 percent interest. We also restructured the project in terms of its corporate legal status in the first half of the year under review.

Earnings were also burdened by EUR 3.4 million of impairment charge connected with the interest in the operating company for the "Hotel Palais Schwarzenberg" project. MAGNAT holds a 25.1 percent interest, and EUR 4.1 million of the equity, in Schwarzenberg. At the same time, MAGNAT holds an exit option from this company with a volume of EUR 6.5 million. This right was utilised after the end of the fiscal year. In view of the debate concerning the former partner's solvency that has emerged into the public arena, MAGNAT has consequently already applied an impairment charge to the respective at equity valuation in the 2010/2011 fiscal year financial statements – irrespective of the fact that MAGNAT will exhaust all legal means to satisfy its receivable.

With regard to a tax claim amounting to originally EUR 27 million demanded by the Turkish tax authorities following partial disposals from the YKB portfolio, a solution was developed in the fourth quarter of the year under review. This tax demand was reduced to EUR 6 million. A provision was formed for this tax demand in the YKB portfolio that was carried through its income statement. As a consequence, the 33.3 percent share correspondingly attributable to MAGNAT amounts to EUR 2 million.

Two sub-projects from the YKB portfolio were sold in the year under review, namely the "Bersan" and the "Levent Plaza" plots of land in Istanbul. At more than EUR 9 million, the sales price for "Bersan" confirmed its balance sheet valuation, while the "Levent Plaza" was only slightly below its balance sheet valuation with sales proceeds of EUR 18.3 million. MAGNAT had originally invested around EUR 21 million of equity in the YKB portfolio, and had already generated total return cash inflows of EUR 17 million excluding the most recent sales. The disposal proceeds from both of the recent transactions initially accrued to the YKB project company. MAGNAT

received EUR 4.0 million from these proceeds following its balance sheet date. The disposal proceeds confirmed the independent valuation surveys. As a consequence, the profit/loss for the 2010/2011 fiscal year is not significantly affected by the disposals.

Other operating income increased by 79 percent in the year under review, rising from EUR 2.8 million to EUR 5.0 million. This increase results primarily from two sources: along with income of EUR 1.6 million from the release of provisions connected with historic valuations, which we funded very conservatively in the past, income from closing warranties increased from EUR 0.8 million to EUR 1.4 million. In return for payment, MAGNAT guarantees investors in "Co-proprietors' building scheme" that it will acquire and place shares if the placing has not been completed as of the respective year-end.

General and administrative costs increased on a net basis from EUR 4.6 million to EUR 7.5 million in the year under review. In line with the first-time full-year consolidation of the Asset Management segment, related expenses rose from EUR 1.8 million to EUR 3.8 million in the reporting year. The year-on-year higher legal and consulting costs result principally from intensified legal and marketing consultancy fees for projects in Ukraine that were incurred at the holding company level.

Other operating expenses were up from EUR 5.0 million in the previous year to EUR 7.1 million in the year under review. As mentioned, two Austrian bond companies launched reorganisation proceedings in the first quarter of 2011. Along with the aforementioned valuation adjustments to receivables as part of Asset Management services, further specific valuation adjustments of EUR 3.9 million were also required (previous year: EUR 2.0 million). Impairment charges of EUR 1.8 million were applied to real estate inventory as part of a survey-based valuations, compared with EUR 1.4 million in the previous year. There was a significant fall in other expense items overall.

As a consequence, earnings before interest and tax (EBIT) changed from EUR -10.0 million in the previous year to EUR -15.9 million.

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There was a significant improvement in the financial result: income of EUR 0.8 million was generated in the year under review, compared with a EUR 3.6 million loss in the previous year. This reflected an almost doubling of income to EUR 3.5 million, and a halving of expenses to EUR 2.6 million. As already mentioned, financial income was positively impacted by a EUR 2.1 million reversal of an impairment charge applied to loans to the Polish project company. In the previous year, the financial expenses still contained impairment charges of EUR 2.2 million applied to loans to companies valued at equity.

Earnings before tax stood at EUR -15.1 million in the year under review, compared with EUR -13.5 million in the previous year. After tax, the consolidated net loss amounted to EUR -15.2 million, compared with EUR -14.0 million in the previous year. After deducting minority interests (EUR -1.9 million, compared with EUR -2.8 million in the previous year), the loss attributable to MAGNAT Real Estate AG shareholders stood at EUR -13.3 million, compared with EUR -11.2 million in the previous year. Given an average of 13,889,651 shares outstanding in the 2010/2011 fiscal year, and an average of 8,329,329 shares outstanding in the 2009/2010 fiscal year, earnings per share on both a basic and diluted basis amounted to EUR -0.96 in the year under review, compared with EUR -1.35 in the previous year.

4.2. Segment reporting

In line with the management approach and reporting lines, the Group is divided into the business segments of Investments, Asset Management and Corporate Functions. The Investments segment comprises business activities entailing real estate forming part of non-current tangible assets, and real estate inventory forming part of current assets. The Asset Management segment comprises asset management services for third parties, and business with "Co-proprietors' building scheme". The Corporate Functions segment contains Group services that MAGNAT Real Estate AG provides in its function as the Group holding company, and non-operating holding companies that do not comprise a separate segment. This segment does not perform operating activities.

4.2.1. Investments

17	8,589	-1,301 3,645
17	-14,472	3,645
329	-5,882	-4,947
44	117,424	-14,880
9%	66%	
	38,747	-2,286
6%	59%	
1	544 9% ——————————————————————————————————	117,424 9% 66%

The MAGNAT portfolio in overview

Start	sheet value JR '000/%)	Group balance (in El	Interest	Country	Name
Apr 2007	30.97	34,635	75.0%	Germany	Residential portfolio
Jul 2007	12.52	14,005	45.0%	Ukraine	Peremogi 67
Nov 2006	11.72	13,113	50.0%	Poland	Nasze Katy
Nov 2006	10.59	11,840	75.0%	Germany	Commercial portfolio
Jul 2007	10.35	11,580	33.3%	Turkey	Yapı Kredı Portfolio
Jun 2007	6.16	6,892	75.0%	Romania	Vacaresti
Dec 2006	3.38	3,780	33.3%	Ukraine	Chmelnitzky
Aug 2007	3.03	3,392	16.1%	Germany	SQUADRA
Apr 2007	2.71	3,026	75.0%	Ukraine	Koncha Zaspa
Dec 2006	2.65	2,969	75.0%	Romania	Mogosoia
Dec 2006	2.00	2,240	75.0%	Ukraine	Alexander Land
Sep 2007	1.48	1,650	40.3%	Russia	Russian Land
Aug 2007	1.14	1,275	56.3%	Georgia	Digomi
Jun 2007	0.90	1,002	75.0%	Bulgaria	Pancharevo
Dec 2006	0.34	381	50.0%	Ukraine	Vitaly
Mar 2008	0.06	63	37.5%	Georgia	Vake 28
Jul 2007	0.00	0	18.8%	Austria	Hotel Schwarzenberg
	100%	111.843			Total

 $[\]ensuremath{^{*}}\xspace$) The Group balance sheet figures are not figures calculated on the basis of Group share.

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The Investments segment generated segment revenue of EUR 7.3 million in the year under review, compared with EUR 8.6 million in the previous year, primarily from the rental of real estate inventory. In the previous year, this figure still contained EUR 1.7 million of gains from companies measured at equity. No such gains were generated in the year under review.

Segment expenses increased from EUR 14.5 million in the previous year to EUR 18.1 million in the reporting year. This figure includes losses of EUR 11.2 million from companies measured at equity, compared with EUR 7.4 million in the previous year. Other segment expenses, which are composed of allocated administrative costs and other operating expenses, fell from EUR 7.0 million to EUR 6.9 million.

As a consequence, the segment loss for the year under review stood at EUR -10.8 million, compared with EUR -5.9 million in the previous year. Overall, the loss for the Investments segment included EUR 6.8 million of impairment charges applied to real estate and companies measured at equity. These amounted to EUR 7.3 million in the previous year.

The Investments segment achieved a net interest result of EUR 1.8 million in the year under review, compared with EUR -2.2 million in the previous year. As a consequence, the pre-tax loss fell to EUR -9.1 million, compared with EUR -8.0 million in the previous year.

4.2.2. Asset Management

2010/2011	2009/2010	Delta
9,881 -9 482	2,984	6,897 6,984
399	485	-86
39,192	40,514	-1,322
26%	23%	
5,809	9,805	-3,996
11%	15%	
	9,881 -9,482 399 39,192 26% 5,809	9,881 2,984 -9,482 -2,498 399 485 39,192 40,514 26% 23% 5,809 9,805

With revenue of EUR 1.3 million from services rendered to third parties, and revenues of EUR 6.0 million from the disposal of property as part of "Co-proprietors' building scheme" and other real estate projects, the Asset Management segment generated total revenue of EUR 7.3 million in the year under review. Segment revenue also included other operating income of EUR 2.6 million. Revenue of EUR 0.7 million from services rendered to third parties was generated in the previous year, whereas there was no revenue from property disposals. Revenue in the year under review derived from the Grazer Strasse 59-61 project, and from the Kastnergasse 16 and Schumanngasse 16 "Co-proprietors' building scheme".

Given segment expenses totalling EUR 9.5 million, including EUR 3.7 million of expenses from property disposals, and EUR 5.7 million of other expenses, segment earnings stood at EUR 0.4 million. Overall, segment earnings included EUR 1.3 million of valuation adjustments applied to receivables and provisions connected with principals' reorganisation proceedings. Only other expenses of EUR 2.5 million were incurred in the previous year. The previous year's segment earnings amounted to EUR 0.5 million as a consequence.

The Asset Management segment achieved a financial result of EUR -o.1 million in the year under review, compared with EUR -o.6 million in the previous year. As a consequence, the pre-tax loss fell to EUR o.2 million, compared with EUR -o.1 million in the previous year.

4.2.3. Corporate Functions

in EUR '000	2010/2011	2009/2010	Delta
Segment revenue	2,102	228	1,874
Segment expenses	-7,570	-4,807	2,763
Profit/loss before interest and tax	-5,468	-4,580	-888
Total assets	7,686	18,766	-11,080
as percentage of Group	5%	11%	
Total liabilities	12,725	16,584	-3,859
as percentage of Group	23%	25%	
			

Since the Corporate Functions segment does not engage in operating activities, it also generated no revenue. Other income of EUR 2.1 million was generated in the year under review, the largest proportion of which comprised the release of provisions in an amount of EUR 1.6 million. The segment revenue amounted to EUR 0.2 million in the previous year.

Segment expenses stood at EUR 7.6 million in the reporting year, including EUR 3.1 million of administrative expenses. Segment expenses amounted to EUR 4.8 million in the previous year, including EUR 2.1 million of administrative expenses. As a consequence, the segment loss for the year under review stood at EUR -5.5 million, compared with EUR -4.6 million in the previous year. Overall, the segment result included EUR 3.7 million of valuation adjustments applied to receivables.

Given a net interest result of EUR -o.8 million, the segment's pre-tax loss amounted to EUR -6.2 million. In the previous year, the net interest result amounted to EUR -o.8 million, resulting in a pre-tax loss of EUR -5.4 million.

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4.3. Financial position

Despite the lower consolidated pretax result, cash flow from operating activities of EUR -5.5 million in the previous year underwent a tangible improvement to EUR -3.5 million in the year under review. This is due to the high proportion of negative non-cash items impacting the consolidated net result. These particularly include the change in real estate inventory (EUR 2.4 million), and the result on companies measured at equity (EUR 11.2 million) and impairment charges (EUR 4.4 million) that are aggregated under other non-cash items. Adjustments relating to the release of provisions (EUR 1.6 million on a net basis) and changes to receivables and liabilities (EUR 5.6 million on a net basis) reduced cash flow.

Cash flow from investing activities was immaterial given the very low level of investment in the year under review. This also applies to cash flow from financing activities, since incoming and outgoing payments arising from the drawing down and redemption of finance debt offset each other at EUR 10.2 million each. Correspondingly, the EUR 3.5 million decline in the cash position to EUR 5.3 million as of the 2010/2011 balance sheet date almost fully reflects the operating cash flow consumption.

4.4. Net assets

in EUR '000	2010/2011	2009/2010
Total non-current assets	62,995	84,759
Total current assets	86,428	91,943
Total assets	149,423	176,702
Equity attributable to parent company shareholders	85,563	100,802
Minority interests	8,865	10,765
Total equity	94,428	111,567
Consolidated equity ratio	63.2%	63.1%
Total non-current liabilities	39,537	47,873
Total current liabilities	15,458	17,262
Total liabilities	54,995	65,135
Total equity and liabilities	149,423	176,702

Total assets were down by 15.4 percent in the 2010/2011 fiscal year, falling from EUR 176.7 million in the previous year to EUR 149.4 million, primarily due to the capital reduction within the Turkish YKB portfolio.

The decline in the valuation of interests measured at equity from EUR 49.0 million to EUR 29.5 million fed through to a 26.6 percent lower level of non-current assets (EUR 63.0 million compared with EUR 84.8 million in the previous year). The reduction in the valuation of interests measured at equity largely results from a capital reduction of the YKB portfolio that was already taken into account in the 2010/2011 semi-annual financial report. This capital reduction amounted to EUR 9.2 million, and was connected with the resale of property from the portfolio in which MAGNAT holds a 33.3 percent interest.

Attractive market conditions in Turkey were consistently exploited in the year under review in order to implement resales. The portfolio originally comprised a total of around 400 individual real estate interests, reflecting both office and residential utilisation. The company succeeded in largely reselling this original portfolio by the end of the reporting year in a consortium with project partners Adama Holding Public Ltd., Ilfov, Romania, as the consortium manager, and Immofinanz AG, Vienna, Austria. Of the remaining interests, only six were still reported in the balance sheet as of March 31, 2011. This successful resale activity has meanwhile resulted in high liquidity holdings at the project company. As a consequence, the shareholder meeting held towards the end of the second quarter of the reporting year passed a resolution to distribute major proportions of the liquidity to shareholders. Correspondingly, the company's balance sheet valuation had already been reduced in MAGNAT 2010/2011 semi-annual financial statements, although the distribution had not yet been implemented. In MAGNAT's consolidated balance sheet, this is currently reflected in a corresponding decline in interests in companies measured at equity, on the one hand, and, for the time being, an increase in financial receivables, on the other hand.

Along with the capital reduction to the YKB portfolio, the consolidated balance sheet also includes the EUR 1.9 million diminution of the valuation of the interest held in the "Peregomi" project in the Ukraine. Other non-current assets items, particularly the goodwill related to the Asset Management segment, changed only slightly in the year under review. There was a slight net increase in other non-current assets.

Current assets were down by 6.0 percent to EUR 86.4 million, compared with EUR 91.9 million in the previous year. Real estate inventory nevertheless reported a EUR 2.7 million, or 4.2 percent, net increase to EUR 66.4 million. Further changes within real estate inventory comprise, firstly, the placing, and consequently the disposal, of EUR 3.7 million of "Co-proprietors' building scheme" and, secondly, the purchase of new "Co-proprietors' building scheme", which resulted in a EUR 1.4 million addition. Trade receivables fell to EUR 8.5 million primarily due to the utilisation of collateral for receivables connected with the Koncha Zaspa and Alexanderland projects. The liquidity position stood at EUR 5.3 million as of the 2010/2011 balance sheet date, compared with EUR 8.8 million in the previous year.

Valuation adjustments and impairment charges were correspondingly reflected in equity, which fell from EUR 111.6 million to EUR 94.4 million. There was nevertheless a slight increase in the equity ratio, standing at 63.2 percent as of the reporting-year balance sheet date, compared with 63.1 percent in the previous year. The already comfortable coverage of non-current assets by equity also increased: this was up from 131.6 percent to 149.9 percent.

These improvements are due to the disproportionate decline in liabilities, which were reduced by 15.5 percent, or EUR 10.1 million, to EUR 55.0 million, compared with EUR 65.1 million in the previous year. In this context,

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non-current finance debt was down by EUR 8.2 million to EUR 39.2 million, and current finance debt fell by EUR 0.8 million to EUR 11.1 million, primarily due to the offsetting of finance debt connected with the capital reduction at GAIA Real Estate Investments, Luxembourg, Luxembourg.

Including the low level of the deferred tax item, non-current liabilities fell by 17.4 percent overall to EUR 39.5 million. Current liabilities fell by EUR 1.8 million, or 10.5 percent, to EUR 15.5 million. This reflected a EUR 1.0 million reduction in current provisions to EUR 1.8 million, while trade payables were up by EUR 0.6 million to EUR 2.3 million.

Net debt (finance debt less cash) stood at EUR 45.1 million in the year under review, compared with EUR 50.7 million in the previous year.

5. Net Asset Value (NAV)

		Net Asset Value by business segments			
in EUR '000	Consolidated balance sheet as of March 31, 2011	Group	Investments	Asset Management	Corporate functions
Segment assets	139,061	139,061	95,983	38,824	4,225
Loan to companies measured at equity	3,948	3,948	3,948	0	0
Financial receivables and other financial assets	5,934	5,934	2,610	369	2,955
Deferred tax assets	181	0	0	0	-
Tax refund claims	299	299	3	0	299
Total assets	149,423	149,243	102,544	39,192	7,506
Interest of non-controlling shareholders	Equity	8,865	8,865	0	0
Segment liabilities	4,087	4,087	1,833	1,283	970
Non-current finance debt	39,248	39,248	33,623	1,374	4,251
Current finance debt	11,146	11,146	840	3,127	7,179
Deferred tax liabilities	289	0	0	0	-
Tax liabilities	225	225	0	7	218
Total liabilities	54,995	63,571	45,161	5,791	12,618
Net Asset Value		85,672	57,383	33,401	-5,112
Effects from exercise of options, convertible bonds, etc.	-	-	-	-	-
Adjusted Net Asset Value		85,672	57,383	33,401	-5,112
Number of shares		13,894,651			
Net Asset Value/share		6.17	4.13	2.40	-0.37

The net asset value calculated according to EPRA requirements as of the March 31, 2011 balance sheet date fell to EUR 6.17 per share (previous year: EUR 7.63 per share) due to changes in market valuations in line with real estate valuation surveys, and due to revaluations that were required for receivables.

In line with EPRA requirements, assets recognised in the balance sheet were initially adjusted to reflect EUR o.2 million of deferred tax assets in order to calculate assets relevant to the NAV. Analogously, liabilities were adjusted to reflect a total of EUR o.3 million of deferred tax liabilities.

The values of investment interests recognised in the balance sheet were underpinned with surveys produced by independent experts. Particularly in the CEE/SEE/CIS region, real estate valuations came under great pressure as a result of the financial and economic crisis. MAGNAT was unable to avoid this trend. In addition, the insolvency of two project partners required a revaluation of receivables resulting in a EUR 4.5 million valuation allowance. The unrealised negative impairment charges totalling EUR 6.3 million, or EUR 0.45 per share, that arise from both these items, and which are included in the consolidated net profit/loss, were reflected accordingly also in the net asset value.

6. Employees

The MAGNAT Group employed a total of 31 staff in the year under review (previous year: 23).

7. Further information

7.1. Research and development

MAGNAT does not engage in any of its own research and development activities.

7.2. Basic structure of the compensation system

The Supervisory Board determines the level and structure of Management Board compensation. Criteria for Management Board compensation include the individual Management Board members' responsibilities, the economic and commercial situation, and the company's measurable success. Normal compensation structures within the comparable environment are also taken into consideration when determining Management Board compensation.

Please refer to the corresponding remarks in the notes to the consolidated financial statements (Annex 6).

7.3. Corporate governance statement

MAGNAT Real Estate AG issues a corporate governance statement pursuant to Figure 3.10 of the German Corporate Governance Code, and pursuant to Section 289a of the German Commercial Code (HGB). The statement of compliance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) that this statement contains is accessible to shareholders on the company's website (www. magnat.ag) within the "Company" area.

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7.4. Disclosures pursuant to Section 289 Paragraph 4 of the German Commercial Code (HGB) and Section 315 Paragraph 4 of the German Commercial Code (HGB)

7.4.1. Structure of subscribed capital

The shares of MAGNAT Real Estate AG are admitted to trading on the Regulated Market (General Standard) of the Frankfurt Stock Exchange. As of March 31, 2011, the company had fully paid in subscribed capital of EUR 13,894,651.00, which was split into 13,894,651 ordinary bearer shares each with a nominal amount of EUR 1.00.

7.4.2. Restrictions relating to voting rights or the transfer of shares

There are no restrictions relating to voting rights or the transfer of shares.

7.4.3. Direct or indirect interests in the capital exceeding 10 percent of voting rights

As of March 31, 2011, Tisca Stiftung, Vaduz, Liechtenstein held 17.15 percent of the voting rights in the company, FDM Privatstiftung, Vienna, Austria, held 13.99 percent of the voting rights in the company, and Altira AG, Frankfurt am Main, Germany, held 14.52 percent of the voting rights in the company. As of March 31, 2011, the company had not received any further notifications relating to direct or indirect interests exceeding 10 percent of the voting rights.

7.4.4. Holders of shares with special rights lending control authority

No such shares have been issued.

7.4.5. Type of voting right control if employees participate in the capital, and do not directly exercise their controlling rights

No such interests exist.

7.4.6. Statutory provisions and provisions of the articles of association concerning the appointment and removal from office of the Management Board, and amendments to the articles of association

7.4.6.1. APPOINTMENT AND REMOVAL FROM OFFICE OF THE MANAGEMENT BOARD

Pursuant to Section 84 of the German Stock Corporation Act (AktG), the Supervisory Board appoints Management Board members for a maximum period of five years. Repeated appointments are permissible. The Management Board of MAGNAT Real Estate AG consists of at least two individuals. The Supervisory Board determines the number of Management Board members. It decides concerning their appointment, the revocation of their appointment, as well as the conclusion, modification and termination of employment contracts concluded with them. The Supervisory Board can nominate a Management Board Chairperson and a Deputy Management Board Chairperson, as well as deputy Management Board members.

7.4.6.2. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to Section 179 Paragraph 1 of the German Stock Corporation Act (AktG), amendments to the articles of association require a resolution by the Annual General Meeting, which, unless the articles of association do not require another majority, requires a majority of three quarters of the share capital represented at the vote, pursuant to Section 179 Paragraph 2 of the German Stock Corporation Act (AktG). To the extent that this concerns a modification to the company's purpose, however, the articles of association may only provide for a larger majority. In Section 20 Paragraph 1, the articles of association of MAGNAT Real Estate AG utilise the

divergent option pursuant to Section 179 Paragraph 2 of the German Stock Corporation Act (AktG), and allow for resolutions to be generally passed with simple voting majorities, and, to the extent that a capital majority is required, with a simple capital majority. The Supervisory Board is authorised to pass resolutions that amend the articles of association that relate only to their wording. The Supervisory Board was also authorised to adapt the wording of Section 5 of the articles of association, in which, among other matters, the level and division of share capital is determined, in line with the scope of capital increases from authorised capital.

7.4.7. Authorisations of the Management Board to issue or repurchase shares

7.4.7.1. AUTHORISED CAPITAL

The Management Board is authorised, with Supervisory Board assent, to increase the share capital by October 28, 2014 through issuing up to 6,947,325 new ordinary bearer shares each with an arithmetic nominal value of EUR 1.00 against cash or non-cash contributions, once or on several occasions, in partial amounts up to EUR 6,947,325 (Authorised Capital 2009). Shareholders are generally entitled to subscription rights. The Management Board is nevertheless authorised, with Supervisory Board assent, to exclude shareholders' subscription rights in the following instances:

for residual amounts,
if the capital increase is against cash, and the proportional amount of the share capital attributable to the new shares for which the subscription right is excluded does not exceed 10 percent of the share capital existing at the time when the new shares are issued, and the issue amount of the new shares in not significantly less than the stock market price of the shares already listed of the same class and entit lements in the meaning of Section 203 Paragraphs 1 and 2, 186 Paragraph 3 Clause 4 of the German Stock Corporation Act (AktG) at the time when the Management Board finally determines the issue amount,
in the case of capital increases against non-cash capital contributions.

7.4.7.2. CONDITIONAL CAPITAL

The company share capital is conditionally increased by up to EUR 6,947,325, split into up to 6,947,325 ordinary bearer shares each with an arithmetic nominal value of EUR 1.00. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds that are issued according to the respective resolutions of the Annual General Meeting of August 30, 2007.

7.4.7.3. AUTHORISATION TO REPURCHASE SHARES

On the basis of the resolution of the Annual General Meeting of October 29, 2009, the company is authorised until October 28, 2014 to acquire up to a total of 10 percent of the share capital existing when the resolution is passed. In this context, the shares acquired on the basis of this authorisation together with other treasury shares that the company has already acquired, or already owns, may not comprise more than 10 percent of the company's respective existing share capital.

This authorisation can be exercised either wholly or in partial amounts, and either once or on several occasions.

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The purchase is to be performed through the stock market, or as part of a public repurchase offer, or in the form of a public solicitation addressed to the company's shareholders to issue selling offers.

If the purchase is performed through the stock market, the consideration paid by the company (in each case excluding ancillary purchase costs) may be neither 10 percent more nor 10 percent less than the average closing price of the company's share in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last three stock exchange trading days before the purchase. If the company is listed on several stock exchanges, the respective last three closing prices of the company's shares on the Frankfurt Stock Exchange are decisive.

If the purchase is performed by way of a public purchase offer to the company shareholders, or by way of a solicitation addressed to the company shareholders to issue selling offers, the offered purchase or selling price, or the limits of the offered purchase or selling price range, the share (excluding ancillary purchase costs) may be neither 10 percent more nor 10 percent less than the average closing price of the company's share in XETRA trading on the Frankfurt Stock Exchange (or a comparable successor system) on the last five stock exchange trading days before the date when the offer is published, or the solicitation to issue selling offers is published. If the company is listed on several stock exchanges, the respective last five closing prices of the company's shares on the Frankfurt Stock Exchange before the publication of the offer are decisive.

If, after publication of a purchase offer, or a publication of a solicitation to issue selling offers, there are significant price deviations from the offered purchase or sale price, or the limits of the offered purchase or selling price range, the offer or the solicitation to issue selling offers can be adjusted. In such instances, the relevant amount is determined according to the corresponding price before the publication of the adjustment; the 10 percent limit for exceeding or falling below is applied to this amount.

The volume of the offering can be limited. If the total subscription for the offering exceeds this volume, acceptances must be according to quotas. Provision may be made for preferential acceptance of unit numbers of tendered shares of less than up to 100 shares.

Besides disposal through the stock market, the Management Board is authorised to utilise the shares that are acquired on the basis of this authorisation as follows:

With Supervisory Board assent, the Management Board can cancel the shares, while at the same time reducing the share capital, without such cancellation, or its performance, requiring a further AGM resolution, and it can correspondingly adjust the stated number of shares in the articles of association. By way of divergence from the above, the Management Board can determine that the share capital is not reduced, but that the share of the remaining shares in the share capital be increased pursuant to Section 8 Paragraph 3 of the German Stock Corporation Act (AktG). In such an instance, the Management Board is authorised to adjust the stated number of shares in the articles of association.

The Management Board can offer and transfer the shares to third parties as consideration as part of business combinations, or when purchasing companies, or interests in companies, or parts of companies; shareholders' subscription rights to the company shares are excluded to such an extent.

The Management Board can offer the shares for purchase, or transfer the shares, to company staff, or employees of associated companies in the meaning of Sections 15 ff. of the German Stock Corporation Act (AktG); shareholders' subscription rights to the company's shares are excluded to such an extent.

The Management Board can utilise the shares to service bonds with option or conversion rights issued by the company or dependent companies associated with it; shareholders' subscription rights to the company's shares are excluded to such an extent.

With Supervisory Board assent, the Management Board can sell the shares in a manner other than through the stock market, or through the unofficial market, or through an offering to all shareholders, if these shares are sold at a price, or transferred for consideration, that is not significantly less than the stock market price of the company's shares. This authorisation is valid to the extent that the number of shares to be sold together with the new shares that have been issued since the issuing of this authorisation under the exclusion of subscription rights pursuant to Section 186 Paragraph 3 Clause 4 of the German Stock Corporation Act (AktG), is in total not less than 10 percent of the share capital existing at the time of the AGM resolution concerning this authorisation, or at the time when this authorisation is exercised – if the latter is lower. Shareholders' subscription rights to the company's shares are excluded to such an extent.

The authorisation relating to the resale of shares acquired by the company can be exercised once or on several occasions, either wholly or in partial amounts, and in the pursuit of one or several purposes.

No utilisation was made of this authorisation in the fiscal year elapsed.

7.4.8. Significant company agreements conditional on a change of control following a takeover offer, and resultant effects

The company has refrained from making these disclosures since the respective disclosures would be appropriate to cause the company significant disadvantage.

7.4.9. Company compensation agreements that have been made with the Management Board or employees for the instance of a takeover offer

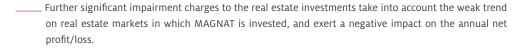
Pursuant to the employment agreements concluded with Management Board members, in the instance of termination of employment as part of a change of control, Management Board members receive 100 percent of the total of monthly compensation outstanding until December 31, 2014, whereby the level of monthly compensation is determined according to the fixed salary excluding performance bonus, expenses and other ancillary payments.

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8. General statement concerning the Group's commercial position

The MAGNAT Group was adequately positioned at the time when this annual financial report was prepared, and taking into account the risks and opportunities listed. In particular, the Group's financing structure, with its high equity ratio, proves to be a stabilising factor.

The Group's profitability is nevertheless weak:







In close coordination with the Supervisory Board, the Management Board has launched various measures for the urgently required improvement of the Group's profitability. Along with the contribution that the expected recovery and normalisation of real estate markets in Eastern Europe can make to MAGNAT's commercial recovery, MAGNAT will systematically and consistently restructure the Group's investment portfolio to this end, and concentrate on the growth markets in the Black Sea region. The disposal of portfolio components in countries from which MAGNAT wishes to gradually withdraw should also contribute to strengthening of liquidity in the medium term.

9. Changes to the company's management bodies

On October 25, 2010, the Supervisory Board of MAGNAT Real Estate AG withdrew the appointment of Mr. Jan Oliver Rüster as a Management Board member with immediate effect. November 2, 2010, the Ordinary AGM of MAGNAT Real Estate AG postponed the resolution concerning the discharge of the personally liable shareholder of MAGNAT Real Estate Opportunities GmbH & Co. KGaA, but otherwise approved the management's proposed resolutions by a large majority.

Mr. Jürgen Georg Faè, who was active as the company's CFO until October 25, 2010, continued to manage the company's transactions as sole Management board member in the period between October 25, 2010 and December 31, 2010. With effect as of January 1, 2011, the Management appointed Dr. Marc-Milo Lube to be the new Chief Executive Officer. Mr. Faè has been the Chief Financial Officer since that date.

10. Events subsequent to the reporting date

On June 9, 2011, MAGNAT issued an ad hoc announcement to notify that a solution had been developed relating to the EUR 27 million tax claim that had also formed the subject of an ad hoc announcement on September 14, 2010. The Turkish tax authorities' tax claim was reduced to around EUR 6 million. A corresponding provision had been formed in the profit/loss for the Turkish YKB portfolio, in which MAGNAT holds a 33.3 percent interest. This provision was also reflected in MAGNAT's financial statements for the fourth quarter of its reporting year on an indirect and proportional basis. The tax payment was made from the portfolio's liquidity, and consequently resulted in no liquidity burden for MAGNAT.

In April 2011, EUR 4.0 million of liquidity accrued to MAGNAT from the YKB portfolio.

MAGNAT Investment I B.V. holds a 25.1 percent interest in JJW Hotel im Palais Schwarzenberg BetriebsgesmbH through MAGNAT Asset Management GmbH as trustee. When JJW Hotel im Palais Schwarzenberg BetriebsgesmbH was formed, MAGNAT Investment I B.V. was granted the option of selling its interest to co-shareholder JJW Ltd. for a price of EUR 6.5 million. With reference to the agreement at that time, MAGNAT Investment I B.V. sold its interest to JJW Ltd., which had nevertheless failed to pay the purchase price by mid-July, despite such payment being due and related reminder notice having been issued. As a consequence, MAGNAT Investment I B.V. will initiate legal steps to collect the purchase price.

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11. Report on opportunities and risks

11.1. Introduction

MAGNAT has structured its business into two segments, Investments and Asset Management. The company's own real estate portfolio is aggregated within the Investments segment. This concerns direct or indirect interest in local project companies that develop the real estate projects for the real estate business. Where possible, the company prefers to invest in majority interests. MAGNAT's investment portfolio is currently split among nine countries. MAGNAT plans to restructure its investment portfolio in the medium term, and to concentrate on the Black Sea region countries.

The Investments segment creates value through generating disposal profits on real estate investments. Where possible, potential net rental profits are added to disposal values. As a consequence, MAGNAT does not receive significant return cash flows until an investment has been successfully sold. Along with the life cycle phase in which individual projects are positioned, the disposability of investments also depends to a high degree on trends on local real estate and financial markets. As a consequence, return cash flows in this segment can be forecast only with difficulty, and depend on many impacting factors, including external factors.

While taking into account the MAGNAT's liquidity reserve, return cash flows from the disposal of investments from the existing real estate portfolio are to be reinvested, and are intended to finance the company's growth in its core markets. Along with such internal growth, the company also regularly reviews external growth options.

In its Asset Management segment, MAGNAT renders services to manage property and land, both for its own Investments segment (internal asset management) and for third parties (external asset management).

11.2. Principles and structure of risk and opportunity management

Given MAGNAT's business activities, the company's risk policy cannot be oriented to the whole or far-reaching avoidance of risks. Risk management concentrates on the ongoing identification and active management of typical business risks. In this context, the company accepts risks within certain bandwidths that are offset by corresponding return opportunities. The objective is to limit the risks in order not to jeopardise the company as a going concern.

Risk management is aimed at reducing potential going-concern risks, securing the existing asset portfolio, and supporting successful further developments. The conscious handling of risks also allows related opportunities to be exploited with greater assurance.

Risk identification is a permanent management responsibility due to constantly changing external conditions and demands. Regular fixed-date meetings, controlling meetings, project meetings and individual meetings form central elements of risk identification. The entire risk management process has been set out in a risk management handbook. Risk management is applied across the entire MAGNAT Group. It is subject to an annual critical review, and, where required, revision.

Due to the company's flat organisational structure, the management is directly included in all significant decisions. The flat hierarchy enables a risk management system with comparatively simple and less complex structures.

The Supervisory Board is regularly informed about business trends, the development of projects and investments, and about the status of the risk management system and its further development. The Supervisory Board's controlling activities form an essential element of MAGNAT's risk management system. The Supervisory Board also personally controls individual properties in situ.

11.3. Description and explanation of key characteristics of the internal controlling and risk management system relating to the accounting and Group accounting process

As the parent company, MAGNAT Real Estate AG prepares the consolidated financial statements. In advance of this process, mostly specialised external service-providing companies perform the financial accounting and preparation of the annual financial statements of Group companies included in the consolidated financial statements

The assessments that are required monthly and the annual financial statements that are prepared are forwarded on a complete and prompt basis, and are monitored internally. The Group's own staff supervise and examine the booked items for their plausibility, correctness and completeness in the interests of risk management.

Key tools for this purpose include:

 Standard accounting guidelines through the selection of an external service-provider for most of the
Group companies.
Clear separation of tasks and allocation of responsibilities between internal and external areas participating in the accounting process.
 Involvement of external specialists where required, for example for the evaluation of properties.

The Group's internal audit function is implemented within the legal department of the Group company. The Management Board determines whether and which structures and processes are subjected to auditing.

11.4. Risks

11.4.1. Macroeconomic risks

Macroeconomic risks have meanwhile weakened in many Western European countries. A self-supporting upturn has established itself in particularly strong countries. The Turkish economy, which is important for the MAGNAT Group, is even currently experiencing a boom phase.

Particularly for the southern Eurozone countries, this positive trend is not yet applicable, however, and other industrial nations such as the United Kingdom and the United States of America continue to suffer significant economic problems, as a consequence of which there are still substantial risks that can bring the macroeconomic recovery into renewed jeopardy globally.

If these risks are realised, this could exert an above-average impact on the Black Sea region countries and the relatively underdeveloped southern European countries in which the MAGNAT Group has invested equity, making transactions on real estate markets there considerably more difficult. For this reason, macroeconomic risks continue to be gauged as significant.

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11.4.2. Market and sector risks

The real estate market is a strongly characterised and impacted by economic trends, which, for their part, and in turn, are affected by a large number of factors. Significant factors within individual economies, and within real estate markets and sub-markets, include supply and demand from users, the availability of capital and capital costs (particularly through the prevailing interest rate level), and construction costs. On both the supra-regional and global level, investor demand for the real estate asset class and its relative attractiveness compared to other asset classes is of significance.

On the demand side, the real estate market, which has reported a sharp downturn in recent years, reported hardly any improvements in the year under review since there was either no capital available for investors, or capital was only available at very high costs. The situation is also arising that competitors in the target regions are offering large portfolios at low prices due to economic problems. It is currently difficult to gauge how long the situation and trend will prevail, and its effects on MAGNAT.

Compared to western industrial nations, there is a significantly higher country risk in the markets in which MAG-NAT operates. This country risk has various characteristics such as political developments, instability of legal systems and jurisdiction generally, and de facto circumstances and business practices that prevail particularly within the area of property and land register law. The company can neither eliminate nor fully control many of these risks.

Partial risk balancing is achieved through the avoidance of an above-average asset allocation in individual projects or individual countries, as well as through co-investments with well-established local project partners.

11.4.3. Financial risks

11.4.3.1. CURRENCY RISKS

MAGNAT is active predominantly in markets outside the Eurozone, and is consequently also exposed to corresponding currency exchange rate risks. Where possible and practicable, projects are processed in the local currency (in other words, local currency debt financing of construction costs, for example).

The remaining exchange rate risk, which is ideally restricted to the equity invested and the potential profit, is only partially hedged since – if appropriate hedging instruments are available at all – they are frequently not available at commercially reasonable prices. Preference is generally given to hedging individual project-related risks on an aggregated basis, and here, in turn, hedging is considered only when certain fluctuation ranges are exceeded, and only for particular currencies and only for the equity invested (but not for the potential profit).

In summary, currency risk management is geared toward taking on such risks within a certain fluctuation range. The foreign currency hedging strategy is determined in close coordination with the Supervisory Board.

11.4.3.2. INTEREST-RATE RISKS

MAGNAT Group employs debt to finance properties. This particularly relates to projects in Germany and Austria. Financing facilities of around EUR 22.0 million carry a variable interest rates in this context, with upward changes in the interest rate level resulting in a burden for the company. Fixed interest rates agreements are entered into for loan agreements of around EUR 12.5 million.

Most of MAGNAT's investments in Eastern European countries are financed with equity, by contrast. Debt funding plays a minor role in this context due to the lack of financing opportunities.

As a consequence, funding generally occurs at the project level. However, borrowing has also been taken up in the past at the holding company level in the instance of one mezzanine loan and one bridging loan. This mezzanine loan was extended and paid down to a considerable extent in the fiscal year elapsed. After the balance sheet date, there was also a significant partial redemption and a regulation concerning the entire repayment of the bridging loan. Both financing variants comprise fixed interest agreements. As a consequence, a change in the interest-rate level has no impact on the company.

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

11.4.4. Operating risks

Typical project risks can arise in the context of projects processed by the Asset Management segment. These can comprise budget overshoots, time delays, delays due to defective performance, and/or insolvencies on the part of service-providers. Project companies may encounter greater liquidity requirements as a consequence.

If loan financing at project level cannot be realised, or cannot be realised as planned, or if changes to development plans are required that necessitate additional financing, there are also risks that project time schedules are delayed, more equity is required for a project, and debt financing costs exceed original budgets.

This can require project shareholders to provide additional funding, which some co-investors might be unable to realise. This is the case with the insolvency of the Austrian project partners R-QUADRAT Capital Alpha GmbH and R-QUADRAT Capital Beta GmbH. Please refer to our comments under 11.4.9. On the basis of the current planning and situation, however, the co-investors' prevailing economic position will have no effect on the development of individual projects.

11.4.5. Liquidity risks

MAGNAT deploys detailed fine tuning for its liquidity management in order to ensure that it can make payments at all times. To this end, and in particular, the funds required for the operational management of the Group are budgeted and arranged on the basis of conservative assumptions.

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Additional liquidity requirements may arise as a result of events that lie outside the scope of MAGNAT's area of business influence, particularly as a consequence of the aforementioned project risks. From MAGNAT's perspective, however, the related resultant risks can be limited since decisions concerning adjustments to development measures, and adaptations and/or optimisation of such measures, are always taken in line with company-law majority relationships.

The aim is to generate additional liquidity from return cash flows generated as part of potential resales above and beyond currently existing volumes for Group financing, and for investments in new, value-creating development projects. After such resales were difficult during the financial market crisis, or could only be realised at economically unfeasible discounts, the Group's options for action have meanwhile partially improved again.

11.4.6. IT risks

A loss of the database, or a long-lasting disruption to the systems that MAGNAT utilises, may result in interruptions to business operations. For this reason, the company has implemented corresponding data security strategies and preventative security measures against such typical IT risks.

11.4.7. Personnel risks

The selection, acquisition, development and resale of real estate projects requires experience, local market knowledge, and extensive partner networks. Entrepreneurial thinking is required as much as creativity in the identification of development opportunities, and caution in the evaluation of risk potentials. For this reason, the MAGNAT Group requires highly qualified staff for the successful development of its projects, above and beyond the Management Board level.

It is a constant challenge to recruit qualified staff for the Group in the face of intense competition, and to subsequently loyalise them to the company.

11.4.8. Legal risks

The MAGNAT Group operates predominantly in countries that have less developed and stable legal systems compared with Western Europe. This relates to jurisdiction in general, as well as, in particular, de facto circumstances and business practices prevalent in property and land register law. This gives rise to risks not only with respect to potential changes in overall legal circumstances in the future, but also relating to the application and implementation of existing laws and official decisions. It is generally impossible to avoid such risks. This is offset by an above-average opportunities profile for development projects in these countries.

Employees and business partners of MAGNAT with many years of experience with local circumstances also contribute to limiting the effects of these risks. The future regional focus of the MAGNAT Group will also result in a further bundling of our resources and capacities in this area.

As announced after the end of the year under review, a solution has meanwhile been successfully developed for the tax law risk in Turkey that was communicated on September 14, 2010. The tax authorities' original demand from the Turkish project company for EUR 27 million was reduced to around EUR 6 million.

11.4.9. MAGNAT's risks connected with co-investors' insolvency

Reorganisation proceedings have meanwhile commenced for the assets of R-QUADRAT Capital Alpha GmbH ("RQCA"), and insolvency proceedings have been launched for the assets of R-QUADRAT Capital Beta GmbH ("RQCB"). Both proceedings are according to the Austrian insolvency directive. Among others, this gives rise to the following risks for the MAGNAT Group:

11.4.9.1. RISKS ARISING FROM INVESTMENT PARTICIPATION IN JOINT REAL ESTATE PROJECTS

MAGNAT Real Estate AG and the companies R-QUADRAT Capital Alpha GmbH and R-QUADRAT Capital Beta GmbH invest in joint real estate projects, albeit in different ways.

_ The operational processing of measures for which the project companies require the approval of thei shareholders could become more difficult, or be delayed.
_ The securing of liquidity for the project companies could be jeopardised since financing institutions are concerned by the insolvencies.

With respect to RQCB, these risks are assessed as minor due to MAGNAT's company-law position as the predominant majority shareholder in the projects. MAGNAT is also endeavouring to implement solutions with RQCB in order to fully resume its operating business without delay. MAGNAT enjoys no majority in the case of the joint project with RQCA. As a consequence, decisions concerning strategic orientation could become more difficult, or be impeded.

11.4.9	9.2. RISKS ARISING FROM CONTRACTUAL OR OTHER RECEIVABLES RELATIONSHIPS
	That could be a partial or full default on the receivables that RQCA and/or RQCB owes to the MAGNAT Group. The MAGNAT Group has already taking this into consideration in its current balance sheet.
	The project companies could also be jeopardised at the current time if RQCA and/or RQCB were to pursue their receivables from the joint project companies. However, since RQCA and/or RQCB are either indirectly or directly invested in the project companies, and the respective legal systems mostly contain provisions relating to equity substitution law, the risk that the project companies will be jeopardised in this instance is gauged as low.
	The management and staff could have not inconsiderable time-demands placed upon them as a result of protracted proceedings connected with the pursuit and/or warding off of receivables claims. MAGNAT counteracts this risk to the extent that the operating business is at all times given priority over such litigation.

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11.4.9.3. RISK ARISING FROM THE INTEGRATION OF THE ASSET MANAGER

The MAGNAT Group has taken over existing asset management agreements with RQCA respectively RQCB through the (indirect) purchase of MAGNAT Asset Management GmbH by way of a capital increase against non-cash capital contributions in 2009. As a result of these asset management agreements, potential compensation claims cannot be now excluded – particularly relating to the past. It is even the case that there may be lawsuits demanding the return of management fees that have already been paid. There are currently no indications available to MAGNAT whereby MAGNAT Asset Management GmbH has failed to render its services properly. Should receivables arising from the asset management agreements nevertheless be asserted, MAGNAT will not only attempt to ward them off but will in all instances also examine the option to assert warranty claims arising from the (indirect) purchase of MAGNAT Asset Management GmbH.

11.4.9.4. IMAGE RISK

MAGNAT is exposed to risks to its image. In the reporting connected with the insolvencies, reference is also made to MAGNAT that could potentially impact its image. As a consequence, the entire media reporting could have a negative impact on the operating activities of MAGNAT Asset Management. MAGNAT is endeavouring to avert this risk with the highest level of transparency to third parties.

12. Opportunities report

MAGNAT plans to concentrate in the medium term on the growth markets of the Black Sea region. Here, there is a high degree of structural development demand that offers above-average return prospects for developers such as MAGNAT with strong local expertise. This applies for both countries that have not yet fully recovered from the financial market crisis, and for countries that are already enjoying strong growth again, such as Turkey.

We also aim to further expand our asset management activities. In particular, opportunities arise from the management of additional third-party mandates outside the MAGNAT Group, and in the case of the "Co-proprietors' building scheme" in Vienna. In addition, the medium-term creation of a growth platform for so-called distressed/workout projects offers additional opportunities in the target region.

13. Overall assessment of the Group's risk position

Together with the Supervisory Board, MAGNAT's Management Board has over the past year subjected to intensive observation its analysis of the strategy, and of the various risks, particularly financing risk, as well as the measures to be taken. The economic crisis resulted in a credit squeeze. Over the past few years, it has become significantly more difficult to access capital as part of financing measures, refinancing measures, and capital measures. There is no prospect of an easing of this situation. In line with this market situation, the financial planning includes real estate resales and return cash inflows arising from the redemption of shareholder loans by subsidiaries, which serve internal financing. The underlying assumptions are based on resales that have already been performed, advanced resale discussions, and preparations to redeem shareholder loans.

The liquidity planning also included the renegotiated partial redemption of a bridging loan. The current liquidity planning assumes that MAGNAT's ability to render payments at all times over the next twelve months is secured.

14. Forecast

14.1. Group orientation in the next two fiscal years

MAGNAT will retain its clear "develop & sell" and "buy & sell" strategy relating to the properties and land that it holds. As a consequence, the risk of sharp fluctuations in cash inflows that is inherent in its business model will remain a determinant for Group development over the next two fiscal years. Despite potential contributions that a certain level of recovery and normalisation of real estate markets in Eastern Europe can make to MAGNAT's economic recovery, the securing of liquidity will consequently remain a focus of business activities, and will enjoy clear precedence over new investments. The Group's continued management on the basis of cash flow also takes this into future account.

In addition, various measures were launched in the year under review and in the current 2011/12 fiscal year in order to realise sustainable medium-term improvement in the Group's profitability. In this context, priority is given to the systematic and consistent restructuring of the investment portfolio so that it focuses on growth markets in the Black Sea region as clearly defined core markets for MAGNAT: Ukraine, Turkey, Georgia and potentially Romania. The company is striving to strengthen its liquidity through selling portfolio components in the countries of Bulgaria, Germany, Austria, Poland and Russia, from which MAGNAT wishes to gradually withdraw within its Investments segment.

Within the Asset Management segment, however, activities relating to the "Co-proprietors' building scheme" in Austria are to be expanded equally systematically, as well as its services for third parties, in order to stabilise and enhance this segment's revenues. The aim is to finance half of the Group's operating costs from these revenues in the medium term, and also to make a significant contribution to securing liquidity in this manner.

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14.2. Economic environment

The global economy grew by 4.3 percent in real terms in the first calendar quarter of 2011 according to data published by the IMF. Over the course of the second quarter, the natural and reactor catastrophe in Japan – here, the IMF is assuming a recession of -0.7 percent in the current year – and a tangible growth dip in the USA have nevertheless resulted in a weakening of global economic growth. These negative influences are offset by the continued high rate of growth in Europe, particularly in the important countries of Germany and France. To varying degrees, emerging economies continue to report high-growth rates, although the momentum is also set to fall slightly. Higher commodities prices, and a tangible increase in inflation that is due not least to the former factor, are exerting a dampening effect on growth. Overall, the IMF expects global growth of 4.3 percent this year, and 4.5 percent for next year. This will fall short of the high rate of growth of 5.1 percent in 2010 as a consequence.

The situation is different in the Eurozone: at 2.0 percent, the Eurozone countries should achieve higher growth than in 2010 (1.8 percent), before a lower rate of growth is again anticipated for 2012, at 1.7 percent. In 2011, Germany will retain most of the previous year's high growth rate (3.2 percent compared with 3.5 percent), although 2012 is set to report only 2.0 percent growth.

For Austria, too, the upturn is anticipated to strengthen this year. Driven by strong exports and higher corporate investment, the economy should grow by 3.2 percent in 2011, compared with 2.2 percent in the previous year. The upturn should subsequently continue: at 2.3 percent in 2012, and 2.4 percent in 2013. Austria is growing faster than the Eurozone accordingly.

According to the International Monetary Fund (IMF), Turkey should continue its strong economic upturn in 2011, albeit no longer with the previous year's dynamics. Robust private consumption, the central bank's undiminished expansive interest-rate policy (despite higher minimum reserve requirements), and the strong credit expansion that this promotes, are continuing to contribute to economic growth ahead of potential growth. Following the very strong 8.2 percent reported in the previous year, the upturn is set to continue at rates of 4.6 percent and 4.5 percent in 2011 and 2012 respectively. The high level and continued growth of the current account deficit stand out among risks to continued economic growth: here, the IMF expects 8 percent of GDP in 2011, and even as much as 8.2 percent in 2012. The current account deficit was at 6.5 percent in 2010, and at 2.3 percent in 2009. This development has contributed significantly to the depreciation of the Turkish lira against the euro over the course of the year to date.

The Ukraine not only continues its economic upturn, but will even accelerate it. Following 4.2 percent in 2010, the country is set to grow by 4.5 percent in 2011, and by 4.9 percent in 2012, according to the IMF. In the first quarter of 2011, GDP even grew by as much as 5.2 percent year-on-year (seasonally adjusted: 2.9 percent). Supporting factors in this context include comparatively low unemployment, improved external trade opportunities, which are contributing to a reduction of the trade deficit, and continued support from central bank policy. Consumption and investment will be the growth-motors accordingly. Capital imports are once again on the rise following the sharp decline since 2010 due to the global financial crisis. The high proportion represented by strong food price inflation relative to total inflation (60 percent, compared with 20 percent in Europe) represents one of the risk factors for the Ukraine.

For Georgia, the IMF is forecasting that its self-supporting upturn will continue in 2011, with this forecast even allowing for significant fiscal saving measures. Foreign direct investment nevertheless remains significantly below the precrisis level, and the current account continues to report a high deficit.

Romania is about to experience an acceleration of its upturn, according to the IMF. Following a trend that was still restrained in 2010, with the economy reporting real growth of 1.5 percent, the country should grow by 3.75 percent to 4 percent in 2012. Growth-drivers include strong export growth, which is primarily offset by commodity price increases that impact domestic demand, and carry higher inflation risks.

14.3. Expected earnings position

The current 2011/2012 fiscal year and the subsequent fiscal year are entirely characterised for MAGNAT by an ambitious sales programme to secure liquidity and implement our strategic reorientation to our core markets in the Black Sea region. With this programme, however, MAGNAT is not only concentrating on projects in markets no longer categorised as strategic, such as is the case with the real estate inventory in Germany. We have also identified projects in our target regions, particularly the Ukraine, that can be transferred to the sale phase on a commercially viable basis due to the slight improvement that is emerging in the market situation there. By their nature, it is impossible to issue serious forecasts for such transactions in advance, neither in terms of timing nor quantification.

On the expenditure side, by contrast, there are indications – particularly in the case of legal advice costs – of specific increases connected with the further development with the Austrian bond companies that have entered bankruptcy proceedings. On the other hand, future income shortfalls in this connection no longer play a significant role.

14.4. Expected financial position

The situation on real estate markets where MAGNAT operates will essentially remain tense in the current fiscal year. As a consequence, the real estate resales and return cash inflows from the redemption of shareholder loans by subsidiaries that are included in the financial planning are based on very conservative basic assumptions, and price increases have not been budgeted. Given this, the securing of liquidity remains a central component of financial planning.

At the same time, the Group's financial position remains characterised by very solid equity backing that is capable of absorbing even substantial valuation adjustments to the real estate portfolio. In the financial statements for the year under review, significant preventative measures for the future have nevertheless already been implemented in the form of conservative estimates.

14.5. Overall statement concerning the Group's prospective development

The Management and Supervisory boards are confident that they can return the profitability of the MAGNAT Group to positive results and value appreciation over the coming years, and consequently also to a renewed stronger orientation of the company's valuation to net asset value.

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MAGNAT is today one of the few remaining project developers in its target markets. This represents a valuable positioning within the target markets, which we will consistently exploit in the slowly re-emerging rediscovery of the entire Black Sea region as an attractive investment target for international capital. International rating agencies currently rate many of the region's countries significantly better than many Western European countries. This is reflected, not least, in the Fitch rating agency's recent upgrade of Romania's rating from "BBH" auf "BBB-" in early July 2011. Despite continued political uncertainties, the International Monetary Fund also regards the region as on a positive path.

This management report contains forward-looking statements and information. Such forward-looking statements are based on expectations that we have today, and on certain assumptions. They harbour a number of risks and uncertainties as a consequence. A large number of factors, many of which lie outside the scope of MAGNAT's influence, affect MAGNAT's business activities, its success, its business strategy and its results. These factors may result in a significant divergence in the actual results, successes and performance achieved by MAGNAT.

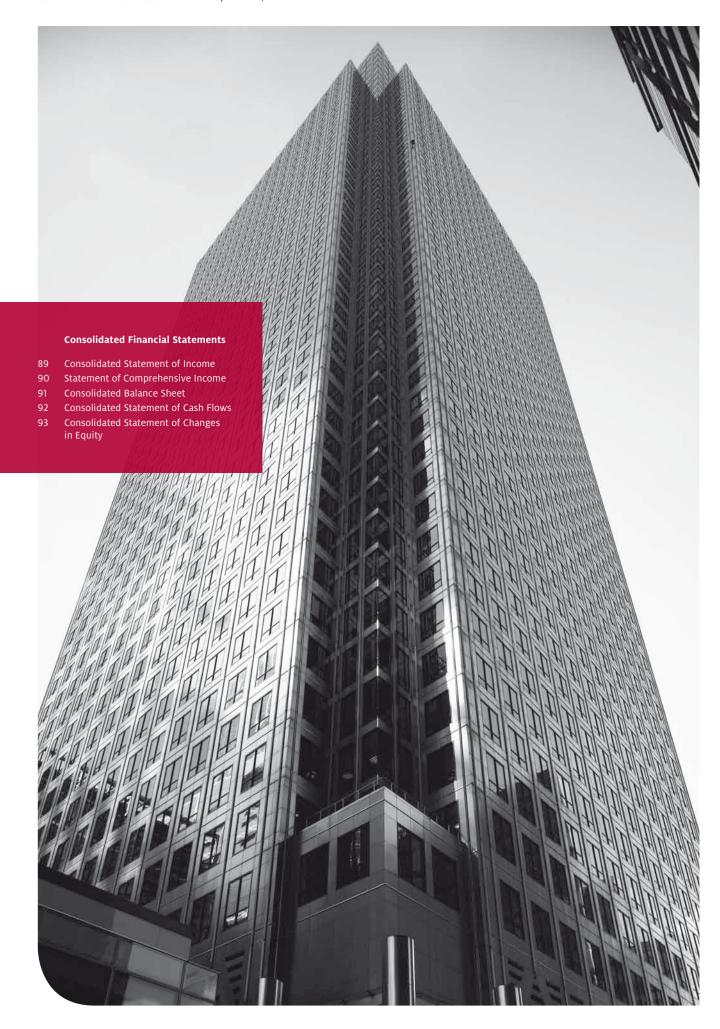
Should one or more of these risks or uncertainties be realised, or should it prove that the underlying assumptions were incorrect, the actual results may significantly diverge both positively and negatively from those results that were stated in the forward-looking statements as expected, anticipated, intended, planned, believed, projected or estimated results. MAGNAT accepts no obligation, and does also not intend, to update these forward-looking statements, or to correct them given a development that is other than the one expected.

Frankfurt am Main, July 26, 2011

MAGNAT Real Estate AG

Dr. Marc-Milo LubeManagement Board member

Jürgen Georg FaèManagement Board member



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Consolidated Statement of Income

in EUR	Item No.	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
		3.763726	3.703720.0
Rental income	D.1	6,952,149	6,618,765
Operating expenses to generate rental income	D.2	-3,916,567	-4,205,815
Profit/loss on rental of real estate inventory		3,035,582	2,412,950
Revenue on sale of real estate		6,046,976	0
Expenses on real estate sales		-3,743,393	0
Profit/loss on sale of real estate	D.3	2,303,583	0
Revenue on asset management		1,255,254	719,291
Expenses for asset Management		-1,737,772	-514,915
Profit/loss on asset management	D.4	-482,518	204,376
Profit on companies measured at equity		0	1,657,940
Losses on companies measured at equity		-11,167,900	-7,426,234
Profit/loss on companies measured at equity	D.5	-11,167,900	-5,768,294
Other operating income	D.6	5,016,174	2,804,602
General and administrative expenses	D.7	-7,465,377	-4,632,597
Other operating expenses	D.8	-7,137,657	-4,997,377
Profit/loss before interest and tax		-15,898,113	-9,976,340
Financial income	D.9	3,452,095	1,639,193
Financial expenses	D.9	-2,612,733	-5,205,327
Financial result		839,362	-3,566,134
Profit/loss before tax		-15,058,751	-13,542,474
Income taxes	D.10	-133,336	-443,517
Net profit/loss for the period		-15,192,087	-13,985,991
Of which, attributable to:			
Non-controlling interests	D.12	-1,908,564	-2,769,556
Parent company shareholders		-13,283,522	-11,216,435
Basic earnings per share	D.13	-0.96	-1.35
Diluted earnings per share	D.13	-0.96	-1.35

Statement of Comprehensive Income

in EUR	01/04/2010 -	01/04/2009 -
	31/03/2011	31/03/2010
Net profit/loss for the period	-15,192,087	-13,985,991
Other profit/loss		
Currency translation	-33,750	328,983
Equity change arising from the equity method recognised financial assets	-1,942,610	2,229,743
Other profit/loss before tax	-1,976,360	2,558,726
Tax relating to other comprehensive income	29,460	-33,377
Other profit/loss after tax	G.1 bzw. G.2 -1,946,900	2,525,349
Total comprehensive income	-17,138,987	-11,460,642
Of which, attributable to:		
Non-controlling interests	-1,900,760	-2,629,106
Parent company shareholders	-15,238,227	-8,831,536

Consolidated Balance Sheet

Assets			
Non-current assets			
Intangible assets	E.1.1	28,760,989	28,720,482
Property, plant and equipment	E.1.2	98,740	98,574
nterests in companies measured at equity	E.1.3	29,471,399	49,029,820
Other financial assets	E.1.4	119,399	162,500
Loans to companies measured at equity	E.1.5	3,948,203	6,544,724
Other loans	E.1.6	416,020	0
Deferred tax assets	E.4.1	180,571	203,373
Total non-current assets		62,995,321	84,759,473
Current assets			
Real estate inventory	E.2.1	66,372,389	63,666,166
Trade receivables and other receivables	E.2.2	8,502,354	14,221,260
Financial receivables and other financial assets	E.2.3	5,934,062	4,901,533
Tax refund claims		299,031	331,993
Cash and cash equivalents	E.2.4	5,320,167	8,821,895
Total current assets		86,428,003	91,942,847
Total assets		149,423,324	176,702,320
equity and liabilities			
Equity		13,894,651	13,894,651
Equity Subscribed capital (previous year: share capital)		-27,500	-27,500
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves		-27,500 71,696,174	-27,500 86,934,402
Equity and liabilities Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold	lers	-27,500 71,696,174 85,563,325	-27,500 86,934,402 100,801,553
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders		-27,500 71,696,174 85,563,325 8,864,585	-27,500 86,934,402 100,801,553 10,765,344
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Fotal equity	lers E.3	-27,500 71,696,174 85,563,325	-27,500 86,934,402 100,801,553 10,765,344
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities		-27,500 71,696,174 85,563,325 8,864,585	-27,500 86,934,402 100,801,553 10,765,344
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Frotal equity Liabilities Non-current liabilities		-27,500 71,696,174 85,563,325 8,864,585	-27,500 86,934,402 100,801,553 10,765,344 111,566,897
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities Non-current liabilities Deferred tax liabilities	E.3	-27,500 71,696,174 85,563,325 8,864,585 94,427,910	-27,500 86,934,402 100,801,553 10,765,344 111,566,897
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt	E.3 E.4.1	-27,500 71,696,174 85,563,325 8,864,585 94,427,910	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Fotal equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Fotal non-current liabilities	E.3 E.4.1	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Fotal equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Fotal non-current liabilities Current liabilities	E.3 E.4.1	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698 47,873,440
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Fotal equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Fotal non-current liabilities Current liabilities Current liabilities Current liabilities Current liabilities Current liabilities Forovisions Frade payables and other liabilities	E.4.1 E.4.2 E.5.1 E.5.2	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219 39,537,478 1,760,370 2,326,078	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698 47,873,440 2,736,099 1,689,305
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Total non-current liabilities Provisions Trade payables and other liabilities Tax liabilities	E.4.1 E.4.2 E.5.1 E.5.2 E.5.3	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219 39,537,478 1,760,370 2,326,078 225,040	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698 47,873,440 2,736,099 1,689,305 846,282
Equity Subscribed capital (previous year: share capital) Freasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Frotal equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Fotal non-current liabilities Provisions Frade payables and other liabilities Fax liabilities Current finance debt Fotal non-current finance fi	E.4.1 E.4.2 E.5.1 E.5.2	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219 39,537,478 1,760,370 2,326,078 225,040 11,146,448	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698 47,873,440 2,736,099 1,689,305 846,282 11,990,297
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities Non-current liabilities	E.4.1 E.4.2 E.5.1 E.5.2 E.5.3	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219 39,537,478 1,760,370 2,326,078 225,040	-27,500 86,934,402 100,801,553 10,765,344 111,566,897
Equity Subscribed capital (previous year: share capital) Treasury shares Reserves Equity attributable to parent company sharehold Interest of non-controlling shareholders Total equity Liabilities Non-current liabilities Deferred tax liabilities Non-current finance debt Total non-current liabilities Provisions Trade payables and other liabilities Tax liabilities Current finance debt Total non-current liabilities Trade payables and other liabilities Tax liabilities Current finance debt	E.4.1 E.4.2 E.5.1 E.5.2 E.5.3	-27,500 71,696,174 85,563,325 8,864,585 94,427,910 289,259 39,248,219 39,537,478 1,760,370 2,326,078 225,040 11,146,448	-27,500 86,934,402 100,801,553 10,765,344 111,566,897 379,742 47,493,698 47,873,440 2,736,099 1,689,305 846,282 11,990,297

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01/04/2010 - 31/03/2011	Item No.	in EUR '000
-15,059		Consolidated profit/loss before tax
2,372		Change in real estate inventory
-1,842		Change in trade receivables and other receivables
33		Change in income tax receivables
-2,726		Change in financial receivables and other financial assets
-88		Change in intangible assets
654		Change in provisions
-1,018		Change in trade payables and other liabilities
14,177		Other non-cash items
-3,497	F	Cash flow from operating activities
-47		Outgoing payments for investments in property, plant and equipment
-132		Outgoing payments to acquire shares, and increase the capital reserves for companies measured as equity, and other holdings
-673		Outgoing payments for the granting of loans to com- panies measured as equity and to other participating interests
866		Incoming payments from loans to companies measured at equity and to other participating interests
0		Outgoing payments for the purchase of subsidiaries (less acquired cash)
14	F	Cash flow from investing activities
0		Other changes in capital
0		Change in treasury shares held
10,199		Incoming payments from the drawing down of finance debt
-10,214		Outgoing payment for the redemption of finance debt
-15	F	Cash flow from financing activities
-3,498		Net change in cash and cash equivalents
-4		Change due to currency translation
8,822		Cash and cash equivalents at the start of the period
5,320	F	Cash and cash equivalents at the end of the period
	31/03/2011 -15,059 2,372 -1,842 33 -2,726 -88 654 -1,018 14,177 -3,497 -47 -132 -673 866 0 14 0 0 10,199 -10,214 -15 -3,498 -4 8,822	No. 31/03/2011 -15,059 2,372 -1,842 33 -2,726 -88 654 -1,018 14,177 F -3,497 -47 -132 -673 866 0 F 14 0 0 10,199 -10,214 F -15 -3,498 -4 8,822

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Consolidated Statement of Changes in Equity

in EUR '000		Sh	are capita	I		Rese	erves				
	_	General partner capital	Subscri- bed capital	Tre- asury shares	Capital reserves	Retained earnings	Currency translation	Other reser- ves	Equity attributable to company shareholders	Interest of non-controlling shareholders	Total equity
01/04/2010	G	0	13,895	-28	98,181	-4,456	-7,389	599	100,802	10,765	111,567
Capital increases	G	0	0	0	0	0	0	0	0	0	0
Capital reduction	G	0	0	0	0	0	0	0	0	0	0
Change to consolidation scope	G	0	0	0	0	0	0	0	0	0	0
Other	G	0	0	0	0	0	0	29	29	0	29
Proportional transfer of earnings-neutral equity changes for companies measured at equity	G	0	0	0	0	0	-2,049	93	-1,956	14	-1,943
Currency difference	G	0	0	0	0	0	-28	0	-28	-6	-34
Total result reported directly in equity	G	0	0	0	0	0	-2,077	122	-1,955	8	-1,947
Net profit/loss for the period	G	0	0	0	0	-13,284	0	0	-13,284	-1,909	-15,192
Total profit/loss	G	0	0	0	0	-13,284	-2,077	122	-15,238	-1,901	-17,139
31/03/2011	G	0	13,895	-28	98,181	-17,740	-9,466	721	85,563	8,865	94,428
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 reduction	G	0	-47,610	0	43,640	3,970	0	0	0	-1,128	-1,128
Change to consolidation scope	G	0	0	0	0	0	0	0	0	-4	-4
Other	G	-50	0	-28	1	0	0	-33	-110	0	-110
Proportional transfer of earnings-neutral equity changes for companies measured 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 result reported directly in equity	G	0	0	0	0	0	2,170	215	2,385	141	2,526
Net profit/loss for the period	G	0	0	0	0	-11,216	0	0	-11,216	-2,770	-13,986
Total profit/loss	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



MAGNAT Real Estate AG, Frankfurt am Main (until September 16, 2010: MAGNAT Real Estate Opportunities GmbH & Co. KGaA)

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A. General information

1. Corporate information

MAGNAT Real Estate AG (hereinafter also referred to in brief as the "company" or "MAGNAT") is entered in the commercial register at the location of the company's headquarters in Frankfurt am Main, Germany. On September 17, 2010, the company's legal form was changed from that of a GmbH & Co. KGaA to that of a public stock corporation ('Aktiengesellschaft' – or 'AG'), which was entered in the commercial register (HRB 89041). In terms of its history, MAGNAT Real Estate Opportunities GmbH & Co. KGaA was founded on April 6, 2006, and was entered in the commercial register at the location of the company's headquarters in Frankfurt am Main, Germany, on May 31, 2006. The company's headquarters are located at Lyoner Strasse 32 in Frankfurt am Main. All of the company's fiscal years end on March 31.

The company was initially listed on the open market (OTC) in July 2006. The company switched stock exchange segment on October 30, 2007. The company's shares have been listed in the General Standard of the Frankfurt Stock Exchange since that date. As a result of the switch of segment, MAGNAT is subject to the stringent, EUwide transparency requirements for regulated markets.

MAGNAT Real Estate AG is the parent company of the MAGNAT Group. The parent company itself has not yet made investments in real estate or real estate projects. Investments are generally processed through project companies, and the parent company holds interests in these project companies either directly or indirectly (through intermediate holding companies). The predominant number of the investments that have been made to date have been made with co-investors.

MAGNAT has been further developed into an integrated real estate group with the integration of MAGNAT Asset Management GmbH. In this context, the company covers the entire value chain covering acquisition, development, and the disposal of projects and construction land. Through its subsidiaries, the Group also offers, in particular, real estate management for third parties, as well as according to the so-called "Co-proprietors' building scheme".

The MAGNAT business model pursues a "develop & sell" and "buy & sell" strategy with respect to the real estate and land that it holds itself, in contrast to conventional real estate management companies that pursue a "buy & hold" strategy.

MAGNAT's investment portfolio is currently distributed across nine countries. The company plans to concentrate on the medium term on the Ukraine, Turkey, Georgia, and, potentially, Romania (core markets), in other words, countries around the Black Sea region.

2. Application of International Financial Reporting Standards (IFRS)

MAGNAT prepares its consolidated financial statements according to International Financial Reporting Standards (IFRS) in line with Article 4 of EC Directive Number 1606/2002 of the European Parliament and Council of July 19, 2002 relating to the application of international accounting standards. The consolidated financial statements of the MAGNAT Group that are prepared for MAGNAT Real Estate AG as the parent company are prepared according to uniform accounting principles. This takes into account all IFRS that require mandatory application as of the reporting period ending on March 31, 2011 – including currently valid International Accounting Standards (IAS) – and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC) – including the currently valid interpretations of the former Standing Interpretations Committee (SIC) – as applicable in the EU. It also takes into account German commercial law regulations applicable pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB).

3. New accounting standards that require mandatory application

The accounting methods that are applied generally correspond to the methods applied in the previous year, with the following exceptions:

The International Accounting Standards Board (IASB) and the International Financial Reporting Standards Committee (IFRIC) have approved standards and interpretations (which have already passed the EU recognition procedure), which require mandatory first-time application in the reporting period.

Amendments to IAS 27 "Consolidated and Separate Financial Statements"

As part of its "Business Combination II" project, the IASB published a revised version of IAS 27 "Consolidated and Separate Financial Statements" in January 2008 that contains regulations relating to consolidation. This particularly considered transactions where shares in a subsidiary company are purchased or sold without there being a change in control over the company. Significant changes compared with the old version also arose in particular when recognising and measuring a remaining investment when control is lost in a former subsidiary, as well as when recognising losses attributable to non-controlling interests. The amendments based on the revised standard are applicable to fiscal years commencing on or after July 1, 2009. The amendments have no impact on this set of consolidated financial statements for MAGNAT.

IAS 39 "Financial Instruments: Eligible Hedged Items"

The amendments to IAS 39 were published in August 2008, and require first-time mandatory application for fiscal years commencing on after July 1, 2009. These amendments provide specific information as to how the principles contained in IAS 39 for the modelling of hedging relationships are to be applied to the designation of a one-sided risk in an underlying transaction, as well as to the designation of inflation risks as an underlying transaction. Accordingly, it is also permissible to solely designate a portion of the changes in the fair value or the cash flow fluctuations of a financial instrument as an underlying transaction. These amendments to IAS 39 have no effect on the consolidated financial statements of MAGNAT.

IFRIC 9 and IAS 39 "Embedded Derivates"

In December 2008, the IASB published a clarification of the accounting treatment for embedded derivatives. The amendments to IAS 39 and IFRIC 9 served to close regulation loopholes. They relate to instances where companies have utilised the option to reclassify financial instruments measured at fair value through profit or loss that has been permissible in exceptional cases since October 2008. In future, companies are also required

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to reassess an embedded derivative, and – to the extent required – to recognise them separately from the basis agreement if a hybrid financial instrument that is measured at fair value through profit or loss is re-categorised. If a derivative requires separate accounting treatment from the basis agreement, but its fair value cannot be determined reliably, the entire hybrid instrument may not be reclassified. This results in no effects on the Group's financial statements. The amendments require retrospective application to reporting periods ending on or after June 30, 2009. This set of consolidated financial statements for MAGNAT contains no such financial instruments. For this reason, the amendments have no effects on MAGNAT.

IFRS 3 "Business Combinations"

In January 2008, and as part of its "Business Combinations II" project, the IASB published a new version of IFRS 3 "Business Combinations". Significant changes compared with the old version arose, in particular, when recognising and measuring assets and liabilities acquired as the result of a business combination, when measuring non-controlling interests, when calculating goodwill, and when modelling transactions with variable purchase prices. The revised standard is applicable for transactions that occur in fiscal years commencing on or after July 1, 2009. Both the corporate acquisitions reported in this set of consolidated financial statements, and future corporate acquisitions, are affected by these regulations.

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

The revised standards were published in January 2008, and require first-time application for fiscal years and business combinations commencing on or after July 1, 2009. These amendments introduced the so-called full goodwill method as an alternative to the re-measurement method. As a consequence, the Group may under certain circumstances account not only for its own interest but also 100% of the goodwill of the acquired company. In the future, a re-measurement must be performed at the time when control is gained in the case of a step acquisition. The purchase of additional interests in a subsidiary that already exists are to be treated in the future as equity transactions among owners. The same applies for the sale of shares in a subsidiary where control is retained. If control is lost, the remaining interest is to be re-measured at fair value. In the case of conditional payments as consideration, ancillary purchase costs and changes are to be expensed directly in the future, with the exception of debt or equity instruments requiring measurement pursuant to IAS 39. Follow-up amendments resulted for IAS 7 Cash Flow Statements, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures. The change to the accounting treatment of step acquisitions, the option to choose between accounting for goodwill based on the proportional interest held, the full goodwill method, and the full expensing of acquisition costs have effects on both these consolidated financial statements and the future consolidated financial statements of MAGNAT.

Amendments to IFRS 2 "Group Cash-settled Share-based Payment"

On June 18, 2009, the IASB published amendments to IFRS 2 "Share-based Payment", which clarified the accounting treatment of Group cash-settled share-based payment. These amendments clarify how an individual subsidiary within a group is to account for certain share-based payment contracts in its own set of financial statements. The amendments are to come into force for reporting periods commencing on or after January 1, 2010. The amendments have no impact on this set of consolidated financial statements for MAGNAT.

Amendments to IAS 32 "Financial Instruments: Classification of Rights Issues"

The amendment covers the accounting treatment of rights issues if they are denominated in a currency that is different to the company's functional currency. These subscription rights are to be classified as equity if they are issued proportionally to the company's current shareholders at a fixed amount, irrespective of the currency in which the exercise price is fixed. The IASB determined that the amendment is to come into force for fiscal years commencing on or after February 2010, whereby earlier application is permissible. This amendment has no effect on the consolidated financial statements of MAGNAT.

Amendment to IFRS 1 "Further Exemptions for First-Time Adopters"

IFRS 1 was amended to enable additional exemptions from the complete retrospective application of IFRS for the measurement of assets in the "Oil and Gas" area, and for leases. This amendment must be applied for fiscal years commencing on or after January 1, 2010. The EU approved the corresponding amendment on June 23, 2010, and published it on June 24, 2010. This amendment has no effect on the consolidated financial statements of MAGNAT.

The IFRIC 15 interpretation (Agreements for the Construction of Real Estate) comes into force in the EU as of January 1, 2010. The respective interpretation has no facts on this set of MAGNAT consolidated financial statements.

IFRIC 16 (Hedges of a Net Investment and Foreign Operation) comes into force for fiscal years commencing on or after July 1, 2009. IFRIC 16 has no impact on this set of consolidated financial statements for MAGNAT.

The EU approved the interpretations IFRIC 17 (Distributions of Non-cash Assets to Owners) and IFRIC 18 (Transfers of Assets from Customers) in November 2009. IFRIC 17 comes into force for reporting periods commencing on or after July 1, 2009. IFRIC 18 comes into force for transfers occurring on or after July 1, 2009. Both interpretations have no effects on the consolidated financial statements of MAGNAT.

Improvements to IFRS 2008 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

When announcing a plan to sell an interest in a subsidiary entailing a loss of control, all assets and liabilities are classified as "held for sale" to the extent that the criteria of IFRS 5.6 - 5.8 have been satisfied. The assets and liabilities are classified as held for sale in their entirety, irrespective of whether a minority interest remains after the disposal. The amendment is applicable to fiscal years commencing on or after July 1, 2009.

Improvements to IFRS 2009

As part of its annual "Improvements Project", the IASB implemented a large number of minor content-related and editorial amendments to various standards. Unless a standard explicitly states otherwise, the regulations are applicable from January 1, 2010.

4. Future changes to accounting methods

The IASB and the IFRIC have approved standards and interpretations that do not yet require mandatory application in the reporting period. Voluntary prior application generally presupposes that the currently partially still outstanding recognition by the EU has occurred. The company has not utilised the option to make voluntary prior application where the possibility currently exists under circumstances.

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	_	Approved by the EU
	YES	NO
Amendments to IFRIC 14 "Prepayments as Part of a Minimum Funding Requirement"	Х	
IAS 24 "Related Party Disclosures"	Х	
IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"	Х	
Improvements to IFRS 2010	Х	
IFRS 9 "Financial Instruments"		Х
IAS 12 "Amendments: Recovery of Underlying Assets"		Х
IFRS 7 "Amendments: Financial Instruments – Disclosures"		Х

Amendments to IFRIC 14 "Prepayments as Part of a Minimum Funding Requirement"

This amendment, which the IASB published on November 26, 2009, is applicable for interpretation IFRIC 14, which relates to the presentation of IAS 19 "Employee Benefits". The amendment is applicable under certain circumstances where a company is subject to minimum funding regulations, and makes a prepayment of contributions that satisfy these requirements. As a result of this amendment, companies are now permitted to present the benefit from such a prepayment as an asset. The amendment is mandatory as of January 1, 2011. Early application is permissible for financial statements with 2009 year-ends. The EU approved the corresponding amendment on July 19, 2010, and published it on July 20, 2010. The amendments of IFRIC 14 will have no effect on the future consolidated financial statements of MAGNAT.

IAS 24 "Related Party Disclosures"

This amendment IAS 24 is particularly intended to enhance the comprehensibility and clarity of the standard's text, in order to thereby ensure uniform interpretation and application in practice. As a consequence, regulations were made more specific in areas where the standard has exhibited clear inconsistencies in the past, or where practical application was made more difficult as the result of insufficiently precise formulations. One objective of the revision was also the elimination of instances where, to date, only one of the parties participating in a transaction was required to report this transaction, since from the other perspective, the other party failed to satisfy the definition of a related party. Along with the amendment to the definition of related parties, there are also adjustments relating to the definition of transactions requiring disclosure. The revised version of this standard requires mandatory application for fiscal years commencing on or after January 1, 2011. The EU approved the revised standard on July 19, 2010, and published it on July 20, 2010. The company is currently examining the effects of the amendments to IAS 24 that have an effect on the notes contained in future consolidated financial statements of MAGNAT.

IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

On November 26, 2009, the IFRIC published IFRIC 19, an interpretation providing information about the accounting treatment of debt for equity swaps. IFRIC 19 clarifies IFRS requirements if a company partially or wholly extinguishes a financial liability through issuing shares or other equity instruments. The interpretation comes into force for fiscal years commencing on or after July 1, 2010. Early application is permissible. The EU approved IFRIC 19 on July 23, 2010, and published it on July 24, 2010. IFRIC 19 could have an impact on the accounting treatment of such transactions in the future.

Improvements to IFRS 2010

As part of its annual "Improvements Project", the IASB implemented a large number of minor content-related and editorial amendments to various standards. These include amendments to ten standards, and one interpretation:

IFRS 3 Business Combinations
IFRS 7, IAS 32 and IAS 39 in line with the amendments to IFRS 3
IFRS 21, IAS 38 and IAS 31 in line with the amendments to IAS 27
IFRS 1 First-Time Adoption of International Financial Reporting Standards
IFRS 7 Financial Instruments: Disclosures
IAS 1 Presentation of Financial Statements
IAS 34 Interim Financial Reporting
IFRIC 13 Customer Loyalty Programmes

Unless a standard explicitly states otherwise, these regulations are applicable either for all fiscal years commencing after June 30, 2010, or for all fiscal years commencing after December 31, 2010. The EU approved the amendments on February 18, 2011, and published them on February 19, 2011. The company is currently examining the effects of these amendments to future consolidated financial statements of MAGNAT.

IFRS 9 "Financial Instruments"

The IASB published IFRS 9 on November 12, 2009. This new standard represents the first of three phases (Classification and Measurement, Impairment, Hedging Relationships) that will completely replace IAS 39 "Financial Instruments: Recognition and Measurement". As each of the phases is completed, the relevant portions of IAS 39 will be deleted, and the new regulations contained in IFRS 9 will be introduced. This standard introduces fundamental changes to the existing regulations for the classification and measurement of financial instruments, whereby IFRS 9 limited itself initially exclusively to financial assets. IFRS 9 must be applied for fiscal years commencing on or after January 1, 2013. Earlier application is permissible. From today's perspective, the new IFRS 9 standard will have no significant effect on MAGNAT's consolidated financial statements.

IAS 12 "Amendments: Recovery of Underlying Assets"

This amendment contains a partial clarification relating to the treatment of temporary tax differences connected with the application of the present value model of IAS 40. The amendments introduce the refutable assumption that investment properties that are measured at fair value will realise their carrying amount through disposal. In the case of investment properties, it is frequently difficult to assess whether existing differences will reverse as part of continued utilisation, or as part of a disposal. This amendment must be applied retrospectively for fiscal years commencing on or after January 1, 2012. The company is currently examining the effects of these amendments on future consolidated financial statements of MAGNAT.

IFRS 7 "Amendments: Financial Instruments - Disclosures"

The amendments to IFRS 7 expand the scope of disclosure required in the notes to financial statements when de-recognising financial assets. This requires general disclosures relating to financial assets that have been transferred, but which have not (or not yet fully) been derecognised, and concerning their relationship to liabilities that have newly arisen as a consequence. To the extent that the transferred financial assets were also fully derecognised, detailed qualitative and quantitative information must be disclosed in the future relating

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to any retained rights and obligations, and relating to any rights and obligations that were assumed as part of the transaction. The amendments are applicable to fiscal years commencing on or after July 1, 2011. From today's perspective, the related amendments will have no effect on the disclosures in the notes to the financial statements of MAGNAT.

IFRS 1 "Amendments: Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters"

This amendment provides application guidelines for procedures when presenting financial statements complying with IFRS if the company was unable to comply with IFRS regulations for a period because its functional currency was exposed to severe hyperinflation. Accordingly, such a company is permitted to measure its assets and liabilities at fair value, and to apply these figures as assumed acquisition costs in its opening balance sheet. A further amendment replaces the references to the fixed transition date of "January 1, 2004" with "time of transition to IFRS". The amendments require mandatory application to reporting periods ending on or after July 1, 2011. Earlier application is permissible. The respective amendments have no effect on the consolidated financial statements of MAGNAT.

5. Significant discretionary decisions and estimates

Discretionary decisions

When applying the accounting methods, the company's management has made the following discretionary decisions that significantly affect the amounts in the financial statements.

GOODWILL IMPAIRMENT TEST

Goodwill is allocated to the cash-generating units in order to perform the impairment tests. The extent to which an impairment charge is required for the cash-generating unit is calculated by comparing its carrying amount with its recoverable amount. The units, or group of units, to which goodwill is allocated for the impairment test, represent the lowest level within the company at which goodwill is monitored for internal management purposes, and are not larger than a segment as determined by IFRS 8. When forming cash-generating units, real estate assets and goodwill are aggregated, and compared with the unit's recoverable amount.

Estimates and assumptions

When preparing IFRS consolidated financial statements, various items require making forward-looking assumptions. These estimates may significantly affect the valuation of assets and liabilities as of the balance sheet date, and the level of expenses and income during the fiscal year. The following section contains an explanation of the most important forward-looking assumptions, and other significant sources of estimation uncertainties existing as the reporting date, on whose basis the risk exists that a significant adjustment to the carrying amounts of assets and liabilities may be required within the next fiscal year.

INVESTMENT PROPERTIES

The company made first-time recognition of Group investment properties at fair value in the 2007/2008 fiscal year. During the period under review, the Group held investment properties only at the company measured at equity SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main, and at the company measured at equity of the subgroup GAIA Real Estate Investments S.A., Luxembourg. Their carrying amounts were calculated by independent external experts. When calculating these carrying amounts, assumptions were made concerning rental trends, vacancies, sales price reductions, maintenance costs and discounting rates. Due to the company's long-term orientation, these valuation assumptions are subject to uncertainties that can lead to both positive and negative valuation changes in the future.

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REAL ESTATE INVENTORY

Estimates of the net realisable value for the real estate inventory are based on the most reliable substantive indicators at the time when 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. The determination of market value is based on different methods (capitalised rental income method, comparative value method or residual value method). The method chosen depends on the respective property. In the capitalised rental income method, an interest rate of between 5.75% and 7.75% is generally applied, and a residual life of between 21 and 54 years is used for the calculation. Discounts to the market of between 5% and 20% were applied in the comparative value method. The carrying amounts of the respective real estate inventory amounts to TEUR 63,879.

DEFERRED TAX ASSETS ON LOSS CARRYFORWARDS

Deferred tax assets are recognised for all unutilised tax loss carryforwards to the extent that it is likely that taxable income will be available against which the unutilised tax loss carryforwards can be offset. Calculation of the amounts of the deferred tax assets depends mainly on the management's assessment, the amount and expected timing of future taxable income, and future tax structuring options. Please refer to item D.10 in the notes for further information.

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 the significant risks and opportunities connected with their ownership, and consequently carries them as operating leases on its balance sheet. A significant estimation assumption relates to the assessment of the extent to which open receivables arising from commercial lease agreements can be collected.

B. Scope of consolidation and consolidation methods

1. Scope of consolidation

In addition to the Group's parent company, MAGNAT Real Estate AG, the consolidated financial statements generally include all German and foreign subsidiaries. The subsidiaries included in the consolidated financial statements, joint ventures, and associates measured at equity (hereinafter also referred to in booth as the "MAGNAT Group", or the "Group") are listed below:

Group company			Group share	Formation/ acquisition date	Original cost ²⁾ EUR '000
Shares held directly					
Germany					
SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main	Associated company	Formed	16.13%	03/08/2007	4,050
SQUADRA Management GmbH, Frankfurt am Main	Subsidiary	Acquired	100.00%	31/08/2009	193
Other countries					
MAGNAT Investment I B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Acquired	75.00%	09/11/2006	19
MAGNAT Investment II B.V., Hardinxveld Giessendam, Netherlands	Joint venture	Acquired	50.00%	22/01/2007	9
MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	100.00%	15/05/2007	15
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 GmbH, Vienna, Austria	Subsidiary	Acquired	100.00%	31/08/2009	23,077

Despite the percentage interest of less than 20%, SQUADRA Immobilien GmbH & Co. KGaA was classified as an associate in the MAGNAT Group since the management bodies, as well as, in part, the Supervisory Board of MAGNAT Real Estate AG, and of SQUADRA Immobilien GmbH & Co. KGaA, are composed of the same individuals.

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GAIA Real Estate Investments S.A., Luxembourg, 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 be determined only by all three partner companies jointly.

		Group	Formation/	Original
		share	acquisition date	cost ²⁾ EUR '000
Subsidiary	Acquired	75.00% 1)	15/11/2006	21
Subsidiary	Acquired	75.00% 1)	10/11/2006	19
Subsidiary	Acquired	75.00% 1)	01/02/2007	21
Subsidiary	Acquired	75.00% 1)	03/04/2007	19
Subsidiary	Formed	75.00% 1)	02/04/2007	19
Subsidiary	Acquired	100.00% 4)	31/08/2009	25
	Subsidiary Subsidiary Subsidiary Subsidiary	Subsidiary Acquired Subsidiary Acquired Subsidiary Acquired Subsidiary Formed	Subsidiary Acquired 75.00% 1) Subsidiary Acquired 75.00% 1) Subsidiary Acquired 75.00% 1) Subsidiary Acquired 75.00% 1) Subsidiary Formed 75.00% 1)	Subsidiary Acquired 75.00% ¹) 15/11/2006 Subsidiary Acquired 75.00% ¹) 10/11/2006 Subsidiary Acquired 75.00% ¹) 01/02/2007 Subsidiary Acquired 75.00% ¹) 03/04/2007 Subsidiary Formed 75.00% ¹) 02/04/2007

Group company			Group share	Formation/ acquisition date	Original cost ²⁾ EUR '000
Other countries					
MAGNAT Real Estate UA III B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00% 1)	18/01/2007	14
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH, Vienna, Austria	Associated company	Formed	18.75% ¹⁾	21/08/2007	3,094
MAGNAT Real Estate UA VI B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00% 1)	15/05/2007	14
MAGNAT Real Estate UA X B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00% 1)	15/05/2007	14
MAGNAT Real Estate UA XI B.V., Hardinxveld Giessendam, Netherlands	Subsidiary	Formed	75.00% 1)	15/05/2007	14
SC TEO Impex Consulting International 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	Join venture	Acquired	45.00% 1)	05/07/2007	10,875
Irao MAGNAT Digomi LLC, Tiflis, Georgia	Subsidiary	Formed	56.25% 1)	29/06/2007	0
Irao MAGNAT 28/2 LLC, Tiflis, Georgia	Join 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

Despite a percentage interest of less than 20%, JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH was classified as an associate in the MAGNAT Group since there is a significant right to information, and a right to co-determination in exceptional business transactions.

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Group company			Group share	Formation/ acquisition date	Original cost ²⁾ EUR '000
R-QUADRAT Immobilien Manage- ment 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
MAGNAT Asset Management GmbH & Co. Rennweg 73 KG, Vienna, Austria	Subsidiary	Formed	100.00% 4)	11/05/2010	1
MAGNAT Immobilien GmbH, Vienna, Austria	Subsidiary	Formed	100.00% 4)	23/02/2011	35
MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	Subsidiary	Formed	100.00% 4)	05/05/2010	100
Kappatrade Ltd., Kiev, Ukraine	Subsidiary	Acquired	75.00% 1)	19/10/2010	0
Polartrade Ltd., Kiev, Ukraine	Subsidiary	Acquired	75.00% 1)	19/10/2010	0

¹⁾ Shares held indirectly through MAGNAT Investment I B.V., Hardinxveld Giessendam, Netherlands.

The scope of fully consolidated companies was expanded to include the following companies in the year under review:

in EUR '000	Net earnings for the period in the consolidated financial statements
MAGNAT Immobilien GmbH, Vienna, Austria	-2
MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine	-120
MAGNAT Asset Management GmbH & Co. Rennweg 73 KG, Vienna, Austria	-80
Kappatrade Ltd., Kiev, Ukraine	-1,007
Polartrade Ltd., Kiev, Ukraine	-614
MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands	-1
MAGNAT Real Estate UA X B.V., Hardinxveld Giessendam, Netherlands	-1
MAGNAT Real Estate UA XI B.V., Hardinxveld Giessendam, Netherlands	0

No goodwill arose since these companies primarily relate to formations, or the purchase of newly formed companies, to the level of equity. For this reason, there is only partial requirement for disclosure pursuant to IFRS 3.70.

 ¹⁾ Shares held indirectly through MAGNAT investment F.N., Hardinxveld diessendam, wetherlands.
 2) Original cost is shown as a percentage according to the respective interest of the Group held directly or indirectly by the parent company. In each case, total original costs are derived by extrapolating them to 100%.
 3) Shares held directly through MAGNAT AM GmbH, Vienna, Austria, and MAGNAT Real Estate AG, Frankfurt am Main.
 4) Shares held indirectly through MAGNAT Asset Management GmbH, Vienna, Austria.

The companies listed in the following table were not fully consolidated in earlier fiscal years due to their minor significance at that time. As a result of structural changes, the significance of these companies has changed, and they are consequently fully consolidated.

in EUR '000	Revenue	Net earnings for the period
MAGNAT Investment IV B.V., Hardinxveld Giessendam, Netherlands	0	-3
MAGNAT Real Estate UA X B.V., Hardinxveld Giessendam, Netherlands	0	-1
MAGNAT Real Estate UA XI B.V., Hardinxveld Giessendam, Netherlands	0	0

The following companies were formed in the period under review; the consideration paid on formation corresponds fully to the cash acquired:

MAGNAT	Immobilien	GmbH,	Vienna,	Austria

_____ MAGNAT Asset Management Ukraine Ltd., Kiev, Ukraine

MAGNAT Asset Management GmbH & Co. Rennweg 73 KG, Vienna, Austria

Kappatrade Ltd., Kiev, Ukraine, and Polartrade Ltd., Kiev, Ukraine, were acquired for the value of the paid-in equity, as a consequence of which the acquired cash corresponded to the consideration paid.

The corporate acquisitions in the 2010/2011 fiscal year, which are immaterial when viewed on an individual basis, are as follows:

in EUR '000	Amounts recognised at acquisition date	Carrying amounts of acquired companies
ASSETS		
Non-current assets		
Intangible assets	0	0
Property, plant and equipment	0	0
Other financial assets	0	0
Shares in affiliated companies	0	0
	0	0
Current assets		
Real estate inventory	0	0
Trade receivables and other receivables	0	0
Financial receivables and other financial assets	1	1
Cash and cash equivalents	85	85
	86	86
Total assets	86	86

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in EUR '000	Amounts recognised at acquisition date	Carrying amounts of acquired companies
EQUITY AND LIABILITIES		
Total equity	86	86
Liabilities		
Provisions	0	0
Trade payables and other liabilities	0	0
Finance debt	0	0
	0	0
Total equity and liabilities	86	86
	nt company MAGNAT Real Est	ate AG in the year
The following companies were merged with the Group pare under review: in EUR '000	nt company MAGNAT Real Est	Tate AG in the year Date of merger
under review:	nt company MAGNAT Real Est	

A complete list of all affiliated companies, associated companies and joint ventures is provided at the end of the notes to the consolidated financial statements.

2. Consolidation methods

Consolidation methods

The consolidated financial statements comprise the financial statements of MAGNAT and its subsidiaries as of March 31 of each fiscal year. The financial statements and interim financial statement of the subsidiaries are prepared applying uniform accounting methods on the same balance sheet date as that of the parent company.

Capital is consolidated applying the purchase method by offsetting the cost of the shares with the proportional remeasured equity of the subsidiaries at the acquisition date. On first-time consolidation, the conditions prevailing on the date when the shares are acquired in the consolidated subsidiary are generally taken into consideration. Any resulting differences are allocated to the subsidiary's assets and liabilities insofar as there fair values differ from the carrying amounts shown in the financial statements. Hidden reserves that are disclosed are amortised as part of subsequent consolidation in line with the corresponding assets and liabilities. Where minority shareholders hold an interest in the subsidiary's equity on the balance sheet date, this item is allocated to non-controlling interests.

Intragroup revenue, expenses and income, and all receivables and liabilities between consolidated companies are eliminated.

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

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Currency translation

The functional currency concept is applied for consolidated companies whose financial statements are prepared in foreign currencies. Pursuant to IAS 21 (The Effects of Changes in Foreign Exchange Rates), all assets and liabilities denominated in foreign currencies are translated into the euro reporting currency at the rate prevailing on the balance sheet date, and expenses and income are translated on the basis of year-average exchange rates.

The Group currency is the euro. In the case of subsidiaries and companies measured at equity that prepare their balance sheets in foreign currencies, the functional currency is determined on the basis of the economic environment in which the respective company operates.

In the Ukraine, for example, transactions are generally permitted only in the national currency. The currency in which most of the revenues and costs are processed is the national currency. The companies operate largely independently on the local market.

In the period under review, the financial statements of some companies measured at equity were not prepared in the functional euro currency. Insofar as the at-equity companies were included in the consolidated financial statements, the proportional equity was translated into the reporting currency applying the functional currency concept. In this context, proportional profit/losses were translated at year-average rates.

Currency translation differences were taken directly to equity (TEUR 10,531; previous year: TEUR 8,431, of which TEUR 1,065 in non-controlling interests; previous year: TEUR 1,041). Of these amounts, an amount of TEUR 1,403 (of which among non-controlling interests: TEUR 351) comprises translation differences arising from monetary items pursuant to IAS 21.32 and IAS 21.45.

C. Accounting principles

The consolidated financial statements were prepared on the assumption of a going concern. Assets and liabilities are categorised by their term (more/less than one year). Deferred tax is generally reported as non-current.

The income statement was prepared on a voluntary basis in line with the recommendations of the European Public Real Estate Association (EPRA) as of October 2010.

The reporting currency is the euro. Where figures have been rounded to thousands of euros (TEUR), this has been stated. Rounding to thousands of euros can result in rounding differences.

Assets are generally measured at cost. This does not apply, among other items, to derivative financial instruments and securities, which are measured at fair value. Investment properties are reported at cost, including ancillary purchase costs, when recognised for the first time. Investment properties are subsequently measured at fair value (IAS 40).

Intangible assets

Intangible assets include TEUR 28,735 of goodwill (previous year: TEUR 28,702).

Goodwill arises from corporate mergers or acquisitions. It represents the difference between the purchase costs and the proportional and corresponding net present value of the identifiable assets, liabilities and certain contingent liabilities. Pursuant to IAS 36, scheduled amortisation is not applied to goodwill.

Instead, goodwill is subjected to an annual impairment test pursuant to IAS 36, as part of which the value retention of the recognised measurement must be evidenced (impairment-only approach). This scheduled impairment test is conducted in the fourth quarter on the basis of third-quarter figures. If there are indications of impairment, further reviews must be conducted, irrespective of the mandatory annual impairment test. The impairment test is performed by comparing the recoverable amount of each cash-generating unit (CGU) with its recognised carrying amount.

The value in use of the goodwill allocated to the Asset Management CGU was calculated by applying generally recognised measurement principles utilising the capitalised income method. The calculations are based on budgeted figures that are modelled pursuant to the phase method in a planning phase (until 2015) and a perpetual return that is based on this (value contribution after the expiry of the planning period). A capitalisation rate of 8.00% was applied, and growth of 1.00% was applied for the perpetual growth rate. The aforementioned factors represent significant assumptions on the part of the management when preparing the budgeted calculations. Revenue from the Asset Management segment was budgeted on the detailed basis of investor projects for the years 2011 to 2015. Empirical figures from past so-called "Co-proprietors' building scheme" projects were used as the basis for income from the processing of further such projects. For the first two years of the planning period, personnel costs and other costs were budgeted on a detailed basis, and subsequently extrapolated. These assumptions, and the resultant profits/losses, are partially based on empirical values (other costs and personnel costs), and on investors' investment projects (revenues and personnel costs).

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Other intangible assets include acquired software and other intangible assets, which are amortised on a straight-line basis over a period of three to four years in line with their economic use lives.

Property, plant and equipment

All property, plant and equipment is recognised at cost less scheduled straight-line depreciation.

Impairment of non-financial assets

Assets in the meaning of IAS 36.1 are tested for impairment if circumstances or changes to circumstances suggest that their carrying amount may no longer be achievable. An impairment charge is expensed immediately if the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of either the asset's net realisable value or its value in use. Net realisable value is the amount achievable when an asset is sold on normal market terms, less costs to sell. Value in use is the present value of estimated future cash flows expected from the continued utilisation of an asset and its disposal at the end of its useful life. The recoverable amount is calculated for each asset individually, or, if this 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 charge no longer exists. The only exception to this regulation is an impairment charge applied to goodwill, where reversals of impairment charges are expressly prohibited.

Financial assets

On addition, financial assets and financial liabilities are classified in line with the categories of IAS 39. The company primarily carries financial instruments at amortised cost in the "loans and receivables" and "financial liabilities" categories.

"Loans and receivables" contain non-derivative financial assets with fixed or determinable payments that are not listed on an active market. Subsequent measurement is at amortised cost. Substantive objective indications of impairment are reported directly through the income statement. In the same manner, subsequent reversals are recognised in the income statement to the level of the original cost. Long-term non-interest-bearing or low-interest receivables are carried at present value. Under the loans category, MAGNAT reports loans to companies measured at equity, trade receivables, other receivables, and financial receivables. Certain trade receivables and other receivables (tax) do not comprise financial instruments.

"At fair value through profit or loss" may comprise both primary and derivative financial instruments. Items in this category are subsequently measured at fair value. Gains and losses on financial instruments of this measurement category are reported directly in the income statement. At MAGNAT, only derivatives are allocated to the "held for trading" measurement category.

"Other financial liabilities" comprise nonderivative financial liabilities that are subsequently measured at amortised cost. Differences between the amount received and the expected repayment amount are distributed over the term in the income statement. MAGNAT allocates financial liabilities, trade payables and other liabilities to this category.

Loans to companies measured at equity, trade receivables and other receivables (with the exception of receivables arising from income tax and VAT), as well as financial receivables, are allocated to the "loans and receivables" category, and are initially measured at fair value. They are subsequently measured at amortised cost applying the effective interest method. Default risks are reflected through valuation adjustments to the extent that they are not covered by insurance. Non-interest-bearing and low-interest receivables are recognised at their present value.

Interests in affiliated companies and associated companies, which are not fully consolidated because of their minor significance, or which are consolidated applying the equity method, are recognised pursuant to IAS 27, IAS 28 and IAS 31.

The company does not currently apply hedge accounting since the IAS 39 preconditions do not apply. The company does not utilise the option to designate financial assets or liabilities on addition as at fair value through profit or loss.

The company derecognises a financial asset if it has expired due to payment, or the payment is no longer anticipated.

Impairment of financial assets

On each balance sheet date, the Group calculates whether a financial asset, or a group of financial assets, is impaired.

If there is an objective indication that an impairment has occurred to loans and receivables recognised at amortised cost, the level of losses derived is the difference between the carrying amount of the assets and the present value of the expected future cash flows (with the exception of expected future loan defaults that have not yet occurred), discounted applying the original effective interest rate of the financial assets (in other words, the effective interest rate calculated on initial recognition).

The asset's carrying amount is reduced utilising the valuation adjustment account. The impairment loss is reported through the income statement.

It is first determined whether there is an objective indication of impairment to financial assets that are significant in and of themselves, and of individual or collective impairment of financial assets that 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 assets 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 reported, are not included in the collective impairment assessment.

If the amount of impairment loss decreases in one of the subsequent reporting periods, and the decrease can be related objectively to a circumstance arising after the impairment was recognised, the previously recorded impairment loss is reversed. The amount of the reversal is limited to the amortised cost at the date of the reversal. The reversal is recognised through the income statement in the "loans and receivables" category. In the case of trade receivables, if there are objective indications (such as the likelihood of insolvency or significant

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financial difficulties on the part of the debtor) that not all amounts due under the original payment terms will be collected, an impairment charge is applied using a valuation adjustment account. Impairment amounts are derecognised if they are classified as uncollectible.

Interests in companies valued at equity

Interests in companies where MAGNAT can exert significant influence, but does not possess control, are recognised applying the equity method pursuant to IAS 28. Interests in joint companies are also recognised applying the equity method pursuant to IAS 31. Interests in companies measured at equity are initially recognised at cost. The difference between cost and the proportionate share of equity represents goodwill. The carrying amount of the interest subsequently increases or decreases in line with the owner's interest in the earnings for the period (including currency translation) of the company measured at equity. The equity method is no longer applied if the significant influence ends, or if the company is no longer classified as an associate or joint venture.

After applying the equity method, the Group calculates whether an additional impairment expense is required for the Group's interest in the company measured at equity. On each balance sheet date, the Group calculates the extent to which there are objective indications that an interest in a company measured at equity has been impaired. If this is the case, a positive difference between the carrying amount and the recoverable amount (the higher of either value in use and fair value less costs to sell) is reported through the income statement as an impairment charge.

Investment properties

The company made first-time recognition of Group investment properties at fair value in the 2007/2008 fiscal year. During the period under review, the Group held investment properties only at the company measure at equity SQUADRA Immobilien GmbH & Co. KGaA, Frankfurt am Main, and at the company measure at equity of the subgroup GAIA Real Estate Investments S.A., Luxembourg. Their carrying amounts were calculated using a valuation produced by an independent external expert. When calculating these carrying amounts, assumptions were made concerning rental trends, vacancies, sales price reductions, maintenance costs and discounting rates. Due to the company's long-term orientation, these valuation assumptions are subject to uncertainties that can lead to both positive and negative valuation changes in the future. Differentiating between investment properties and properties held for sale as part of normal business operations presents no difficulties within the context of the financial statements of GAIA Real Estate Investments S.A. and SQUADRA Immobilien GmbH & Co. KGaA. In the case of these two aforementioned companies measured at equity, properties held as part of operating leases are classified and recognised as financial investments.

Real estate inventory

Real estate inventory is recognised pursuant to IAS 2. Real estate inventory is recognised at the lower of cost and net realisable value. Net realisable value is the estimated sales proceeds achievable in the normal course of business, less the estimated costs until completion, and estimated sales costs. Along with directly attributable specific costs, cost also includes general overhead costs attributable to the production process. Borrowing costs are included in production costs pursuant to IAS 23.

Net realisable value is recalculated in each subsequent period. If the circumstances that previously led to an impairment of the property's value to a level below its cost no longer exists, or if, due to a change in 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 render the new carrying amount equal to the lower of cost or adjusted net realisable value (in other words, 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 remain in the portfolio in a subsequent period, and their selling price has risen again.

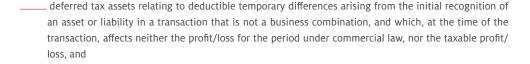
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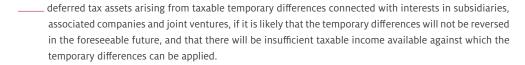
Current tax assets and liabilities for prior periods are measured as the amount expected to be recovered from, or paid to, the taxation authorities. The amounts are calculated on the basis of the tax rate and tax laws applicable on the balance sheet date.

Deferred tax

Deferred taxes are formed applying the liability method to temporary differences that exist as of the balance sheet date between the value of an asset liability recognised in the balance sheet, and its tax valuation. Deferred tax is reported for all taxable temporary differences with the exception of deferred tax liabilities arising from taxable temporary differences connected with interests in subsidiaries, associated companies and joint ventures, if the timing of the reversal of the temporary differences can be controlled, and it is likely that the temporary differences will not be reversed in the foreseeable future.

Deferred tax assets are reported for all deductible temporary differences, as yet unutilised taxonomist carry-forwards, and unutilised tax credits, to the extent that it is likely that taxable income will be available against which the deductible temporary differences, unutilised tax loss carryforwards and unutilised tax credits can be offset, with the exception of:





The carrying amount of deferred tax assets is reviewed at each balance sheet date, and reduced insofar as it is no longer likely 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 likely that future taxable earnings will allow the deferred tax assets to be realised.

Deferred tax assets and liabilities are measured applying the tax rates expected to be valid in the period in which the asset is realised or the liability is satisfied. In this context, the amounts are calculated on the basis of the tax rates (and tax laws) applicable on the balance sheet date. The subsidiaries' deferred tax assets and liabilities are calculated using the tax rates of the respective country.

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Deferred tax relating to items that are reported directly in equity is not reported in the income statement, but instead in equity. Deferred tax assets and liabilities are offset against each other if 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.

Value added tax (VAT)

Sales revenues, expenses and asset are reported after deducting the VAT, with the exception of the following instances:

_____ If the VAT incurred on the purchase of assets or services cannot be recovered from the taxation authorities, the VAT is recognised as part of the asset's cost, or as part of the expense item.

_____ Receivables and liabilities are recognised with VAT included.

The amount of VAT recovered from, or paid to, the taxation authority is recognised in the consolidated balance sheet under receivables and liabilities respectively.

Cash and cash equivalents

Cash and cash equivalents comprise cash and demand deposits recognised at their nominal amount. Cash and cash equivalents denominated in foreign currencies are translated at the rate prevailing on the reporting date.

Trade payables and other liabilities

Following initial recognition, liabilities are measured at amortised cost.

Finance debt

On initial recognition, finance debt is recognised at fair value taking into account all transaction costs directly incurred and attributable in this connection, as well as any discounts. Transaction costs and discounts are amortised in subsequent periods applying the effective interest method. Finance debt is then recognised at amortised cost. Finance debt is de-recognised if it has been redeemed or has finally expired.

Provisions

Provisions were formed during the fiscal year for obligations to third parties for which it is likely that there will be an outflow of resources. Provisions for obligations for which there will prospectively not yet be a burden on assets in the subsequent year are formed in the amount of the present value of the expected outflow of assets. The valuation of provisions is reviewed on each balance sheet date.

Treasury shares

If the Group acquires treasury shares, these are deducted from equity. The purchase and sale of treasury shares is not reported through the income statement.

Non-controlling interests

Other shareholders' interests in the net assets are calculated, and are reported separately from the parent company shareholders' interests in the Group equity. Other shareholders' interests in the net assets are composed of the amount of the non-controlling interest as of the balance sheet of the previous year, and the non-controlling interest in the equity changes in the year under review.

Leasing

a) Determining whether an agreement contains a lease

Determining whether an agreement comprises a lease, or contains a lease, is performed on the basis of the economic contents of the agreements at their start based on an assessment as to whether the satisfaction of the agreement depends on the utilisation of a particular asset, and whether the agreement transfers a right to utilise the asset.

A further assessment as to whether an agreement contains a lease is performed after the start of a lease only if one of the following conditions has been satisfied:

_ Where contractual terms are changed, to the extent that the amendment relates only to the renewal o extension of the agreement,
A renewal option is exercised, or an extension is granted, unless the renewal or extension terms were already take into original consideration in the term of the lease,
_ A change occurs to the determination as to whether satisfaction depends on the specific asset, or
_ The asset undergoes a significant change.

b) Group as lessor

Leases where essentially all of the opportunities and risks connected 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 these are added to the carrying amount of the leased asset, and recognised as an expense over the lease term in line with the rental income. Contingent rental payments are recognised as income in the period in which they are generated.

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 these lease agreements do not usually cover a fixed term, but are concluded for an indefinite period. Lessees may terminate the agreement within the legal notice periods. In this connection, please also refer to the remarks under E.7 concerning revenue recognition. The carrying amounts of residential properties reported under real estate inventory amounted to TEUR 34,635 (previous year: TEUR 34,505). In the period under review, an amount of TEUR 3,639 (previous year: TEUR 3,585) was generated as net rent, and an amount of TEUR 2,197 (previous year: TEUR 1,932) was generated as proceeds from ancillary rental costs. The respective considerations are reported in the income statement under the rental income item, and are reported as revenue on a periodic basis in line with the terms of the underlying rental agreements.

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c) Group as lessee

Lease payments for operating leases are expensed through the income statement on a straight-line basis over the term of the lease agreement.

Revenue recognition

Revenue is recognised on sales transactions if

Sales revenue comprises proceeds from the sale of real estate companies, proceeds from asset management, net rent and incidental rental expenses. Net rent and incidental rental expenses are reported as rental income in the consolidated income statement. Sales revenues are reported on an accrual basis in accordance with the terms of the underlying contract, and when it is likely that the company will receive the economic benefit from the transaction. However, if there is doubt concerning the collectability of an amount that has already been recognised as sales revenue, the uncollectible or doubtful amount is expensed, and is not reported as sales revenue.

All significant opportunities and risks connected with ownership have transferred to the acquirer,
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 likely that the Group will receive an economic benefit from the sale, and
Expenses incurred, or to be incurred, in connection with the sale can be measured reliably.

D. Notes to the consolidated income statement

1. Rental income

Consolidated rental income is composed as follows:

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Net rent	4,518	4,468
Proceeds from incidental rental expenses	2,434	2,151
	6,952	6,619

Rental income arises from the renting of land with commercial and residential buildings.

2. Operating expenses to generate rental income

Operating expenses to generate rental income amounted to TEUR 3,917 in the year under review (previous year: TEUR 4,206). Operating expenses of TEUR 2,434 (previous year: TEUR 2,151) are allocable, and can be passed on to tenants. Operating expenses of TEUR 1,483 (previous year: TEUR 2,055) are unallocable.

3. Profit/loss on sale of real estate

In the period under review, the Group sold shares in properties located in Austria. The proceeds amounted to TEUR 6,047, and the expenses to sell these properties stood at TEUR 3,743. The following subsidiaries contributed to the profit/loss arising from the sale of the properties: R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG, R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG and R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG.

4. Profit/loss on asset management

In the period under review, the Group generated TEUR 1,255 of proceeds arising from the asset management of properties for third parties (previous year: TEUR 719). The expenses attributed to this area primarily include personnel costs and other expenses of TEUR 1,738 (previous year: TEUR 515) (for the subsidiaries MAGNAT Asset Management GmbH and MAGNAT Asset Management Deutschland GmbH). In the previous year, the profit/loss on Asset Management did not include the entire reporting period due to the first-time inclusion of the Asset Manager as of August 31, 2009.

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5. Profit/loss on companies measured at equity

The profit/loss on companies measured at equity (TEUR -11,168; previous year: TEUR -5,768) mainly includes the profit/loss from GAIA Real Estate Investments S.A., Luxembourg (TEUR -1,357; previous year: TEUR 1,470), from R-QUADRAT Polska Alpha Sp. z o.o. (TEUR -2,520; previous year: TEUR 0), and Russian Land AG (TEUR -969; previous year: TEUR 188). The profit/loss on companies measured at equity includes impairment expenses of TEUR 1,611 (previous year: TEUR 5,931) applied to the valuation of OXELTON ENterprises Limited, Limassol, Cyprus, and in an amount of TEUR 3,406 applied to the valuation of JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH. The recoverable amount underlying these impairment charges reflects the higher of fair value less cost to sell, and value in use. The impairment charge applied to OXELTON ENTERPRISES Limited results from fair value less cost to sell. A survey of the Peremogi project, which is located at a subsidiary of OXELTON ENTERPRISES Limited, was used to calculate its fair value. The estimation of the market value of this project is based on the residual value method. As part of the residual value method, the property's market value after completion was first calculated using the capitalised income method. All costs required for the realisation of the construction measures, and other costs arising in connection with the project development, were then deducted. A capitalisation rate of 12.0% was applied when calculating the capitalised value. The adjusted present value was applied to the valuation of JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH.

MAGNAT's interest in the transferred profit or loss in companies measured at equity is listed under E.1.3.

In the case of the companies R-QUADRAT Polska Alpha Sp. z o.o. and Irao Magnat 28/2 LLC measured at equity, proportional cumulative losses of TEUR 1,460 and TEUR 268 respectively were not reported; this includes proportionate losses in the current period of TEUR 1,460 (R-QUADRAT Polska Alpha Sp. z o.o.) and TEUR 7 (Irao Magnat 28/2 LLC). In the case of both companies, the interest in the losses exceeds the value of the interest, and, for this reason, no further interest in the losses is reported.

6. Other operating income

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Income from the release of provisions	1,630	0
Proceeds from closing warranties ("Co-proprietors' building scheme")	1,413	790
Income from expenses passed on	982	352
Broking commissions	325	248
Additions to real estate	130	0
Management compensation	117	64
Other rental income	86	316
Insurance compensation	76	8
Gains on foreign currency differences	51	43
Income from real estate projects	0	912
Miscellaneous	206	72
	5,016	2,805

7. General and administrative expenses

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Expenses for Asset Management	3,847	1,758
Legal and consulting fees	1,804	1,269
Advertising and travel expenses	827	142
Personnel costs	495	0
Management fees	233	523
Supervisory Board compensation	110	88
Management expenses	100	643
Management compensation, MAGNAT Management GmbH	0	210
Other	49	0
	7,465	4,633

8. Other operating expenses

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Valuation adjustments to trade receivables	3,879	1,975
Depreciation of real estate inventory	1,834	1,435
Non-deductible VAT	490	565
Losses on foreign currency differences	216	185
Expenses for AGM and share management	56	80
Goodwill impairment charges	52	106
Costs for financing and fees	18	99
Broking commission	0	89
Other	593	463
	7,138	4,997

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9. Financial result

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Financial income	3,452	1,639
Financial expenses	-2,613	-5,205
	839	-3,566

Financial income stems mainly from loans granted to companies measured at equity. It primarily contains the proportional reversal of valuation adjustments in an amount of TEUR 2,072 applied to loans to R-QUADRAT Polska Alpha Sp. z o.o.

Financial expenses include the interest expense paid to banks and other institutions resulting from the Group's high level of investment activity. Please refer to I.1. In the previous year, financial expenses included valuation adjustments applied to loans granted to companies measured at equity in an amount of TEUR 2,173.

10. Income taxes

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Current income tax	171	332
Deferred income tax	-38	112
	133	444

Current income tax expenses include the corporation and trade earnings tax for the German companies, and for the Asset Management companies located in Austria.

The income taxes are distributed as follows among the German and foreign companies:

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Germany	-25	187
Other countries	158	257
	133	444

As of the balance sheet date, there were a total of as yet unutilised tax loss carryforwards of TEUR 23,817 among the consolidated companies (previous year: TEUR 17,759). Deferred tax assets are formed for these loss carryforwards only if it is likely that they will be offset with earnings achieved within the foreseeable future.

Deferred tax of TEUR 29 was credited directly to equity (previous year: TEUR 33). They are allocated to the transfer of earnings-neutral equity changes for companies measured at equity.

11. Tax reconciliation statement

The tax reconciliation statement between the theoretical and actual (including deferred) tax expense is presented on the basis of the Group tax rate of 31.93% (previously: 31.93%). The Group tax rate of 31.93% includes 15% corporation tax valid from January 1, 2008, 5.5% Solidarity Surcharge, and 16.1% trade tax. The calculation of deferred tax for the German companies is based on the tax rate of 31.93%. Country-specific tax rates were applied to each of the calculations when calculating deferred tax for the foreign companies.

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Profit/loss before tax (EBT)	-15,059	-13,542
Expected tax expense	-4,808	-4,324
Tax differences among foreign subsidiaries	-174	-114
Tax effects arising from non-deductible operating expenses	3,607	3,113
Tax effects arising from tax-free income	-662	-503
Tax effects arising from unutilised losses for which no deferred tax assets were formed Other	2,044 126	2,065 207
Effective income taxes (primary + deferred taxes)	133	444

The tax-free income (tax effect: TEUR 662) results from the reversal of the valuation adjustments applied to loans in an amount of TEUR 2,072. This income is included in the income statement within the financial result. There are losses of TEUR 6,402 for which no deferred tax assets were formed. The tax effect arising from non-deductible operating expenses of TEUR 11,296 amounts to TEUR 3,607, and results primarily from the loss arising from companies measured at equity.

Distributions by MAGNAT Real Estate AG to shareholders have neither a corporation nor a trade tax effect on the company. The company is nevertheless generally liable for German capital gains tax plus the Solidarity Surcharge (withholding tax), which the company is required to withhold from the approved distribution, and transfer to the relevant German tax office.

The distributions generally require shareholders to pay income and corporation tax if the distributions are not subject to taxation due to the shareholders' tax status or other circumstances. Withholding tax that the company withholds and transfers can generally, and independently of shareholders' tax status, be offset with their income and corporation tax liability, and is reimbursable.

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12. Earnings after tax - of which relating to non-controlling shareholders

The profit/loss after tax attributable to non-controlling shareholders amounted to TEUR -1,909 (previous year: TEUR -2,770), and is primarily attributable to the minority shareholders' interest in MAGNAT Investment I B.V., Netherlands.

13. Earnings per share

Basig 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 avergage of the number of shares outstanding.

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Share in loss attributable to shareholders of the parent for the period under review (EUR '000)	-13,284	-11,216
Weighted average of the theoretical number of shares outstanding	13,889,651	8,329,329
Basig earnings per share (EUR)	-0.96	-1.35
Diluted earnings per share (EUR)	-0.96	-1.35

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

14. Personnel expenses

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Salaries	2,084	1,150
Statutory social expenses	408	170
	2,492	1,320

15. Scheduled depreciation and amortisation

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Amortisation of intangible assets	11	8
Depreciation of property, plant and equipment	31	30
	42	38

E. Notes to the consolidated balance sheet

1. Non-current assets

1.1 Intangible assets

1.1.1 GOODWILL

This includes the goodwill calculated as part of capital consolidation for the subsidiaries MAGNAT Investment I B.V. and MAGNAT AM GmbH, as well as these companies' subsidiaries.

in EUR '000	2010/2011	2009/2010
Cost as of April 1 of the fiscal year	29,318	891
Additions	85	28,427
Disposals	0	0
Cost as of March 31 of the fiscal year	29,403	29,318
Cumulative impairment charges	668	616
Carrying amount as of March 31 of the fiscal year	28,735	28,702
in EUR '000	31/03/2011	31/03/2010
Cumulative impairment charges	668	616
in EUR '000	2010/2011	2009/2010
Additions to impairment charges	52	106
-		

The impairment amounts were reported in the income statement in the other operating expenses item. The change to the carrying amount of goodwill during the reporting period resulted from additions and impairment charges. The impairment charges primarily result from the fact that the respective goodwill proved uncovered in the market valuation survey.

As of March 31, 2011, the goodwill allocated to the Asset Management cash-generating unit stood at TEUR 27,821 (previous year: TEUR 27,821).

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1.1.2 OTHER INTANGIBLE ASSETS

A useful life of three to four years is applied to other intangible assets. Along with other intangible assets, this includes computer software. The amortisation charges were reported in the income statement in the other operating expenses item.

in EUR '000	2010/2011
Cost as of March 31, 2010	26
Cumulative amortisation as of March 31, 2010	8
Carrying amounts as of March 31, 2010	18
Currency translation	0
Additions	19
Disposals	0
Amortisation	11
Carrying amounts as of March 31 of the fiscal year	26
Cost as of March 31, 2011	45
Cumulative amortisation as of March 31, 2011	19
Carrying amounts as of March 31, 2011	26

In the previous year, software and other intangible assets included additions of TEUR 16 arising from corporate acquisitions.

1.2 Property, plant and equipment

Property, plant and equipment includes office and operating equipment. A useful life of between 3 and 15 years is applied for their depreciation. The depreciation charges were reported in the income statement in the other operating expenses item.

in EUR '000	2010/2011	2009/2010
Cost as of April 1 of the fiscal year	133	44
Cumulative depreciation as of April 1 of the fiscal year	34	5
Carrying amounts as of April 1 of the fiscal year	99	39
Currency translation	0	0
Additions	33	90
Disposals	2	0
Depreciation	31	30
Carrying amounts as of March 31 of the fiscal year	99	99
Cost as of March 31 of the fiscal year	164	133
Cumulative depreciation as of March 31 of the fiscal year	65	34
Carrying amounts as of March 31 of the fiscal year	99	99

1.3 Interests in companies measured at equity

The interests in companies measured at equity (TEUR 29,471; previous year: TEUR 49,030) include interests in associated companies (TEUR 5,042; previous year: TEUR 10,275) and interests in joint ventures (TEUR 24,429; previous year: TEUR 38,755).

1.3.1 INTERESTS IN ASSOCIATED COMPANIES

in EUR '000	Carrying amount as of 31/03/2011	Carrying amount as of 31/03/2010
Company		
SQUADRA Immobilien GmbH & Co. KGaA	3,392	3,858
Russian Land AG	1,650	2,619
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	0	3,798
Total	5,042	10,275

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MAGNAT's interest in the transferred profit or loss pursuant to the annual or interim financial statements of the associated companies is as follows:

in EUR '000	Profit/loss as of 31/03/2011	Profit/loss as of 31/03/2010
Company		
SQUADRA Immobilien GmbH & Co. KGaA	-466	-380
Russian Land AG	-969	188
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	-552	-29
Total	-1,987	-221

An impairment charge of TEUR 3,406 was applied in the period under review to JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH (previous year: TEUR o). MAGNAT holds an exit option from this company with a volume of EUR 6.5 million. This right was utilised after the end of the fiscal year. Given the public discussion concerning the former partner's insolvency, an impairment charge was reported for the interest measured at equity (irrespective of the fact that all legal means are being exhausted to satisfy the receivables).

The following table provides a summary of the associated companies' assets, liabilities, income and periodic profits/losses.

Summary financial information for the associated companies:

in EUR '000	31/03/2011	31/03/2010
Aggregated assets	55,086	55,797
Aggregated liabilities	21,293	15,005
Aggregated revenue	1,186	1,997
Aggregated periodic profits/losses	-7,492	-2,005

The following associated companies and subgroups applied a balance sheet date that diverges from the Group balance sheet date: JJW Palais Schwarzenberg Betriebsgesellschaft mbH and Russian Land AG. MAGNAT exercises significant influence together with other shareholders over the associated companies, and, for this reason, cannot revert to the fiscal year of MAGNAT Real Estate AG. Interim financial statement are prepared for the companies as part of the preparation of the consolidated financial statements.

1.3.2 INTERESTS IN JOINT VENTURES

in EUR '000	Carrying amount as of 31/03/2011	Carrying amount as of 31/03/2010
Company		
OXELTON ENTERPRISES Limited	11,407	13,272
GAIA Real Estate Investments S.A.	11,580	23,980
MAGNAT Investment II B.V.	1,442	1,503
R-QUADRAT Polska Alpha Sp. z o.o.	0	0
Irao MAGNAT 28/2 LLC	0	0
Total	24,429	38,755

A capital reduction of TEUR 9,197 was performed at GAIA Real Estate Investments S.A. The resultant receivable was offset with MAGNAT liabilities (loans) due to GAIA Real Estate Investments S.A.

MAGNAT holds a 50% interest in R-QUADRAT Polska Alpha Sp. z o.o. The underlying project is located in the centre of Katy Wrocławskie. The company plans to construct residential dwellings and commercial areas in three construction steps with a total of around $77,700 \text{ m}^2$ of usable residential area. Two of the three construction sections have already been completed.

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MAGNAT holds a 50% interest in Irao MAGNAT 28/2 LLC. A building comprising apartments, a penthouse and commercial units was constructed together with a local partner. All units except the penthouse and the two commercial units have meanwhile been sold.

MAGNAT holds a 50% interest in MAGNAT Investment II B.V. Various projects are subordinated to MAGNAT Investment II B.V. The Khmelnytsky project relates to a wholesale market centre located at the primary traffic axis on the periphery of the Ukrainian city of Khmelnytsky. The Vitaly project comprises a plot of land where the company intends to build houses. The project already had building permission at the time when MAGNAT made its investment. Of the 16 houses that have been realised, five have been sold to date.

MAGNAT holds a 33.33% interest in GAIA Real Estate Investments S.A. In a consortium with project partners Adama Holding Public Ltd. (consortium manager) and Immoeast AG, MAGNAT had originally acquired one of the most extensive real estate portfolios from the Turkish bank Yapı KredıBankası A.S. ("YKB"), consisting of a total of around 400 individual interests in properties offering the most varied types of utilisation, with a regional focus on the greater metropolitan region of Istanbul. The development and resale of the individual properties followed an overall satisfactory course.

MAGNAT holds a 60% interest in OXELTON ENTERPRISES Limited. The underlying project comprises building rights to a corresponding property in Kiev with existing permission for the construction of an office and commercial property.

MAGNAT's interest in the transferred profit or loss pursuant to the annual or interim financial statements of the joint ventures is as follows:

Profit/loss as of 31/03/2011	Profit/loss as of 31/03/2010
-2,520	0
-14	-48
-6	-805
-1,357	1,871
-266	-233
-4,163	785
	-2,520 -14 -6 -1,357 -266

An impairment charge of TEUR 1,611 was applied to OXELTON ENTERPRISES Limited in the period under review (previous year: TEUR 5,931) (please refer to D.5).

Summary financial information for the joint ventures pursuant to IAS 31.56 (proportional figures for subgroups):

in EUR '000	31/03/2011	31/03/2010
Aggregated non-current assets	5,762	14,309
Aggregated current assets	38,611	33,540
Aggregated non-current liabilities	7,135	8,763
Aggregated current liabilities	23,016	14,414
Aggregated income	17,423	34,006
Aggregated expenses	-20,737	-35,612

The following joint ventures and subgroups apply a balance sheet date that diverges from the Group 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. Interim financial statements are prepared for the companies as part of the preparation of the consolidated financial statements.

1.4 Other financial assets

Other financial assets report in present value of TEUR 119. The impairment charge of TEUR 6 was reported in the income statement in the financial expenses item.

1.5 Loans to companies measured at equity

The loans to companies measured at equity of TEUR 3,948 (previous year: TEUR 6,545) primarily relate to a loan to R-QUADRAT Polska Alpha Sp. z o.o., Poland (TEUR 3,925; previous year: TEUR 3,328). The previous year's figure included a loan plus accrued interest to OXELTON ENTERPRISES Limited, Limassol, Cyprus, with a value of TEUR 2,356. The loan to R-QUADRAT Polska Alpha Sp. z o.o. was granted for the development of the "Katy Wrocławskie" project, and carries an 11% per annum interest rate. The loan is granted in different tranches that have a four-year term. Each party can terminate the agreement within three months. A proportional impairment charge of TEUR 3,143 was applied to the loan in the previous year. In the fiscal year under review, there was a reversal of the proportional impairment charge from prior periods in an amount of TEUR 2,072. This impairment charge reversal is included in the income statement in the financial income item. The remaining cumulative value of the impairment charge is primarily based on the fact that the overall investment that has been made is not covered by the project's market value.

1.6 Other loans

The predominant portion of other loans is due at the end of 2021, and consists of the proportional sale of a property held by R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG.

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2. Current assets

2.1. Real estate inventory

The reported real estate inventory relates in an amount of TEUR 66,372 (previously: TEUR 63,666) to undeveloped and developed land that is earmarked for resale. Impairment charges of TEUR 1,834 (previous year: TEUR 1,435) were applied in the period under review, which are reported in the income statement under the other operating expenses item. Impairment charge reversals of TEUR 130 were applied in the fiscal year under review; this amount is reported in the income statement under other operating income. The company intends to realise the reported real estate inventory of TEUR 66,372 through resale within twelve months. Real estate inventory of TEUR 3,743 was expensed in the period under review due to disposals.

Real estate inventory was recognised at the lower of cost and fair value (net realisable value). The impairment charges and impairment charge reversals are based on the results of underlying market valuation surveys. A large proportion of the impairment charges of TEUR 1,834 are attributable to Ukrainian properties. The Ukrainian real estate sector is still in crisis; this has effects on the market values of the respective properties.

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

Property	Carrying amount 31/03/2010	Carrying amount 31/03/2011	in EUR '000
Employment office Worms, Employment office Parchim, Employment office Schwerin, Halle	6,258	6,160	Company Erste MAGNAT Immobiliengesellschaft mbH
Eberswalde	24,936	24,936	Zweite MAGNAT Immobiliengesellschaft mbH
Rostock	3,059	3,059	Dritte MAGNAT Immobiliengesellschaft mbH
Saalfeld	6,510	6,640	Vierte MAGNAT Immobiliengesellschaft mbH
Delitzsch	5,680	5,680	Fünfte MAGNAT Immobiliengesellschaft mbH
Vienna, Austria	1,081	0	R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG
Vienna, Austria	0	1,358	MAGNAT Asset Management GmbH & Co. Rennweg 73 KG
Vienna, Austria	1,760	414	R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG
Wiener Neustadt, Austria	1,971	661	R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG
	51,255	48,908	

2.2 Trade receivables and other receivables

in EUR '000	31/03/2011	31/03/2010
Purchase price receivables	1,934	7,482
Trade receivables	2,260	2,593
Receivables due from atypical silent partners	2,309	2,302
Administrator accounts	506	523
Receivables arising from VAT management	517	376
Other	976	945
	8,502	14,221

All receivables are due on a short-term basis. Impairment charges of TEUR 1,402 were applied (previous year: TEUR 2,225), whose changes are presented in the following table. There are also no significant overdue items. Expenses for additions to impairment charges are included in the income statement under the other operating expenses item.

The purchase price receivables include receivables arising from the proportional sale of the R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG property. The previous year's figure included receivables arising from the disposal in prior periods of the project companies R-QUADRAT UA Alpha Ltd., Kiev, Ukraine (Alexander Project) and R-QUADRAT UA Beta Ltd., Kiev, Ukraine (Koncha Zaspa project).

in EUR '000	2010/2011	2009/2010
Balance at the start of the fiscal year	2,225	170
Arising from corporate acquisitions	0	104
Impairment charges	1,117	1,975
Realisation of impairments	1,938	0
Reversal of impairment charges	2	24
	1,402	2,225

In the previous year, impairment charges of TEUR 1,759 were recognised as part of purchase price receivables, since the market values of the mortgaged real estate fell.

The impairment charges are included in the income statement in the other operating expenses item.

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2.3 Financial receivables and other financial assets

The financial receivables and other financial assets primarily contain a receivable of TEUR 2,958 due from OXELTON ENTERPRISES Limited. This receivable's repayment date is based on the occurrence of certain future conditions. The receivable must be repaid at the latest by December 31, 2011. The previous year primarily included short-term financial receivables of TEUR 2,475 due from R-QUADRAT Capital Beta GmbH.

There are no significant overdue items. Impairment charges of TEUR 3,728 were applied in the year under review (previous year: TEUR o). The impairment charges are included in the income statement in the other operating expenses item.

2.4 Cash and cash equivalents

Cash and cash equivalents of TEUR 5,320 (previous year: TEUR 8,822) relate to cash in hand and bank accounts in credit.

3. Equity

MAGNAT's share capital currently amounts to EUR 13,894,651.00. It is divided into 13,894,651 no-par bearer shares with a notional par value of EUR 1.00 per share. All shares are fully paid in.

In the event of a capital increase, the profit participation of new shares may be defined in a manner diverging from Section 60 Paragraph 2 of the German Stock Corporation Act (AktG).

Shareholders are not entitled to individual share certification to the extent that this is statutorily permitted.

in EUR '000	31/03/2011	31/03/2010
Number of no-par bearer shares in issue	13,894,651	13,894,651
of which fully paid in	13,894,651	13,894,651

The Management Board was authorised, with Supervisory Board assent, to increase the company's share capital by October 28, 2014 through issuing up to 6,947,325 new ordinary bearer shares in the form of no-par shares, each with a notional value of EUR 1.00, against cash or non-cash capital contributions, once or on several occasions, in partial amounts up to a total of EUR 6,947,325 (Approved Capital 2009). Shareholders are generally entitled to subscription rights; the company may exclude subscription rights in certain circumstances.

The company's share capital is conditionally increased by up to EUR 6,947,325, divided in up to 6,947,325 ordinary bearer shares, each with a notional value of EUR 1.00. The conditional capital increase serves to grant subscription and/or conversion rights to the holders of bonds with warrants and/or convertible bonds that are issued according to the respective resolutions of the AGM of August 30, 2007.

The company is authorised to purchase up to a total of 10% of the existing share capital by October 28, 2014. In this context, the shares acquired on the basis of this authorisation, together with other treasury shares that the company has already acquired, or already holds, may not comprise more than 10% of the company's existing share capital in each case.

The amount generated in excess of the nominal value as part of previous years' capital increases was in each case transferred to the capital reserves. The capital procurement costs were deducted directly from the capital reserves. Profit carried forward and the current period profit/loss are reported in the revenue reserve. Other reserves primarily comprise the currency translation reserve.

4. Non-current liabilities

4.1 Deferred tax assets and tax liabilities

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

in EUR '000	31/03/2011	31/03/2010
Companies measured at equity	181	203
Loss carryforwards	727	552
Deferred tax assets	908	755
Companies measured at equity	106	158
Real estate inventory	892	703
Other	18	71
Deferred tax liabilities	1,016	932

The preconditions of IAS 12.74 have been satisfied with respect to an amount of TEUR 727. After netting deferred tax assets with deferred tax liabilities, the following deferred tax assets remain:

in EUR '000	31/03/2011	31/03/2010
Companies measured at equity	181	203
Deferred tax assets	181	203
Companies measured at equity	106	158
Real estate inventory	165	151
Other	18	71
Deferred tax liabilities	289	380

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4.2 Non-current finance debt

Non-current finance debt includes TEUR 34,222 (previous year: TEUR 37,588) of bank borrowings with a residual term of more than one year, and loans from atypical silent partners of TEUR 483 (previous year: TEUR 483). This item also includes the liability arising from the mezzanine loan amounting to TEUR 4,251 (nominal value of TEUR 3,586). In the previous year, this item included TEUR 4,141 of liabilities to shareholders arising from loans (nominal value of TEUR 3,500).

The nominal interest rate almost corresponds to the effective interest rate, as only minimal transaction costs were incurred.

	Nominal interest rate %	Due	31/03/2011 EUR '000	31/03/2010 EUR '000
Long-term portion of loans				
Mezzanine loan	12.00	06/07/2014	4,251	3,586
Loan R-QUADRAT Capital Gamma GmbH for MAGNAT Real Estate AG	11.00	30/04/2011	0	4,141
Loan GAIA Real Estate Investments S.A. for MAGNAT Real Estate AG	3M-EURIBOR + 2.50	12/11/2011 and 28/04/2012	0	1,695
Loan GAIA Real Estate Investments S.A. for MAGNAT RE AG	3M-EURIBOR + 1.00	27/05/2012	193	0
DKB annuity loan for 1. MAGNAT Immobilienges. mbH	4.57	30/06/2014	3,436	3,538
DKB variable-rate loan for 2. MAGNAT Immobilienges. mbH	6M-EURIBOR + 1.00	30/03/2013	19,121	19,538
DKB rollover loan for 3. MAGNAT Immobilienges. mbH	3M-EURIBOR + 1.10	30/03/2013	2,209	2,256
DKB annuity loan for 4. MAGNAT Immobilienges. mbH	4.57	30/06/2014	4,862	5,006
DKB annuity loan for 5. MAGNAT Immobilienges. mbH	4.57	30/06/2014	3,752	3,863
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG	Average of "Bund" secondary market yield + 1.5 and 3M-EURIBOR + 1.5	01/04/2022	362	1,729
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG	4.9	30/06/2022	40	136
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG	4.9	30/06/2022	18	65
Revolving utilisable loan for R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG	3M-EURIBOR + 1.75	31/01/2013	423	1,458
Loan atypical silent partner for MAGNAT Capital Markets GmbH	non-interest-bearing	31/12/2022	483	483
Other financial liabilities	non-interest-bearing	Aug. 2013 to Feb. 2014	98	0
			39,248	47,494

Of the non-current financial liabilities, TEUR 38,474 is collateralised by assets (previous year: TEUR 41,175). The assets relate to real estate inventory (please refer to E.2.1) and interests in companies measured at equity (TEUR 11,407).

5. Current liabilities

5.1 Provisions

in EUR '000	31/03/2011	31/03/2010
Financial statement and auditing fees	430	437
Invoices outstanding	396	142
Other	357	67
Legal and consulting fees	345	200
Personnel costs	129	166
Supervisory Board compensation	64	49
Valuation survey fees	39	45
Purchase price adjustment	0	1,630
	1,760	2,736

in EUR '000	31/03/2010	Utilisation	Release	Additions	31/03/2011
Financial statement and	437	385		407	430
auditing fees					
Invoices outstanding	142	126	5	385	396
Other	67	48	0	338	357
Legal and consulting fees	200	33	67	245	345
Personnel costs	166	118	15	96	129
Supervisory Board compensation	49	44	0	59	64
Valuation survey fees	45	45	0	39	39
Purchase price adjustments	1,630	0	1,630	0	0
	2,736	799	1,746	1,569	1,760

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5.2 Trade payables and other liabilities

in EUR '000	31/03/2011	31/03/2010
Trade payables	1,726	654
Liabilities arising from accruals and deferred income	133	139
VAT liabilities	103	126
Liabilities to administrators	17	97
Liabilities arising from charges	0	317
Miscellaneous	347	356
	2,326	1,689

Trade payables of TEUR 1,726 (previous year: TEUR 654) are due in their entirety to third parties, and are of a short-term nature.

Liabilities to administrators primarily consist of compensation due to house administrators of rented properties. These comprise short-term liabilities.

5.3 Tax liabilities

The current income tax liabilities amounting to TEUR 225 (previous year: TEUR 846) relate to trade tax (TEUR 2; previous year: TEUR 39), corporation tax (TEUR 13; previous year TEUR 523) and capital gains tax (TEUR 210; previous year: TEUR 284).

5.4 Current finance debt

Current finance debt is composed of bank borrowings of TEUR 2,093 (previous year: TEUR 2,243), liabilities to companies in which the Group holds an interest, respectively companies measured at equity, as well as others in an amount of TEUR 9,053 (previous year: TEUR 9,747). Of the amount of TEUR 9,053 (previous year: TEUR 9,747), TEUR 5,666 (previous year: TEUR 4,879) is composed of loans.

Of the total amount of TEUR 11,146 (previous year: TEUR in 11,990), TEUR 2,093 (previous year: TEUR 2,243) is attributable to current (short-term) loans.

Bank borrowings include interest liabilities of TEUR 5 (previous year: TEUR 7).

Liabilities to companies in which the Group holds an interest are of a short-term nature, and primarily relate to liabilities to non-controlling shareholders.

Current finance debt includes TEUR 1,769 (previous year: TEUR 2,326) relating to dividend liabilities on the part of MAGNAT Asset Management GmbH to former shareholders.

	Nominal interest rate %	Due	31/03/2011 EUR '000	31/03/2010 EUR '000
Current (short-term) portion of bank borrowings				
Interest liabilities for long-term and short-term loans	n/a	n/a	5	7
Redemption DKB loan for 1st MAGNAT Immobilienges. mbH	4.57%	01/04/2011 to 31/03/2012	102	97
Redemption DKB loan for 2nd MAGNAT Immobilienges. mbH	6M-EURIBOR + 1.00%	30/09/2011 and 30/03/2012	416	416
Redemption DKB loan for 3rd MAGNAT Immobilienges. mbH	3M-EURIBOR + 1.10%	05/06/2011 and 05/12/2011	47	47
Redemption DKB loan for 4th MAGNAT Immobilienges. mbH	4.57%	01/04/2011 to 31/03/2012	144	138
Redemption DKB loan for 5th MAGNAT Immobilienges. mbH	4.57%	01/04/2011 to 31/03/2012	112	106
Redemption loan for MAGNAT AM AG	1.13%	31/05/2010	0	502
Redemption loan for R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG	2.38%	30/06/2010	0	905
Redemption loan for MAGNAT Asset Management GmbH & Co. Rennweg 73 KG	3M-EURIBOR + 1.50%	31/03/2012	957	0
Redemption loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Strasse 59-61 KG	4.90%	30/06/2011 and 31/12/2011	4	25
Time loan for MAGNAT Real Estate AG	2.67%	21/09/2011	300	0
Current account overdraft 4th MAGNAT Immobilienges. mbH	n/a	n/a	6	0
			2,093	2,243

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	Nominal interest rate %	Due	20/03/2011 EUR '000	20/03/2010 EUR '000
Current (short-term) portion of other borrowings				
Loan R-QUADRAT Capital Gamma GmbH for MAGNAT Real Estate AG	11.00%	17/05/2011 and 31/12/2011 and 31/03/2012	4,603	0
Loan for MAGNAT Investment I B.V.	6.00%	31/03/2012	1,063	0
Mezzanin loan	12.00%	06/07/2010 and 30/09/2010	0	4,100
Loan R-QUADRAT Capital Gamma GmbH for MAGNAT Asset Management GmbH	11.00%	21/04/2010	0	367
Loan R-QUADRAT Capital Gamma GmbH for MAGNAT Capital Markets GmbH	11.00%	20/04/2010	0	200
Loan R-QUADRAT Capital Gamma GmbH for R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG	11.00%	20/04/2010	0	212
			5,666	4,879

The nominal interest rate almost corresponds to the effective interest rate, as only minimal transaction costs were incurred.

6. Operating leases – Group as lessee

As of the balance sheet date, there were leases for vehicles; this results in future minimum lease payments of TEUR 32 (up to one year) and TEUR 56 for a period between one and five years. There was also a lease for office premises entailing future minimum lease payments of TEUR 142 (up to one year) and TEUR 569 (between one and five years). The following amounts were reported as least expenditure in the period under review:

in EUR '000	01/04/2010 to 31/03/2011	01/04/2009 to 31/03/2010
Vehicles	9	7
Office premises	131	0

7. Operating leases – Group as lessor

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

The following cases were in existence as of the balance sheet date:

In the case of the "Arbeitsamt Parchim" property, there was a non-cancellable residual rental duration until the end of December 2011 as of the balance sheet date. The tenant has two unilateral extension options before the fixed rental period of five years in each case. In the case of the extension to the existing Arbeitsamt Parchim, there is a non-cancellable residual rental period until the end of November 2011.

In the case of the "Arbeitsamt Worms" property, there is an indefinite lease with a notice period of six months as of the month-end.

In the case of the Delitzsch property, there are non-cancellable residual rental periods with the most varied residual terms for individual tenants. In this context, a significant portion of the rental agreements runs until mid-2013. Extension options with various structures exist for some of the tenants.

As set out above, the leases that the Group has concluded connected with residential property do not represent leases in the meaning of IAS 17.

There are the following receivables for future minimum lease payments based on non-cancellable operating leases:

in EUR '000	31/03/2011	31/03/2010
Up to one year	674	749
Between one and five years	1,220	936
More than five years	766	126
	2,660	1,811

The following amounts were reported as lease income in the period under review:

in EUR '000	01/04/2010 - 31/03/2011	01/04/2009 - 31/03/2010
Rental income	879	883

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F. Notes to the consolidated cash flow statement

Cash flow from operating activities is calculated using the indirect method. Cash flows from investing and financing activities are calculated on a payment-related basis.

Cash flow includes interest received of TEUR 117 (previous year: TEUR 305) and interest paid of TEUR 1,133 (previous year: TEUR 1,162). Interest received and paid is divided as follows:

31/03/2010	31/03/2011	Interest received (in EUR '000)
128	102	Cash flow from operating activities
177	15	Cash flow from investing activities
0	0	Cash flow from financing activities
305	117	
31/03/2010	31/03/2011	Interest paid (in EUR '000)
31/03/2010	31/03/2011	Interest paid (in EUR '000) Cash flow from operating activities
13	7	Cash flow from operating activities

Cash flow from income taxes resulted in a cash outflow of TEUR 135 in the operating activities area (previous year: cash inflow of TEUR 259).

Cash outflow from operating activities

Cash flow from operating activities amounted to a total of TEUR -3,497. Real estate inventory reported a change of TEUR 2,372. Trade receivables and other receivables reported a change of TEUR -1,842, and financial receivables and other financial assets included a change of TEUR -2,726. Effects of TEUR -364 (netted) arose from changes in trade payables and other liabilities, and from the change in provisions. Non-cash-effective expenses and income stood at TEUR 14,177. A breakdown of the significant items is presented separately in the "Non-cash items" section.

Besides prepayments, the cash outflow from operating activities also includes income tax reimbursements. The balance of incoming and outgoing payments for income taxes amounted to TEUR 33 in the year under review (previous year: TEUR 259).

Cash inflow from investing activities

With regard to companies measured at equity and other interests in companies, the cash outflow amounted to a total of TEUR 132. Outgoing payments of TEUR 673 arose from the granting of loans to companies measured at equity and other interests in companies, and investments in property, plant and equipment generated outgoing payments of TEUR 47. This cash outflow is compensated by the inflow arising from loans from companies measured at equity in an amount of TEUR 866.

Cash outflow from financing activities

The total cash outflow from financing activities of TEUR 15 is characterised by the drawing down of finance debt of TEUR 10,199, and the redemption of finance debt in an amount of TEUR 10,214.

Non-cash items

The non-cash items result primarily from impairment charges and valuation adjustments (TEUR 4,375), the profit/loss on companies measured at equity (TEUR 11,168), currency translation (TEUR 111), income tax (TEUR 35) and the release of provisions (TEUR -1,630).

Cash and cash equivalents

Cash and cash equivalents correspond to the amount of TEUR 5,320 reported in the consolidated balance sheet (previous year: TEUR 8,822). This item of the consolidated balance sheet comprises cash in hand and current bank accounts in credit.

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G. Notes to the consolidated statement of changes in equity

1. Notes to the consolidated statement of changes in equity for the April 1, 2010 to March 31, 2011 period

The capital reserves represent the amount that was received in excess of the nominal value when issuing shares. The revenue reserve comprises cumulative profits and losses. The currency translation reserve comprises currency differences of fully consolidated companies and companies measured at equity whose functional currency is not the euro. Other reserves primarily include those other equity components that are included proportionally from companies measured at equity.

Capital transactions with shareholders

There were no distributions to shareholders either in the year under review or in the subsequent year until the date when these financial statements were prepared.

Treasury shares

The subsidiary MAGNAT Asset Management GmbH holds 5,000 ordinary bearer shares in MAGNAT Real Estate AG. The acquisition costs amount to TEUR 28, and the share of the capital stands at 0.04%.

Further earnings-neutral changes to equity

Further earnings-neutral changes to equity arise from a negative currency translation difference of TEUR 2,100, and from the measurement of financial instruments available for sale in a company measured at equity giving rise to a positive change of TEUR 124.

Net profit/loss for the period

The loss for the period attributable to parent company shareholders amounts to TEUR 13,284, and the share of the loss attributable to non-controlling shareholders stands at TEUR 1,909.

2. Notes to the consolidated statement of changes in equity for the April 1, 2009 to March 31, 2010 period

Capital transactions with shareholders

The ordinary capital reduction that formed the subject of a resolution at the Extraordinary General Meeting of February 23, 2009, was entered in the commercial register on April 20, 2009. The share capital was reduced by 90% (TEUR 47,610) to TEUR 5,290. The capital released by the capital reduction was applied to settle the balance sheet loss (TEUR 3,970), and the remaining amounts were transferred to the capital reserves.

A capital increase of TEUR 8,605 was registered on November 23, 2009. This increased the share capital from TEUR 5,290 to TEUR 13,895. The capital increase was performed by issuing 8,604,651 new ordinary bearer shares with dividend entitlement from April 1, 2009, and with a proportionate amount of the share capital of EUR 1.00 per share, against non-cash capital contributions. The premium from the capital increase was trans-ferred to the capital reserves (TEUR 20,995).

There were no distributions to shareholders either in the year under review or in the subsequent year until the date when these financial statements were prepared.

Treasury shares

The subsidiary MAGNAT Asset Management GmbH holds 5,000 ordinary bearer shares in MAGNAT Real Estate AG. The acquisition costs amount to TEUR 28, and the share in the capital stands at 0.04%.

Further earnings-neutral changes to equity

Further earnings-neutral changes to equity resulted from a positive currency translation difference of TEUR 2,223, TEUR 54 of which was attributable to non-controlling shareholders, which was offset by TEUR -12 from the adoption of other reserves from companies measured at equity. There was a positive change of TEUR 347 from the measurement of financial instruments available for sale in a company measured at equity.

Net profit/loss for the period

The loss for the period attributable to parent company shareholders amounts to TEUR 11,216, and the share of the loss attributable to non-controlling shareholders stands at TEUR 2,770.

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H. Group segment reporting

April 1, 2010 – March 31, 2011		Segments by b	usiness areas	
in EUR '000	Investments	Asset Management	Corporate Functions	Group
Revenue	6,952	7,302	0	14,254
Other income	336	2,579	2,102	5,017
Profit on companies measured at equity	0	0	0	0
Segment revenue	7,288	9,881	2,102	19,271
Expenses on real estate sales	0	-3,743	0	-3,743
Other expenses	-6,949	-5,739	-7,570	-20,258
Loss on companies measured at equity	-11,168	0	0	-11,168
Segment expenses	-18,117	-9,482	-7,570	-35,169
EBIT	-10,829	399	-5,468	-15,898
Interest income	2,833	213	406	3,452
Interest expenses	-1,065	-368	-1,180	-2,613
Income taxes	-11	-596	474	-133
Net profit/loss for the period	-9,072	-352	-5,768	-15,192
Key non-cash expenses	13,045	4,253	600	17,898
Impairment charge in periodic result	6,850	0	0	6,850
Impairment charge reversals in periodic result	2,202	0	0	2,202
Further information				
Segment assets	102,544	39,192	7,686	149,423
of which interests in companies measured at equity	29,471	0	0	29,471
of which loans to companies measured at equity	3,948	0	0	3,948
of which financial receivables and other financial assets	2,610	369	2,955	5,934
of which tax assets	3	0	296	299
Segment liabilities	36,461	5,810	12,724	54,995
of which non-current finance debt	33,623	1,374	4,251	39,248
of which current finance debt	840	3,127	7,179	11,146
of which tax liabilities	0	7	218	225

		Geographic s	egments	
in EUR '000	G / A ^{1) 2)}	CEE/SEE 1)	CIS 1)	Group
Revenue	14,254	0	0	14,254
Other income	4,942	2	72	5,017
Profit on companies measured at equity	0	0	0	0
Segment revenue	19,196	2	72	19,271
Further information				
Segment assets	98,596	27,087	23,740	149,423
of which interests in companies measured at equity	3,392	11,580	14,499	29,471
of which loans to companies measured at equity	0	3,925	23	3,948
of which financial receivables and other financial assets	3,321	0	2,613	5,934
of which tax assets	299	0	0	299
Total liabilities	54,365	356	274	54,995
of which non-current finance debt	38,957	193	98	39,248

[&]quot;) CEE = Central & Eastern Europe; SEE = South-Eastern Europe; CIS = Commonwealth of Independent States G / A = Germany and Austria

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April 1, 2009 – March 31, 2010	Segments by business areas			
in EUR '000	Investments	Asset Management	Corporate Functions	Group
Revenue	6,619	719	0	7,338
Other income	313	2,265	228	2,805
Profit on companies measured at equity	1,658	0	0	1,658
Segment revenue	8,589	2,984	228	11,801
Net assets of real estate companies sold	0	0	0	0
Other expenses	-7,045	-2,498	-4,807	-14,351
Loss on companies measured at equity	-7,426	0	0	-7,426
Segment expenses	-14,472	-2,498	-4,807	-21,778
EBIT	-5,882	485	-4,580	-9,976
Interest income	1,080	83	476	1,639
Interest expenses	-3,246	-644	-1,316	-5,205
Income taxes	-129	-435	121	-444
Net profit/loss for the period	-8,177	-511	-5,299	-13,986
Key non-cash expenses	11,582	-4	162	
Impairment charge in periodic result	11,544	231	0	
Further information				
Segment assets	117,424	40,514	18,765	176,702
of which interests in companies measured at equity	49,030	0	0	49,030
of which loans to companies measured at equity	6,545	0	0	6,545
of which financial receivables and other financial assets	37	487	4,378	4,902
of which tax assets	146	0	187	332
Segment liabilities	38,747	9,805	16,584	65,135
of which non-current finance debt	35,895	3,871	7,727	47,494
of which current finance debt	1,855	4,482	5,653	11,990
of which tax liabilities	126	435	286	846

		Geographic s	egments	
in EUR '000	G / 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 on companies measured at equity	0	1,470	188	1,658
Segment revenue	10,101	1,512	188	11,801
Further information				
Segment assets	108,735	39,081	28,886	176,702
of which interests in companies measured at equity	7,656	23,979	17,394	49,030
of which loans to companies measured at equity	0	3,328	3,217	6,545
of which financial receivables and other financial assets	4,887	0	15	4,902
of which tax assets	332	0	0	332
Total liabilities	63,091	1,870	175	65,135
of which non-current finance debt	45,799	1,695	0	47,494

[&]quot;) CEE = Central & Eastern Europe; SEE = South-Eastern Europe; CIS = Commonwealth of Independent States G / A = Germany and Austria

") incl. Dutch holding company MAGNAT Investment I B.V.

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April 1, 2010 – March 31, 2011	Geographic segments - additional information about Germany
in EUR '000	G
Revenue	6,952
Other income	735
Profit on companies measured at equity	0
Segment revenue	7,687
Further information	
Segment assets	57,270
of which interests in companies measured at equity	3,392
of which loans to companies measured at equity	0
of which financial receivables and other financial assets	2,284
of which tax assets	34
Total liabilities	42,214
	33,380

April 1, 2009 – March 31, 2010	Geographic segments - additional information about Germany
in EUR '000	G
Revenue	6,619
Other income	479
Profit on companies measured at equity	0
Segment revenue	7,098
Further information	
Segment assets	62,547
of which interests in companies measured at equity	3,858
of which loans to companies measured at equity	0
of which financial receivables and other financial assets	4,051
of which tax assets	330
Total liabilities	42,153
of which non-current finance debt	38,342

Segmentation of the data in the annual financial statements is based on the internal alignment according to stra-tegic business segments and regional factors as per IFRS 8. In accordance with the management approach, the segment information presented represents the information to be reported to the Management Board. The Group is divided into the business segments of Investments and Asset Management. The Investments segment comprises information relating to non-current assets, and the business areas of Revitalisation, Project Development and Land Banking. Following the internalisation of the Asset Manager, the Asset Management segment represents its activities. The Corporate Functions segment comprises the holding companies, which do not represent independ-ent segments. Among other activities, these include MAGNAT as a Group holding company. They are neverthe-less presented separately in the interests of clarity.

Revenue in the year under review resulted from the rental of real estate companies that was generated in the Investments area, and from the sale of real estate arising from the Asset Management area.

The companies' activities in the non-operating area, in other words, the Corporate Functions primary segment, is restricted to the management of the subordinated subsidiaries and other companies.

The amortised carrying amounts of the interests in the companies measured at equity (TEUR 29,471; previous year: TEUR 49,030) are wholly attributable to the Investments segment.

The amortised carrying amounts of the interests in the companies measured at equity (TEUR 29,471; previous year: TEUR 49,030) are distributed as follows among the regional segments: Germany/Austria TEUR 3,392 (previous year: TEUR 7,656), the CEE/SEE region TEUR 11,580 (previous year: TEUR 23,979), and the CIS region TEUR 14,499 (previous year: TEUR 17,394).

Depreciation of property, plant and equipment, and amortisation of other intangible assets, is distributed among the Investments segment with TEUR 7 (previous year: TEUR 5), the Asset Management segment with TEUR 25 (previous year: TEUR 17), and the Corporate Functions segment with TEUR 10 (previous year: TEUR 16).

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The non-cash expenses primarily comprise impairment charges/valuation adjustments (Investments segment with TEUR 1,834, Asset Management segment with TEUR 997, Corporate Functions segment with TEUR 3,700), and profits/losses from companies measured at equity (Investments segment with TEUR 11,168).

Of the impairment expense in the Investments segment of TEUR 6,850, TEUR 1,834 is attributable to real estate inventory, and TEUR 5,017 is attributable to companies measured at equity.

Of the impairment expense reversals in the Investments segment of TEUR 2,202, TEUR 130 is attributable to real estate inventory, and TEUR 2,072 is attributable to loans to companies measured at equity.

In the Asset Management segment, other loans increased in an amount of TEUR 416 as the result of additions (Group additions: TEUR 416).

Of the total consolidated revenue of TEUR 14,254, an amount of TEUR 7,302 was attributable to Austria. The revenues arise from the sale of properties (TEUR 6,047) and Asset Management services (TEUR 1,255).

In the case of the geographical allocation of revenue, rental income is allocated on the basis of the location of the rented property, proceeds from the sale of real estate is allocated on the basis of the location of the property is sold, and revenue from Asset Management services is allocated on the basis of where the respective services are rendered.

Business transactions between segments are performed on the basis of arm's-length terms.

I. Other notes

1. Financial instruments

Interest-rate risks to cash flows relate to cash held in sight deposits, and fixed and variable debt interest rates. The company does not anticipate significant negative interest rate effects over the long term since the liquid funds are only available at the level essentially existing as of the balance sheet date until investments are made, and will be subsequently employed in projects in line with planning. In the case of the amount invested as of the balance sheet date of TEUR 5,320 (previous year: TEUR 8,822), a 0.5% per annum reduction in the interest rate would feed through to an annual reduction in interest income of TEUR 27 (previous year: TEUR 44), corresponding to TEUR 2 per month.

The maximum credit risk for all financial assets corresponds to the carrying amounts of loans among miscellaneous financial investments, trade receivables and other receivables, and financial receivables and other financial assets, consequently TEUR 19,100 (previous year: TEUR 26,000).

Financial risk management

Group financial assets consist mainly of loans to companies measured at equity, trade receivables, financial receivables, other receivables and bank accounts in credit. The major proportion of trade receivables consists of rent and Asset Management receivables. Potential defaults in this connection are taken into account.

The significant financial liabilities utilised by the Group, with the exception of derivative financial instruments, comprise bank loans and current account facilities, trade payables and loans granted. The main purpose of these financial liabilities is to finance the Group's business activities.

The Group is exposed to various financial risks as a result of its business activities: foreign currency risk, interest-rate risk, credit risk and liquidity risk. The overarching risk management system concentrates on the ongoing identification and active management of risks typical of its business. In this context, the company accepts risks within particular bandwidths that are offset by corresponding return opportunities. The objective is to limit peak risks so as not to jeopardise the company's continued existence.

The Management Board identifies, measures and hedges financial risks in close cooperation with the Asset Manager, and in coordination with the Group's Supervisory Board.

Foreign currency risk

MAGNAT is predominantly active on markets outside the Eurozone, and is consequently also exposed to corresponding currency exchange rate risks. Where possible and practicable, projects are processed in the local currency (in other words, local currency debt financing of construction costs, for example).

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

The risk relating to the employment of equity can be quantified as follows, whereby MAGNAT has approximately 39% invested in the Ukraine (previous year: approximately 35%).

in EUR '000	Functional currency	31/03/2011	31/03/2010
Ukraine	UAH	27,712	27,477
Turkey	YTL	4,770	12,436
Romania	RON	9,394	9,433
Poland	PLN	6,313	5,644
Russia	EUR	2,562	2,562
Georgia	GEL	1,481	1,968
Bulgaria	BGN	1,466	1,452
Germany and Austria	EUR	17,114	17,416
Total		70,812	78,388

The following table provides a breakdown of assets and liabilities by currencies:

	EUR	Andere	Summe
Interests in companies measured at equity	29,471	0	29,471
Loans to companies measured at equity	3,948	0	3,948
Trade receivables and other receivables	8,401	101	8,502
Financial receivables and other financial assets	5,934	0	5,934
Cash and cash equivalents	5,114	206	5,320
Other assets	78,371	17,878	96,249
	131,239	18,185	149,423
Non-current finance debt	39,150	98	39,248
Current finance debt	11,136	10	11,146
Other liabilities	4,274	328	4,602
	54,560	436	54,995

Interest-rate risk

The MAGNAT Group utilises debt to finance its properties, with some of its debt being at variable interest rates. As a consequence, the MAGNAT Group is exposed to interest-rate risk, since increases in the interest-rate level increase its financing costs. An increase in the interest-rate level of +/-100 basis points would entail an increase, respectively decrease, in the company's interest expenses of around TEUR 236 per annum.

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

Credit risk

The reported financial instruments simultaneously represent maximum credit and default risk. Counterparty risk is assessed and supervised on a uniform basis across the Group. The aim is to minimise default risk. No insur-ance is taken out for counterparty risk. There is generally no significant concentration of credit risk within the Group.

Liquidity risk

In the company's initial phase, liquidity risk was primarily managed through holding liquidity reserve in the form of readily available cash at banks, as well as, to a limited degree, credit lines that could be drawn down at all times. In the present situation, the liquidity position is significantly more dependent on receipts from resales, and from the planned prolongation of loans as they fall due. The liquidity position is also affected by any additional contributions for continued project financing, particularly in connection with co-investors. There is generally no significant concentration of liquidity risks.

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The risk report in the Management report provides further information about risk management and financial risks.

Capital management

The overriding objective of the Group's capital management is to secure future debt repayment capability and to preserve the Group's financial net worth. The intention of the Management Board is to obtain a sufficiently strong equity base, and to win the confidence of investors and the market. The company also endeavours to strengthen its equity through profit retention. While the equity commitment in Germany and Austria stands at 20 to 30% of the investment volume, significantly higher equity commitments must be allowed for in the CEE/ SEE/CIS countries, especially in the early stages.

The Group monitors its capital through its equity ratio. Components of this ratio are the total assets in the consolidated balance sheet, and the equity reported in the consolidated balance sheet that is attributable to both the parent company and other shareholders. MAGNAT intends to utilise the available equity as a means for im-proved leverage, but will continue to maintain an equity base that is higher than the industry average. The equity ratio stood at 63.2% as of March 31, 2011 (previous year: 63.1%).

Additional information about financial instruments

March 31, 2011	IAS 39 measurement					Fair value	
in EUR '000	Measu- rement category	Carrying amount	Fair value through P&L	Fair-Value through equity	Amortised cost		
Other financial assets	n.a.	119	0	0	0	0	
Loans to companies measured at equity	L&R	3,948	0	0	3,948	3,948	
Other loans	L&R	416			416	416	
Trade receivables and other receivables	L&R	7,985	0	0	7,985	7,985	
Trade receivables and other receivables	n.a.	517	0	0	0		
		8,502	0	0	0		
Financial receivables	L&R	5,934	0	0	5,934	5,934	
Cash and cash equivalents	Cash and cash equi- valents	5,320	0	0	5,320	5,320	
Non-current finance debt	o.L.	39,248	0	0	39,248	39,248	
Trade payables	o.L.	2,223	0	0	2,223	2,223	
Trade payables	n.a.	103	0	0	0		
		2,326	0	0	0		
Current finance debt	o.L.	11,146	0	0	11,146	11,146	
Value per measurement category	L&R	0	0	0	18,283		
	Cash and cash equi- valents	0	0	0	5,320		
	o.L.	0	0	0	-52,617		
-							

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March 31, 2010			IAC	20 maggurar	mont	Fair value
Maicii 31, 2010			IAS 39 measurement			raii value
in EUR '000	Measu- rement category	Carrying amount	Fair value through P&L	Fair-Value through equity	Amortised cost	
Other financial assets	n.a.	163	0	0	0	0
Loans to companies measured at equity	L&R	6,545	0	0	6,545	6,545
Trade receivables and other receivables	L&R	13,845	0	0	13,845	13,845
Trade receivables and other receivables	n.a.	376	0	0	0	
		14,221	0	0	0	
Financial receivables	L&R	4,902	0	0	4,902	4,902
Cash and cash equivalents	Cash and cash equivalents	8,822	0	0	8,822	8,822
Non-current finance debt	o.L.	47,494	0	0	47,494	47,494
Trade payables	o.L.	1,564	0	0	1,564	1,564
Trade payables	n.a.	125	0	0	0	
		1,689	0	0	0	
Current finance debt	o.L.	11,990	0	0	11,990	11,990
Value per measurement category	L&R	0	0	0	25,292	
	Cash and cash equi- valents	0	0	0	8,822	
	o.L.	0	0	0	-61,048	

L&R: Loans and Receivables n.a. not applicable o.L. Other Liabilities The carrying amount of financial instruments represents the maximum default risk:

31/03/2011	31/03/2010
18,283	25,292
119	163
5,320	8,822
23,722	34,277
	18,283 119 5,320

The maximum default risk on loans and receivables is as follows on a regional basis:

in EUR '000	31/03/2011	31/03/2010
Germany, Austria and the Netherlands	10,140	10,567
Poland	5,349	4,528
Ukraine	110	6,885
Georgia	63	861
Other countries	2,621	2,451
Total	18,283	25,292
iotai	10,203	25,29.

The consolidated cash and cash equivalents are as follows on a regional basis:

5,114	8,580
206	242
5,320	8,822
	206

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There were no overdue loans and receivables, either as of March 31, 2011, or in the previous year.

Net gains and losses (EUR '000) 01/04/2010 - 31/03/2011

		From subsequent measurement				
in EUR '000	From interest	At fair value	Currency difference	Impairment charges	Reversals	Net profit/ loss
Loans and receivables	1,380		-189	-4,845	2,072	-1,582
Derivates	0					0
Other financial assets	0	-6				-6
Other liabilities	-2,370					-2,370
Total	-990	-6	-189	-4,845	2,072	-3,958

Net gains and losses (EUR '000) 01/04/2009 - 31/03/2010

in EUR '000		From subsequent measurement				
	From interest	At fair value	Currency difference	Impairment charges	Reversals	Net profit/
Loans and receivables	1,190		-33	-4,148		-2,991
Derivates	129					129
Other financial assets	45	-174				-129
Other liabilities	-2,582					-2,582
Total	-1,218	-174	-33	-4,148	0	-5,573

In the case of receivables arising from the rental of commercial and residential property in Germany, proportion-al valuation adjustments were taken into account on the basis of the assessment of the tenants' creditworthiness. On the basis of the reorganisation proceedings for R-QUADRAT Capital Beta GmbH, Vienna, and R-QUADRAT Capital Alpha GmbH, Vienna, valuation adjustments of TEUR 4,530 were applied in the period under review to receivables due from these companies (this amount is distributed among the reporting segments of Investments with TEUR 28, the Asset Management segment with TEUR 802, and the Corporate Functions segment with TEUR 3,700).

Based on the status of information available, it is assumed that those receivables that are not overdue or impaired have retained their value, and are consequently collectable. This assumption is subject to constant monitoring.

Total interest of TEUR 1,719 had accrued as of March 31, 2011 for the loan to R-QUADRAT Polska Alpha Sp. z o.o., to which an impairment charge was applied.

Impairment charges during the reporting period are distributed as follows among the classes of financial instruments:

in EUR '000	31/03/2011	31/03/2010
Loans to companies measured at equity	0	2,173
Trade receivables and other receivables	1,117	1,975
Financial receivables	3,728	0
Total	4,845	4,148

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Future outgoing payments related to financial liabilities are presented in the following table:

Outgoing payments arising from	2011/2012 EUR '000	2012/2013 EUR '000	2013/2014 EUR '000	2014/2015 EUR '000	2015/2016 EUR '000
Loans					
DKB – 1st MAGNAT Immobilienges.mbH					
Interest	160	155	150	37	
Redemption	102	107	112	3,217	
DKB – 2nd MAGNAT Immobilienges.mbH					
Interest	531	679			
Redemption	416	19,121			
DKB – 3rd MAGNAT Immobilienges.mbH					
Interest	71	87			
Redemption	47	2,209			
DKB – 4th MAGNAT Immobilienges.mbH					
Interest	226	219	212	52	
Redemption	144	151	158	4,553	
DKB – 5th MAGNAT Immobilienges.mbH					
Interest	174	169	164	40	
Redemption	111	117	122	3,513	
Mezzanin loan					
Interest				3,886	
Redemption				2,400	
Loan R-QUADRAT Capital Gamma					
Interest	1,373				
Redemption	3,500				
Loan for MAGNAT Asset Management GmbH & Co. Rennweg 73 KG					
Interest	25				
Redemption	957				
Loan for R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG					
Interest	13	13			
Redemption		423			
Time Ioan for MAGNAT Real Estate AG					
Interest	4				
Redemption	300				
Other financial liabilities	98				
Subtotal:	8,251	23,450	918	17,698	0

Outgoing payments arising from	2011/2012 EUR '000	2012/2013 EUR '000	2013/2014 EUR '000	2014/2015 EUR '000	2015/2016 EUR '000
Transfer Subtotal	8,251	23,450	918	17,698	0
Loan for R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG					
Interest	3	3	2	2	2
Redemption	4	4	5	5	5
Loan GAIA Real Estate Investments S.A. for MAGNAT Real Estate AG					
Interest		7			
Redemption		191			
Current account	6				
Subtotal	8,226	7,277	925	17,705	7
Liabilities / participating interests	2,270				
Liabilities / affiliated companies	26				
Trade payables and other liabilities	2,223				
Total	12,745	7,277	925	17,705	7

2. Contingent assets and liabilities

In the previous year, there were contingent liabilities of TEUR 1,348, primarily in the form of letters of comfort.

3. Related party disclosures

In the previous year, there was a consulting relationship between MAGNAT and the company of Supervisory Board member Dr. Carsten Strohdeicher. A consulting agreement comprised consulting for, and the broking of, external financing for real estate projects in Germany. In the year under review, the services were rendered to an associate company of MAGNAT. An amount of TEUR 6 (previous year: TEUR 65) plus VAT was paid for the consulting services that were rendered.

In the year under review, the legal practice of Supervisory Board member Dr. Christoph Jeannée rendered consultancy services to MAGNAT in an amount of TEUR 45 (previous year: TEUR 28) plus VAT.

The Supervisory Board granted its assent to all contractual relationships.

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Consultancy relationships exist between MAGNAT (particularly MAGNAT Asset Management GmbH) and the companies of Supervisory Board members Friedrich Lind and Dr. Marc-Milo Lube. Mr. Lind invoiced TEUR 187 for these services in the year under review (previous year: TEUR 61). The consultancy agreement with Dr. Lube was terminated as of December 31, 2010. Until that date, TEUR 135 was invoiced for the current fiscal year (previous year: TEUR 56).

Consultancy relationships exist between MAGNAT (particularly MAGNAT Asset Management GmbH) and the companies of Dr. Falko Müller-Tyl and Sven Erik Rischko. Both individuals hold direct or indirect interests in MAGNAT. In the year under review, these consulting relationships resulted in payments of TEUR 173 (previous year: TEUR 57) and TEUR 164 (previous year: TEUR 81) plus VAT respectively.

The Supervisory Board granted its assent to these consulting relationships as part of the integration of the current MAGNAT Asset Management.

As of March 31, 2011, Management Board Dr. Marc-Milo Lube member held an interest of 3.96% of the issued shares of the company in MAGNAT.

The following balances exist with respect to associated companies and joint ventures:

in EUR '000	31/03/2011	31/03/2010
Loans to companies measured at equity	3,948	6,545
Trade receivables and other receivables	382	0
Financial receivables and other financial assets	5,357	2,051
Current finance debt	22	10

Please refer to the remarks under E.1.5 concerning loans to companies measured at equity. The balance of trade receivables and other receivables is based on offsetting Asset Management services. Please refer to the remarks under E.2.3 concerning financial receivables and other financial assets. The balance of current finance debt is based on another financial liability.

Volume of business transactions with companies measured at equity:

in EUR '000	01/04/2010 to 31/03/2011
Loans to companies measured at equity	472
Trade receivables and other receivables	514
Financial receivables and other financial assets	908
Current finance debt	11

There is no collateral in the case of receivables due from companies measured at equity. Business relationships with companies measured at equity are based on arm's length terms and conditions.

In prior periods there were impairments as part of loans granted to R-QUADRAT Polska Alpha, which were reversed in the period under review in an amount of TEUR 2,072.

MAGNAT also had relationships with non-controlling shareholders. These relationships primarily consist of the financing and purchase of subsidiaries.

4. Auditor

In the year under review, the MAGNAT Group reported auditing expenses of TEUR 283 including VAT (previous year: TEUR 281). A further TEUR 40 was reported for other consulting services provided by the auditor.

5. Events after the balance sheet date

On June 9, 2011, MAGNAT issued an unscheduled announcement that it was working on a solution for the EUR 27 million tax receivable that formed the subject of unscheduled announcement on September 14, 2010. The Turkish tax authorities' tax receivable was reduced to around EUR 6 million. A corresponding provision was reported in the profit/loss on the Turkish YKB portfolio, in which MAGNAT holds a 33.33% interest, and it was consequently also taken into account on an indirect proportional basis in MAGNAT's financial statements for the fourth quarter of the year under review. The tax payment was rendered from the portfolio's liquidity position, and consequently resulted in no liquidity burden on MAGNAT.

In April 2010, EUR 4.0 million of liquidity accrued to MAGNAT from the YKB portfolio.

Besides this, there were no events of particular significance for the Group between the conclusion of the fiscal year on March 31, 2011, and the preparation of this report on July 28, 2011.

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6. Management Board, Supervisory Board and employees

a. Management Board

Pursuant to the articles of association, the Management Board directs transactions at its own responsibility. Dr. Marc-Milo Lube and Mr. Jürgen Georg Faè are the appointed Management Board members. Until the change of legal form (September 17, 2010) from a "GmbH & Co. KGaA" to a public stock corporation ("Aktiengesellschaft" or "AG"), the management of the parent company was performed, in line with the articles of association valid at that time, by the general partner MAGNAT Management GmbH, Frankfurt am Main.

The Management Board members in the year under review were as follows:

_____ Dr. Marc-Milo Lube, Management Board Spokesman, from January 1, 2011
_____ Jürgen Georg Faè, from September 17, 2010
_____ Jan Oliver Rüster, from September 17, 2010 until October 25, 2010

Fixed compensation of TEUR 405 was reported for the management of MAGNAT Real Estate AG for the 2010/2011 fiscal year, which is distributed as follows (amounts in TEUR):

Name	Fixed salary	Other compensation
Dr. Marc-Milo Lube (from January 1, 2011)	55	0
Jürgen Georg Faè	189	4
Jan Oliver Rüster (until October 25, 2010)	153	4

b. Supervisory Board

The following table provides the names and activities of the Supervisory Board members.

Name	Function	Profession	Period
Prof. Dr. Werner Schaffer, Urbar	Chairman	Tax consultant	since July 7, 2006
Dr. Carsten Strohdeicher, Frankfurt am Main	Deputy Chairman	Independent management consultant	since July 7, 2006
Dr. Christoph Jeannée, Vienna, Austria		Lawyer	since July 31, 2006
Dr. Marc-Milo Lube, Vienna, Austria		Investment consultant	until December 31, 2010
Friedrich Lind, Vienna, Austria		Businessman	since December 9, 2009
Andreas Lange, Frankfurt am Main		Management Board member of Altira AG	since December 9, 2009
Dr. Stefan Schütze		Lawyer	since April 4, 2011

The following table presents Supervisory Board compensation for the 2010/2011 fiscal year (excluding expense reimbursement and VAT):

Name	Function	Period	Compensation
Prof. Dr. Werner Schaffer, Urbar	Chairman	since July 7, 2006	37,500.00
Dr. Carsten Strohdeicher, Frankfurt am Main	Deputy Chairman	since July 7, 2006	25,000.00
Dr. Christoph Jeannée, Vienna, Austria		since July 31, 2006	12,500.00
Dr. Marc-Milo Lube, Vienna, Austria		until December 31, 2010	9,375.00
Friedrich Lind, Vienna, Austria		since December 9, 2009	12,500.00
Andreas Lange, Frankfurt am Main		since December 9, 2009	12,500.00

Total Supervisory Board compensation stood at TEUR 110 for the 2010/2011 fiscal year. Supervisory Board members were also paid travel costs of TEUR 18.

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c. Employees

Personnel expenses amounted to TEUR 2,492 in the year under review (previous year: TEUR 1,320). They are composed of salaries of TEUR 2,084 (previous year: TEUR 1,150) and statutory social expenses of TEUR 408 (previous year: TEUR 170).

As of March 31, 2011, MAGNAT reports payments due in the short term to management members of TEUR o (previous year: TEUR 12).

Employee numbers were as follows:

	31/03/2011	31/03/2010
Management Board members	2	0
Salaried employees	29	23
	31	23

The average number of employees was 27 in the reporting period.

7. Notes to the "German Corporate Governance Code"

The statements of compliance with the German Corporate Governance Code required by Section 161 of the German Stock Corporation Act (AktG) are made available by the company to shareholders once each cal-endar year. The statement of compliance with the German Corporate Governance Code was issued, and is permanently accessible to shareholders on MAGNAT's website under "Company".

8. Approval for publication

This set of consolidated financial statements was prepared by the Management Board on July 26, 2011, and have been released for publication.

Frankfurt am Main, July 26, 2011 MAGNAT Real Estate AG

Dr. Marc-Milo LubeManagement Board member

Jürgen Georg Faè

Management Board member

Affiliated companies, associated companies and joint ventures

Company	Туре	Head office
MAGNAT Real Estate AG	Group parent company	
Germany		
Erste MAGNAT Immobiliengesellschaft mbH	Subsidary	Frankfurt am Main
Zweite MAGNAT Immobiliengesellschaft mbH	Subsidary	Frankfurt am Main
Dritte MAGNAT Immobiliengesellschaft mbH	Subsidary	Frankfurt am Main
Vierte MAGNAT Immobiliengesellschaft mbH	Subsidary	Frankfurt am Main
Fünfte MAGNAT Immobiliengesellschaft mbH	Subsidary	Frankfurt am Main
SQUADRA Immobilien GmbH & Co. KGaA	Associate ⁴	Frankfurt am Main
SQUADRA Management GmbH	Subsidary	Frankfurt am Main
MAGNAT Asset Management Deutschland GmbH	Subsidary	Frankfurt am Main
Other countries		
MAGNAT Investment I BV	Subsidary	Netherlands, Hardinxveld Giessendam
MAGNAT Investment II BV	Joint Venture 4)	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA III BV	Subsidary	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VI BV	Subsidary	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VII BV	2)	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA VIII BV	2)	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA IX BV	2)	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA X BV	Subsidary	Netherlands, Hardinxveld Giessendam
MAGNAT Real Estate UA XI BV	Subsidary	Netherlands, Hardinxveld Giessendam
MAGNAT Investment III BV	3)	Netherlands, Hardinxveld Giessendam
MAGNAT Investment IV BV	Subsidary	Netherlands, Hardinxveld Giessendam
SC Teo Impex s.r.l.	Subsidary	Romania, Bucharest
SC VICTORY Consulting International s.r.l.	Subsidary	Romania, Bucharest
R-QUADRAT Bulgaria EOOD	Subsidary	Bulgaria, Sofia
Irao MAGNAT Digomi LLC	Subsidary	Georgia, Tiflis
Irao MAGNAT 28/2 LLC	Joint Venture	Georgia, Tiflis
MAGNAT Tbilisi Office 1 LLC	2)	Georgia, Tiflis
MAGNAT Tbilisi Residential 1 LLC	2)	Georgia, Tiflis
JJW Hotel Palais Schwarzenberg Betriebsgesellschaft mbH	Associate	Austria, Vienna
Russian Land AG	Associate	Austria, Vienna
MAGNAT AM GmbH	Subsidary	Austria, Vienna
MAGNAT Asset Management GmbH	Subsidary	Austria, Vienna
MAGNAT Capital Markets GmbH	Subsidary	Austria, Vienna
R-QUADRAT Immobilien Management GmbH & Co. Schumanngasse 16 KG	Subsidary	Austria, Vienna
R-QUADRAT Immobilien Management GmbH & Co. Grazer Straße 59-61 KG	Subsidary	Austria, Vienna
R-QUADRAT Immobilien GmbH & Co. Kastnergasse 16 KG	Subsidary	Austria, Vienna
MAGNAT Asset Management Management GmbH & Co. Rennweg 73 KG	Subsidary	Austria, Vienna
MAGNAT Immobilien GmbH	Subsidary	Austria, Vienna
MAGNAT Asset Management Ukraine Ltd.	Subsidary	Ukraine, Kiev
R-QUADRAT Ukraine VII Ltd.	2)	Ukraine, Kiev
R-QUADRAT Ukraine VIII Ltd.	2)	Ukraine, Kiev
R-QUADRAT Ukraine X Ltd.	2)	Ukraine, Kiev
R-QUADRAT Ukraine XI Ltd.	2)	Ukraine, Kiev
OXELTON ENTERPRISES Limited	Joint Venture 4)	Cyprus, Limassol
GAIA Real Estate Investments S.A.	Joint Venture 4)	Luxembourg, Luxembourg
R-QUADRAT Polska Alpha Sp. z o.o.	Joint Venture	Poland, Warsaw
PRUNUS Sp. z o.o.	Joint Venture 3)	Poland, Warsaw
LYGOS Sp. z o.o.	Joint Venture 3)	Poland, Warsaw
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Equity in EUR '000 31/03/2011	Voting right share % 1)	Profit/loss for last financial year
1,856	100.00	
2,678	100.00	
13	100.00	
359	100.00	
794	100.00	
21,087	16.13	
65	100.00	
54	100.00	
62,130	75.00	
3,351	50.00	
2,814	100.00	
3,982	100.00	
15	100.00	0
15	100.00	0
15	100.00	0
54	100.00	O
45	100.00	
5	50.00	-3
7		-5
	100.00	
2,804	100.00	
6,328	100.00	
1,107	100.00	
-906	75.00	
-712	50.00	2
0	100.00	0
0	100.00	0
9,100	25.10	
3,948	40.34	
23,095	100.00	
10,479	100.00	
1,058	100.00	
0	100.00	
-29	99.00	
3	100.00	
1	100.00	
33	100.00	
-20	100.00	
4	100.00	-1
5	100.00	0
5	100.00	0
5	100.00	-1
1,787	60.00	
35,494	33.33	
-2,917	50.00	
n/a	50.00	
n/a	50.00	

The share in the equity corresponds to the control relationship before taking into account any third-party interests within the Group; the voting right share corresponds to the equity share
Subsidiary, nonconsolidated company
Joint venture, company not measured at equity
Based on internal subgroup financial statements underlying these consolidated financial statements

RESPONSIBILITY STATEMENT

As the Management Board of MAGNAT Real Estate AG, we assure that, to the best of our knowledge, the consolidated financial statements convey a true and fair view of the Group's net assets, financial position and results of operations pursuant to the applicable accounting principles, and that the course of business, including the financial result and the Group's position, are presented in the Group management report in such a way that they convey a true and fair view of the actual circumstances, and that the significant opportunities and risks pertaining to the Group's prospective developments are described.

Frankfurt am Main, July 26, 2011 MAGNAT Real Estate AG

Dr. Marc-Milo Lube

Jürgen Georg Faè

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INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements of MAGNAT Real Estate AG (until September 16, 2010: MAGNAT Real Estate Opportunities GmbH & Co. KGaA), Frankfurt am Main – consisting of the consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and notes to the consolidated financial statements – as well as the Group management report for the fiscal year from April 1, 2010 until March 31, 2011. The legal representatives of the parent company are responsible for the preparation of the consoli-dated financial statements and Group management report according to IFRS as applicable in the EU, and the supplementary German commercial law regulations applicable pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB). Our task is to issue an assessment of the consolidated financial statements and Group management report on the basis of the audit that we conduct.

We conducted our audit of the consolidated financial statements pursuant to Section 317 of the German Commercial Code (HGB) while taking into account proper German auditing principles as promulgated by the Institute of Public Auditors (IDW). Accordingly, the audit is to be planned and performed in such a way that incorrect information and infringements that have a significant impact on the presentation of the view of the net assets, financial position and results of operations as conveyed by the consolidated financial statements, while taking into consideration applicable accounting regulations, and by the Group management report, are identified with sufficient certainty. When determining the audit actions, knowledge about the business operations, and concerning the Group's economic and legal environment, as well as expectations concerning potential errors, are taken into account. As part of the audit, the efficacy of the accounting-related internal controlling system, as well as evidence for the disclosures in the consolidated financial statements and the Group management report, are assessed predominant-ly on the basis of random samples. The audit comprises the assessment of the annual financial statements of the companies included in the consolidated financial statements, the demarcation of the consolidation scope, the accounting and consolidation principles applied, the significant estimates made by the legal representatives, and the appraisal of the overall presentation of the consolidated financial statements and Group management report. We are of the opinion that our audit forms a sufficiently secure basis for our assessment.

Our audit resulted in no qualifications.

According to our assessment on the basis of the knowledge gained as part of the audit, the consolidated financial statements correspond to IFRS as applicable in the EU, and the supplementary German commercial law regulations pursuant to Section 315a Paragraph 1 of the German Commercial Code (HGB), and they convey a true and fair view of the Group's net assets, financial position and results of operations when taking into account these regulations. The Group management report is in harmony with the consolidated financial statements, and overall convey a true and fair view of the Group's position, and appropriately present the opportunities and risks pertaining to future development.

Frankfurt am Main, July 27, 2011

KPMG AG

Wirtschaftsprüfungsgesellschaft

Möller Klein

Public Certified Auditor Public Certified Auditor

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Event	Date
Q1 interim report as of June 30, 2011	11/08/2011
Ordinary AGM / Frankfurt am Main	27/10/2011
Semi-annual financial report as of September 30, 2011	30/11/2011
Q3 interim report as of December 31, 2011	10/02/2012
Annual report 2011/2012	30/07/2012



MAGNAT Real Estate AG

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