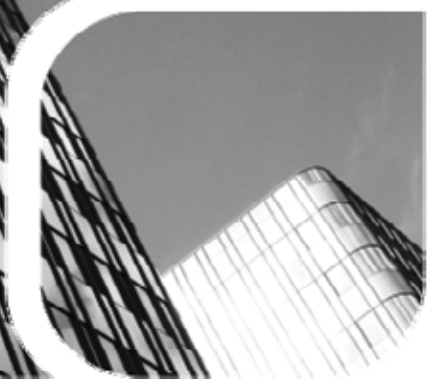




Turning Inefficiencies into **Opportunities.**



Shareholders'
Letter
14th January 2008

Ladies and Gentlemen, esteemed shareholders!

Valuations of real estate shares have changed significantly since the start of the credit crisis in summer 2007. The MAGNAT share has not been able to escape this trend. The opinion of many analysts and commentators is that the reduction of share prices has led in several cases to under-valuations in relation to the fundamental data of companies. At the end of November, we delivered a detailed statement of our assessment of the impact of the credit crisis, triggered by the subprime crisis in the US, in our Interim Financial Report (available on our homepage under <http://www.magnat-reop.com/en/investorrelations/finanzberichte>).

Unfortunately, this trend has continued since the end of November 2007. However, the MAGNAT share has suffered only over the last several weeks from above average price reductions, as compared to the broad real estate indices. This has caused us to provide you with the explanations below and – as a supplement to our regular financial reporting – to provide up to date information.

Share Price vs. Fundamental- und Financial Data

The current **share price of EUR 1.10** (closing price XETRA on 11th of January 2008) does according to the management not at all reflect the substance of MAGNAT. When compared to the fundamental data for MAGNAT below, it can be demonstrated that this imbalance is unrelated to the assessment of further trends of real estate markets, as well as to the discussion of the appropriateness of the valuation of properties and listed property shares:

Equity raised = EUR 1.64 / share (+ 49.1 %)

Total equity raised by MAGNAT (foundation capital plus capital increases in July 2006, October 2006 und April 2007) amounts to EUR 87 Mio. In relation to total shares outstanding (52.9 million), total equity raised is EUR 1.64 / share.

Shareholders' Equity (EXCLUDING any revaluation gains) = EUR 1.67 / share (+ 51.8 %)

Consolidated shareholder's equity as of 30th September 2007 (per Interim Financial Statements), net of minority interests, was EUR 88.4 million. In relation to total shares outstanding (52.9 million), total shareholders' equity is EUR 1.67 / share. For proper assessment of this value, it is crucial to consider that properties and property investments, with no exception, are recorded in the financial at historical cost and that contrary to the prevailing industry practice no "IFRS 40 revaluations" were made. Therefore, this value of EUR 1.67 does not represent MAGNAT's NAV („Net Asset Value“) which, as demonstrated below, is higher.

Net Asset Value (NAV) = EUR 1.86 / share (+ 69.0 %)

The market value of the German portfolio is, due to a very attractive rental yield of 9 percent, significantly above acquisition costs. Our own internal valuations have rendered a market value that is approximately EUR 6 million over acquisition costs; updated external appraisals for the German portfolio are under preparation. Further appreciation can be achieved through active asset management, as in particular by the further reduction of vacancies in the residential portfolio. Appreciations are also inherent in the land bank not developed yet, due to the dynamic development of markets in Eastern Europe, as well as the positive effects of the initial phases of the development programs. In those cases where appreciation is above average, we are also considering the sale of individual land plots as a measure to realize such appreciation, as an alternative to their development. Per our own assessment, we have determined for the respective land plots that market value is approximately EUR 4 million over acquisition cost. Altogether, and in relation to total shares outstanding (52.9 million), the EUR 6 million for the German portfolio correspond to a value of EUR 0.11 / share and the EUR 4 million correspond to a value of EUR 0.08 / share. Accordingly, Net Asset Value is at EUR 1.86 / share (EUR 1.67 of shareholders' equity plus the EUR 0.11 + EUR 0.08 per above).

Development Business

The most significant value added is embedded in real estate development, MAGNAT's core business. Development projects contribute to earnings after completion and sale. We refrain intentionally from a revaluation in the financial statements (in accordance to project progress) and an inclusion of higher market values of development projects into Net Asset Value – both is applied by others (even though not as an industry standard, it is applied by some property companies).

For further comprehensive information, we may refer to our detailed Interim Financial Report.

Credit Markets and Impact on MAGNAT

This issue has been discussed very detailed in our Interim Financial Report. To avoid reiterations, we may refer to that report, supplemented and updated with the following:

Successful Execution of Project Financings; Liquidity Status Comfortable

Despite a continued difficult credit environment, we have been able to close German investments that had been under execution, including the respective project financings for all German investments. MAGNAT has a comfortable liquidity status, with free liquidity (cash and unutilized credit lines) of approximately EUR 9 million. Proceeds from the exit of investments are therefore available for new projects.

Strategic Positioning of MAGNAT

In its meeting of 11th January 2008, we had an in-depth discussion with the Supervisory Board – mainly to evaluate the impacts and consequences of the changed environment – in which the principle strategy was confirmed. MAGNAT will continue to focus on the increase value added potentials from real estate development in the CEE/SEE/CIS-region and from special situations in Germany. For the German business, this means the consequent execution of the program to increase the property values, with subsequent sale of the properties; consequently, this also means to continue to refrain from “IFRS 40 revaluations“ of these portfolios (i.e., realization of gains only upon sale, and no contribution to earnings before sale).

High Equity Ratio

Specifically in the current difficult environment, it has shown that MAGNAT's strategy of working with a comparatively high equity ratio is considered a plus. To refrain from financially driven investments with very high gearing has been confirmed as being the proper strategy. The equity ratio of approximately 90 percent (per Interim Financial Statements as of 30th September 2007) will be reduced, as planned, in the course of further optimization of our financing structures, the closing of the most recent investments and the progress of the development projects – we intend, however, in any case to maintain our above-average equity ratio.

Frankfurt, 14th January 2008

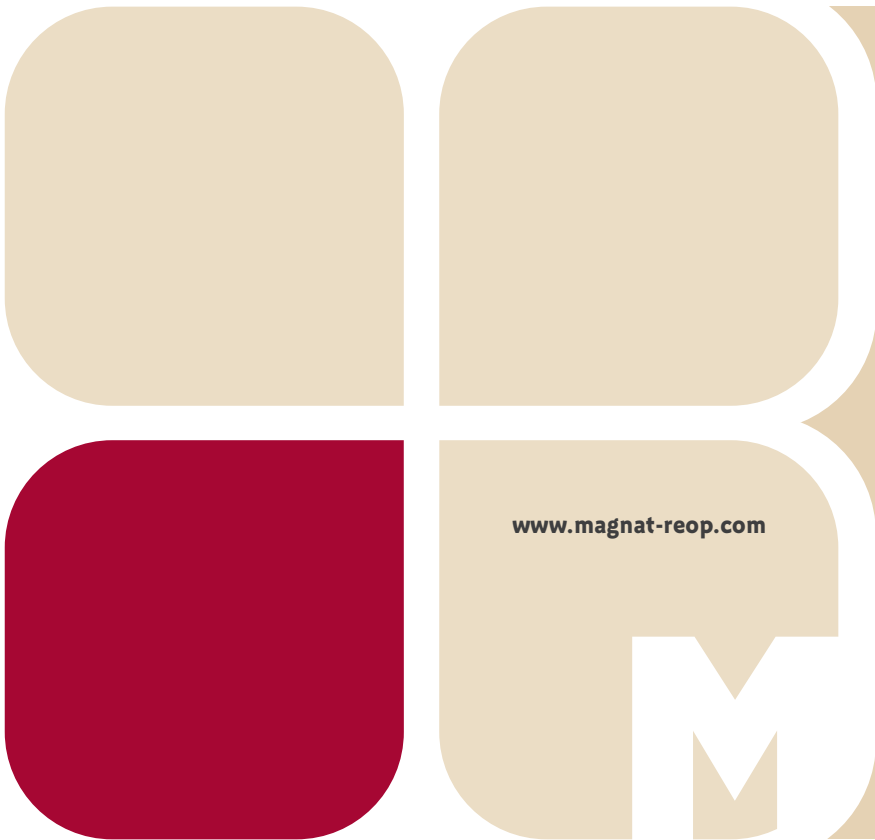
Jan Oliver Ruster

Peter Waldner

Disclaimer

This shareholders' letter contains future-oriented statements and information concerning expected developments. Such forward-looking statements are based on our present expectations and estimates and certain assumptions. Risks and uncertainties are inherent. The actual events, results and performances therefore can deviate significantly. MAGNAT does not assume liabilities of any kind, and does not intend to update such future-oriented statements in view of new information or future events.

The original of this shareholders' letter was published in German. In case of deviations, the German version prevails. Further Company information as well as the online-versions of financial reports are available for download at www.magnat-reop.com. To request further information, please mail to: info@magnat-reop.com.



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