Nine month' report
January 1 to September 30, 2005
(IFRS)



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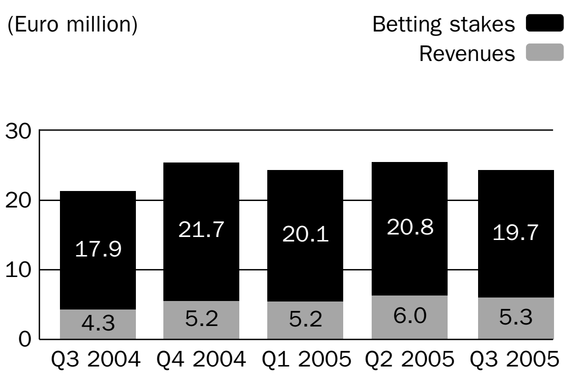
FLUXX key data (IFRS)

FLUXX KEY DATA (IFRS)

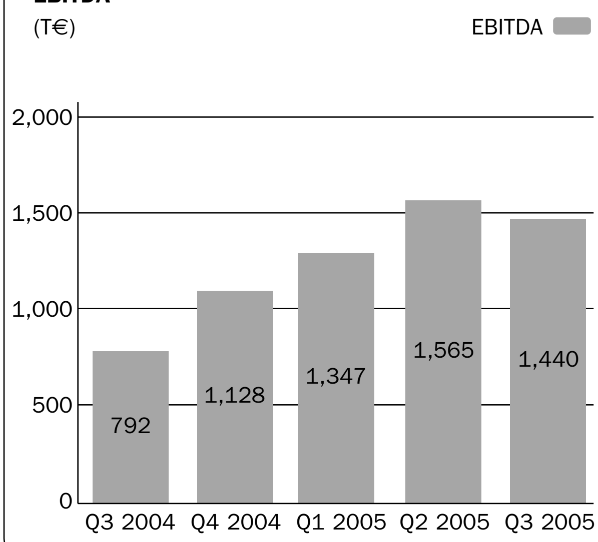
GUV	Q1–Q3 2005 T€	Q1–Q3 2004 T€	Q3 2005 T€	Q3 2004 T€	Q2 2005 T€	Q1 2005 T€
Gross sales	77,087	63,699	25,005	22,155	26,791	25,291
Betting stakes	60,577	51,247	19,693	17,881	20,819	20,065
Revenues	16,510	12,452	5,312	4,274	5,972	5,226
EBITDA	4,352	1,281	1,440	792	1,565	1,347
EBIT	1,378	582	428	502	533	417
Consolidated earnings	1,007	513	467	414	178	362
Earnings per share (€)						
Basic	0.09	0.07	0.034	0.020	0.015	0.036
Diluted	0.08	0.07	0.030	0.020	0.015	0.033
Employees (average for the period)	94	89				
Revenue per employee	176	140				
Personnel expenses per employee	46	43				

BALANCE SHEET	30/09/2005 T€	31/12/2004 T€
Non-current assets	22,963	20,874
Net cash	26,158	5,073
Liquidity ratio 2	782 %	133 %
Shareholders' equity	46,754	17,230
Balance sheet total	53,065	29,592
Equity ratio	88.1 %	58.2 %

SALES
(Euro million)



EBITDA
(T€)



Group Management Report
of FLUXX AG at September 30, 2005

1. Business progress

Business volume was once again boosted by a clear double-digit rate in the first nine months of the current financial year. Despite a traditionally weaker third quarter, in which lottery participation is lower due to the holiday season, accumulated sales rose 21 per cent to EUR 77.1 million. In the third quarter there was no significant buildup of jackpots, which usually results in high levels of new registrations and betting stakes well above the average. The volume of business in the third quarter was nevertheless increased by 13 per cent year on year, a development that is attributable to the continuing rise in internet use as a means of submitting lottery numbers and placing bets.

The test phase in the domain of over-the-counter sales of lottery products (Direct Lottery) and the preparations for the forthcoming roll-out led to initial relatively high levels of capital expenditure in the third quarter. At distribution level, numerous contacts with potential venture partners were developed, and of those partners the mineral oil group Orlen, which operates a nationwide network of 500 filling stations, has signed an agreement on the use of the "JAXX Lottery Service".

Despite the Management Board's perception that business progress in the third quarter was not satisfactory, sales and earnings were yet again up on the previous year. Revenue showed a 24 per cent increase on the prior-year period in the third quarter to EUR 5.3 million and consolidated earnings rose by 13 per cent to EUR 467 thousand. Cumulatively, revenue for the nine-month period was up 33 per cent on the previous year to EUR 16.5 million and consolidated earnings after nine months of the current financial year showed an increase of around 96 per cent on the prior-year period, to EUR 1,007 thousand.

1.1 Assessment of the market

The sales volume of German lottery companies was on a par with the prior-year period, at around EUR 6.2 million in the first nine months of 2005. The company estimates that the proportion of betting stakes handled via the internet is currently about 4.7 per cent.

The legal situation regarding the organising of sports betting and the arrangement of betting abroad remains unchanged. Market experts believe that the initial hearing of the Federal Constitutional Court in November 2005 on this subject area will not yet be able to provide any clearer pointers as to the forthcoming liberalisation of the gaming market in general and the sports betting segment in specific, both in Germany and throughout the EU. FLUXX AG has nevertheless made intensive preparations for this market and has thoroughly planned its positioning in strategic terms.

1.2 Business progress

The betting stakes processed by the FLUXX Group for lottery companies and racecourses in the third quarter showed a 12 per cent increase on the prior-year quarter, from EUR 17.9 million to EUR 19.7 million.

Compared with the nine-month period of the previous year, the gaming volume processed rose by 18 per cent from EUR 51.2 million in 2004 to EUR 60.6 million in 2005. No significant sales have yet been generated via the Direct Lotto project launched in April, as the roll-out phase for the installation of a broad basis of terminals will only commence in the fourth quarter.

It was not possible to make good the shortfall in sales due to the legal dispute over a continuing partnership with WEB.DE to the same extent as in the second quarter of 2005. The continued high growth on all other platforms nevertheless contributed towards an overall double-digit rise in sales compared with the previous year. The contracts with the platform partners AOL and Freenet have been extended and are to be expanded by means of targeted marketing campaigns and new products. It was not possible to expand syndicate business as aggressively as in previous quarters, since here too the holiday season meant that potential customers were less readily available. A shortage of call centre capacity and a recessive market for qualified addresses likewise placed a damper on growth.

Entry into Spanish lottery market

At the end of September, FLUXX AG announced its acquisition of a controlling interest in the Spanish company DigiDis Digital Distribution Management S.L. The aim of the joint project is to sell online lottery platforms to established lottery providers and internet portals in the Spanish market. The central building block is the business-to-business model of FLUXX AG, which is based on the "ANYBET Gaming Platform". In addition to acquiring the controlling interest in DigiDis, FLUXX AG will equip the company with a reseller licence for the ANYBET Gaming Platform. The intention is to implement the partnership by the time tickets for the Spanish Christmas lottery "El Gordo" go on sale in November.

Spain is the second biggest lottery market in Europe, with a gaming volume of around EUR 11.4 billion (2004). Market experts believe that the proportion passing via the internet is not yet measurable, as the online lottery market is still at a very early stage of development. The DigiDis company also has plans to develop sales operations in other European countries, in particular in Europe's biggest lottry market Italy, as well as in South America.

Preparations for the roll-out of Direct Lotto

The results of a pilot scheme for over-the-counter sales of lottery products in shops prompted the Management Board of FLUXX AG to step up its investment in this project. As a result of the capital increase for cash in June 2005, the company has sufficient funds to finance the roll-out. The first 1,000 lottery terminals have already been ordered from the Austrian manufacturer KEBA; delivery of the first ones is expected in November 2005. The aim is to equip some 2,000 supermarkets, filling stations and other retail outlets with lottery terminals located near the till. FLUXX has so far signed up some 1,000 outlets via the partnerships with EDEKA, Orlen and OIL! FLUXX has commissioned Bechtle AG, Neckarsulm, likewise a listed company, with the task of structuring the roll-out and servicing the installed hardware.

Direct Lotto activities within the FLUXX Group will in future be spearheaded by Jan Schmidt-Wussow, whose team will be strengthened by further sales specialists and project managers with a commercial background. Jan Schmidt-Wussow will be able to deploy the marketing and sales expertise he has acquired working for such companies as Nestlé, Reemtsma, Sanford-Rotring and Time/system in organising the roll-out marketing the over-the-counter service "JAXX Lotto Service". In recruiting Jan Schmidt-Wussow, FLUXX has gained a highly experienced and able manager who possesses extensive expertise in the positioning and marketing of products in the marketplace, as well as excellent contacts.

1.3 Investment

In addition to investing in the further expansion of syndicate business and the development of the range of sports betting products, investment activity focused on the preparations for over-the-counter lottery sales. A total of EUR 4,978 thousand was invested in the first nine months, including in self-created software. Over and above self-created aspects, no investment in the development of the business in Spain was made yet in the third quarter.

1.4 Personnel and welfare

The average number of permanent employees rose from 89 in the first nine months of 2004 to 94 in 2005. Additional personnel have been recruited in particular for the areas of software development, product management and sales as a result of preparations for Direct Lotto activities and the forthcoming launch of our own sports betting product range. At the reporting date, the employee total showed a slight downturn due to the transfer of call centre operations away from our own call centre to a partner call centre. Whereas personnel expenditure per employee has risen from EUR 43 to 46 thousand, per capita sales were boosted by a clearly overproportional rate from EUR 140 to 176 thousand.

1.5 Capital measures

In July 2004, FLUXX placed a zero convertible bond, divided into 3.2 million debentures, on the capital market. The convertible bond has a term lasting until the end of 2008. In 2004, 1,290,775 debentures in total were converted. In the three conversion windows of 2005 to date, in February, May and August, a further 1,862,520 debentures in total were converted. There thus remain 46,705 debentures outstanding. In addition, 11,929 shares from the authorised but unissued capital were issued to bearers of debentures by way of dilution compensation for the rights-issue capital increase in June.

1.6 Financing

Operating activities during the reporting period were financed from cash flow. The higher investment resulting from the Direct Lotto project has been financed from monetary holdings.

1.7 Miscellaneous

Capital stock, shareholder structure

The free float accounted for 100 per cent of the capital stock of FLUXX AG totalling EUR 14,520,700 at September 30, 2005. The holdings of the management and of Direct Sales Marketing GmbH have been removed from the information presented, as the respective holdings are each less than the reporting limit of five per cent.

The shares of Millenium GmbH, which were still shown in the 2003 accounts as well as by the Federal Supervisory Office for Financial Services and Deutsche Börse, are likewise allocated to the free float. The last official communication pursuant to Section 41 of German Securities Trading Law (WpHG) at April 1, 2002 refers to a total number of shares of 838,302. As Millenium GmbH moved below the reporting limits as a result of the capital measures implemented in 2003 and 2004 but did not notify the company pursuant to WpHG, the Management Board suspects that the shareholding has fallen significantly.

Director's holdings

The shareholdings of directors on either corporate body at September 30, 2005 are as follows:

Name	Position	Type of security	Position at 31/12/2004	Additions	Disposals	Position at 30/09/2005
Rainer Jacken	Management Board spokesman	Shares Options	280,000 15,583	1,333 13,417	0 1,333	281,333 27,667
Mathias Dahms	Management Board member	Shares Options	0 15,583	2,713 13,417	0 1,333	1,713 27,667
Stefan Hänel	Management Board member	Shares Options	3,800 15,583	1,300 13,417	5,100 1,300	0 27,700
Goetz Graf von Hardenberg	Chairman of the Supervisory board	Shares	2,848	0	2,848	0
Frank Motte	Supervisory board	Shares	7,885	2,254	7,167	2,972

Shares

The closing price of FLUXX shares on the Frankfurt Stock Exchange (Xetra) on September 30, 2005 was EUR 10.63, representing market capitalisation of EUR 154.4 million based on a total of 14,520,700 shares. The share price on September 30, 2004 was EUR 3.30 (market capitalisation: EUR 27.8 million, based on 8,426,694 shares).

FLUXX shares appreciated in value by some 145 per cent between the start of the year and the reporting date of September 30, 2005. In the same period, the micro caps index SDax rose by around 36 per cent.

2. Representation of the financial position and financial performance

2.1 Development in revenue

Gross consolidated sales rose by 13 per cent in the third quarter of 2005, from EUR 22.2 million in the third quarter of 2004 to EUR 25.0. The lottery and betting stakes handled by the company's own services and via partner platforms rose by around 10 per cent in the same period, from EUR 17.9 million to EUR 19.7 million. Net revenues, which essentially comprise commissions from the betting stakes and handling fees, rose by an overproportional 24 per cent from EUR 4.3 million in the third quarter of 2004 to EUR 5.3 million in the third quarter of 2005.

Compared with the nine-month period of the previous year, sales were up 21 per cent from EUR 63.7 million to EUR 77.1 million. Betting stakes rose by 18 per cent from EUR 51.2 per cent to EUR 60.6 per cent. Revenue rose by 33 per cent from EUR 12.5 million in the first nine months of 2004 to EUR 16.5 million in the first nine months of 2005. Around 54 per cent of revenues were generated by the B2B segment in the first nine month of 2005, and around 46 per cent by the B2C segment.

2.2 Expenses

Operating costs in the third quarter were down on the first and second quarters of the current financial year. Whereas personnel costs of EUR 1.4 million and depreciation and amortisation of around EUR 1.0 million remained broadly unchanged from the previous quarters, other operating expenses were substantially lower at EUR 2.4 million; this development was attributable in particular to the lower total commission paid to partner companies due to the fact that core business was only average as a result of holidays and the absence of large jackpots. Compared with the third quarter of 2004, operating costs before depreciation and amortisation showed a rise of around 12 per cent.

Depreciation and amortisation was up around EUR 800 thousand on the prior-year period, mainly as a result of the amortisation of the capitalised syndicate contracts.

The nine-month comparison again highlights the effect of scale within the FLUXX AG business model. Despite expenses in connection with the strategic projects Direct Lotto and sports betting, the operating costs (before depreciation and amortisation) rose by under nine per cent, by a much lower rate than sales. In specific, personnel expenses rose by 13 per cent to EUR 4.3 million and other operating expenses by 10 per cent to EUR 8.0 million, while the cost of materials fell by 34 per cent to EUR 429 thousand. Depreciation and amortisation rose from EUR 0.7 million to almost EUR 3.0 million.

2.3 Earnings

Earnings before interest, taxes, depreciation and amortisation (EBITDA) were 82 per cent up on the prior-year quarter, at EUR 1,440 thousand.

Cumulatively, the FLUXX Group posted EBITDA growth of 240 per cent after the first nine months of 2005. EBITDA rose from EUR 1,281 thousand to EUR 4,352 thousand. The EBITDA margin rose from ten per cent to 26 per cent.

This development has nevertheless gone hand in hand with a significant rise in depreciation and amortisation. Earnings before interest and taxes (EBIT), quarter on quarter, were consequently lower: whereas EBIT was EUR 502 thousand in the third quarter of 2004, it was only possible to generate EBIT of EUR 428 thousand in the third quarter of 2005. On the other hand, by virtue of the strong first half of 2005, EBIT showed a 137 per cent rise when the nine-month periods are compared, from EUR 582 thousand to EUR 1,378 thousand.

A positive financial result in the third quarter of 2005, prompted by the reduction in loan liabilities and a high level of cash, mean that the consolidated earnings have improved by 13 per cent on the prior-year quarter, to EUR 467 thousand. For the nine-month period, the consolidated earnings were virtually doubled from EUR 513 thousand to EUR 1,007 thousand. The diluted earnings per share rose by one cent to EUR 0.08

2.4 Cash flow

As a result of the order for the first 1,000 terminals and accompanying peripherals for the Direct Lotto project, investment spending on fixed assets rose significantly in the third quarter and totalled EUR 2.6 million. As a result of the positive cash flow of EUR 960 thousand from operating activities, the overall effective adjustment in cash and cash equivalents in the third quarter was EUR –1.6 million.

Cash and cash equivalents totalled EUR 28.2 million at September 30, 2005, including EUR 1.9 million in betting stakes still to be passed on.

2.5 Shareholders' equity

The shareholders' equity of FLUXX AG has risen to EUR 46.7 million as a result of the net profit for the period and the increase in issued capital as a result of the conversion of bonds. The equity ratio has edged up from 87 to 88 per cent since June 30, 2005.

2.6 Liabilities

The non-current liabilities at September 30, 2005 totalled EUR 2.5 million and were therefore some EUR 3.3 million down on the figure at the reporting date of December 31, 2004. The current liabilities were cut by around EUR 2.7 million to EUR 3.85 million.

3. Significant risks to future development

Market researchers expect the gaming market in Germany and Europe to enjoy continued growth, and forecast disproportionately high rates of increase particularly for the online gaming market. Despite these positive market conditions, FLUXX is exposed to a large number of risks. The barriers to market entry in this young, rapidly expanding market are fundamentally low, as a result of which FLUXX has to face up to competition from an array of other companies in at least certain subsidiary areas. FLUXX therefore has to contend with a number of potential and actual competitors. The field of competitors can be divided into three categories:

1. **Direct competitors:**
   providers of online games such as Tipp24 AG, BETandWIN.com Interactive Entertainment AG and Sportwetten.de AG, which offer largely substitutive products and from which FLUXX differentiates itself through its online gaming products on jaxx.de, with a more extensive range of products, and through the successful B2B model.

2. **Complementary providers:**
   domestic and foreign companies that are active in both the online and offline gaming market and offer basically complementary products such as sports betting or casinos; they both tie up purchasing power in the leisure market and could enter into direct competition with FLUXX by launching new products.

3. **Lottery companies and other providers**
   of state-licensed gaming which are in direct competition through their own online solutions and offline sales.

At present, no tendency among complementary providers to position themselves in the core area of activity of the FLUXX Group has been observed. As a result of FLUXX's good customer relations and process expertise, the barriers to entry in this domain are high.

The overall competitive situation for the FLUXX Group is positive, and competition is helping to develop the market more rapidly. The presence of competitors nevertheless harbours significant risks. The market is becoming less transparent, the probability of losing particularly new customers to competitors is rising, and there is consequently the risk that the relative market share will fall. Meanwhile the costs of marketing and conducting competitor analyses are rising.

As a systems supplier of special software for handling lotteries and betting, FLUXX is in competition with companies such as Lotto Bayern which manage the internet presence of individual lottery companies. FLUXX's advantage is based on the compactness of the group and its resulting flexibility.

In view of the high proportion of fixed costs, FLUXX has limited scope for responding to fluctuations in capacity utilisation and employment, and in this respect is exposed to risks from a downturn in business. At the same time, the group requires a relatively high critical mass of customers in order to cover its fixed costs, though it can scale up to an almost unlimited degree. The continuing success of the FLUXX Group depends on further growth and the acquisition of new customers in both the B2B and B2C segments, as well as on consolidating existing customer relations.

Defending our advantage as first mover, together with our superior development know-how and skills, remains a key priority. Success here depends substantially on the extent to which FLUXX is able to identify market trends and customer requirements early on, and implement them. FLUXX has no influence over the product developments of competitors, which could cancel out FLUXX's existing lead. There is fundamentally a risk of FLUXX losing its market status. There is moreover no guarantee that the previous high level of acceptance among customers will hold up.

The FLUXX Group intends to expand the Direct Lotto sales system gradually nationwide, in coordination with the regional lottery companies. The possibility cannot be excluded that individual lottery companies will build up their own sales network of lottery products based on the Direct Lotto system and/or will attempt to hinder the expansion of the Direct Lotto sales network of the FLUXX Group. Nor can the possibility be excluded that individual lottery companies will refuse to cooperate with the company, which could likewise have a negative impact on the project's prospects of success. The company is working on the assumption that the lottery companies are obliged to accept the betting stakes generated by FLUXX on account of their monopolistic market position and the provisions of the State Treaty on lotteries from June 2004.

It is furthermore not currently foreseeable what market reception Direct Lotto products can expect from consumers in the long run. It has been agreed with all partners in this venture to expand the sales network gradually and to provide scope for terminating agreements in the event of the product not developing as intended, with the result that the investment volume will likewise increase only gradually. It is nevertheless possible that the company's capital expenditure on the development of Direct Lotto and the expansion of the sales network will not prove worth while due to insufficient acceptance by consumers. In particular, the consumer habits of lottery players which have acquired an established pattern over decades result in high loyalty among customers to the state lottery agencies and may consequently hamper the establishment of new offline sales structures by the FLUXX Group.

In order to expand the sales network on a large scale, the company is moreover dependent on cooperation with further partners with a suitable network of branches. The FLUXX Group is currently in negotiations with further venture partners which could potentially be suitable. It is not currently possible to predict whether the company will be able to conclude further partnership agreements. It is therefore possible that the company's expectations regarding the expansion of the Direct Lotto network may not be fulfilled.

Nor can the possibility be excluded that the company will come up against legal obstacles in individual federal states to its plans to spread the Direct Lotto sales network throughout the entire Federal Republic of Germany, and that this expansion will consequently be delayed or permanently prevented. On the basis of the authorising provision in Section 15 of the State Treaty on lotteries, certain federal states have already passed implementing statutes which could hinder or restrict the sale of Direct Lotto in those federal states in respect of the offering of games to block promoters of another federal state. The implementing statutes to some extent envisage duties of notification on the part of the commercial games promoter. To some extent they also specify or permit stipulations on which block companies may be served (exclusively) by the handling agent. The company believes that such regulations imply a legal entitlement to access to the central system of the lottery company in the individual federal states. The development of a sales network for Direct Lotto via over-the-counter agencies in retail outlets could nevertheless be hindered or delayed in certain federal states.

Finally, it is not foreseeable how the company's competitors will react to the new product. It is possible that individual competitors will develop their own over-the-counter Direct Lotto system and establish a separate sales network, which will enter into competition with the Direct Lotto product of the FLUXX Group and therefore lead to the company's expectations not being fulfilled.

FLUXX generates a large portion of revenue from ongoing operation and hosting and therefore from continuous streams of royalties, and also to a lesser extent from the sale of technology licences and the resulting granting of rights of use. The sale of a licence is entered in the books at the time the right is granted, i.e. the software made available, and a profit thus realised. Deficiencies in the software and in the hosting service provided could result in recourse and in a price reduction or the cancellation of purchase contracts, and thus harbour a future risk of losses.

There furthermore exists a general risk in connection with the further development and use of the internet. Technical bottlenecks due to the unstinting high growth in its use, temporary restrictions as a result of attacks and attempts to hack in and the growing complexity of the software could restrict use despite the fact that data transfer concepts are becoming increasingly efficient.

The frequently unclear and internationally inconsistent legal position on the internet and competition is as much a source of risks as the possibility of state controls. This too could affect the future success of FLUXX.

The continuing liberalisation of the European gaming market opens up opportunities for a large number of foreign betting providers to make their platforms also accessible across national boundaries to German users. Although the jurisdiction on the processing of betting from abroad is not yet clear, a trend towards a gradual opening of the market has been observed. Apart from the state sports betting system ODDSET and horse betting, FLUXX is not yet involved in any sports betting products which could enter into competition with the products of foreign bookmakers.

As a result of its controlling interest in the company DigiDis S.L., FLUXX now for the first time has a presence in the Spanish market. It is not currently foreseeable whether the scheduled transfer of the B2B business model will in fact be accepted by Spanish market operators and therefore yield a lasting source of revenue to offset the investment. However, as the step-by-step investment has been made dependent on the attainment of certain milestones, the economic risk is moderate.

It is a matter of key importance that the management remains able to identify risks to future development promptly in the future, and implement effective countermeasures. The risk management system set up for this purpose is a central aspect of obtaining early warning of risks and developments which pose a threat to the existence of the FLUXX group. Risk management takes the form of a score card. Potential risks are registered and analysed with the aid of key data and reports from all sections of the company, which are prepared on a monthly basis. In addition to predefined risk categories, the reporting corporate units bear a high degree of individual responsibility for registering potential new risks on their own initiative, and independently of central guidelines.

4. Events of particular significance occurring after the balance sheet date

No events of particular significance occurred after the balance sheet date.

5. Future developments and opportunities

The Management Board stands by its forecast of revenue growth of around 30 per cent for the year as a whole. The fourth quarter, which traditionally delivers the highest sales figure for the year, will nevertheless also feature higher start-up costs for the Direct Lotto project and the entry into the Spanish market.

Via its partnerships with various retailing companies, FLUXX has already signed up some 1,000 outlets that will now be gradually equipped with lottery terminals. The first terminals are due to be delivered and installed in the course of the fourth quarter. The priority will be to install the hardware first at supermarkets and filling stations, which achieved the highest traffic per terminal in the test phase. Promotional and marketing measures at the point of sale will then flank the launch of the JAXX Lottery Service in order to boost the traffic per terminal. Further highly promising negotiations with potential new venture partners that have signalled considerable interest in the Direct Lotto system are currently in progress.

In Spain, there are plans to launch a venture for online sales of tickets for the "El Gordo" Christmas lottery before the end of November. The corresponding agreements with a sales partner are still being negotiated. However, the Management Board does not yet expect that the sales generated via this channel will cover the operating costs for the current year.

Independently of the national legal framework in Germany, where FLUXX continues to place the emphasis of its activities on the arranging of state-licensed gaming, FLUXX is preparing to introduce its own range of sports betting products. On the basis of its European licences, the FLUXX Group is planning to participate in the rapidly growing market for online sports betting, initially outside Germany. The software platform has now reached a level of market maturity that will permit the launching of this range before the end of the fourth quarter of 2005. Here again, the Management Board does not expect this line of activity to produce any significant levels of sales and earnings during the current financial year.

Altenholz, November 9, 2005

Rainer Jacken Mathias Dahms Stefan Hänel

Consolidated Balance Sheet at September 30, 2005

ASSETS	Note	30/09/2005 T€	31/12/2004 T€
A. Non-Current Assets		**22,963**	**20,874**
I. Intangible assets	**5.1.1**	**8,048**	**7,755**
1. Goodwill		5,943	5,943
2. Other intangible assets		2,105	1,812
II. Property, plant and equipment	**5.1.1**	**3,238**	**1,527**
1. Land and buildings		1,022	1,040
2. Other plant and equipment		933	487
3. Anzahlungen		1,283	0
III. Financial assets	**5.1.1**	**6**	**6**
Investments		6	6
IV. Deferred taxes	**5.1.1**	**11,671**	**11,586**
B. Current Assets		**30,102**	**8,718**
I. Receivables and other assets	**5.1.2**	**1,812**	**935**
1. Trade accounts receivable		923	307
2. Receivable from investments		0	96
3. Miscellaneous assets		889	532
II. Cash on hands, cash in banks	**5.1.2**	**28,213**	**7,756**
of which freely available (net cash)		26,158	5,073
III. Prepaid expenses	**5.1.2**	**77**	**27**
Total Assets		**53,065**	**29,592**

Consolidated Balance Sheet at September 30, 2005

SHAREHOLDER'S EQUITY AND LIABILITIES	Note	30/09/2005 T€	31/12/2004 T€
A. Shareholder's equity		**46,754**	**17,230**
I. Share capital	5.2.1	14,521	9,409
II. Additional paid-in capital	5.2.1	52,005	28,600
III. Loss carry-forward	5.2.1	–20,779	–21,690
IV. Net profit for the period	5.2.1	1,007	911
B. Minority interests	**5.2.2**	**5**	**5**
C. Non-current liabilities		**2,455**	**5,799**
1. Tax accrual	5.2.3	300	156
2. Bonds	5.2.3	91	3,534
3. Due to banks	5.2.3	2,064	2,109
D. Current liabilities		**3,851**	**6,558**
1. Due to banks	5.2.4	30	6
2. Trade accounts payable	5.2.4	1,415	2,193
3. Other liabilities	5.2.4	1,393	3,152
4. Other accruals	5.2.4	1,013	1,013
5. Deferred income	5.2.4	0	194
Total shareholder's equity and liabilities		**53,065**	**29,592**

Consolidated Income Statements for the period January 1 to September 30, 2005

	Note	30/09/2005 T€	30/09/2004 T€
Gross sales		77,087	63,699
Betting stakes		60,577	51,247
1. Sales	**5.3.1**	**16,510**	**12,452**
2. Production for own assets capitalised	5.3.2	238	145
3. Other operating income	5.3.3	288	353
4. Cost of purchased materials	5.3.4	429	646
a) Raw material and consumables used		71	130
b) Cost of purchased services		358	516
5. Personnel expenses	5.3.5	4,278	3,800
a) Salaries		3,675	3,260
b) Social insurance		603	540
6. Depreciation and amortisation on intangible assets and on property, plant and equipment	5.3.6	2,974	699
7. Other operating expenses	5.3.7	7,977	7,223
Result from operating activities		**1,378**	**582**
8. Other interest and similar income	5.3.8	171	37
9. Interest and similar expenses	5.3.10	148	305
Finance result		**23**	**–268**
10. Result from ordinary activities	**5.3.11**	**1,401**	**314**
11. Income tax	5.3.12	–395	200
12. Other tax	5.3.13	1	–1
13. Net profit for the period	**5.3.14**	**1,007**	**513**
14. Loss carry-forward from previous year		–20,779	–21,690
15. Accounting loss		–19,772	–21,591
16. Earnings per share			
Basic earnings per share (€)		0.09	0.07
Diluted earnings per share (€)		0.08	0.07

Consolidated Income Statements for the period July 1 to September 30, 2005

	Note	Q3 2005 T€	Q3 2004 T€	Q2 2005 T€	Q1 2005 T€
Gross Sales		25,005	22,155	26,791	25,291
Betting stakes		19,693	17,881	20,819	20,065
1. Sales	**5.3.1**	**5,312**	**4,274**	**5,972**	**5,226**
2. Production for own assets capitalised	5.3.2	91	55	89	58
3. Other operating income	5.3.3	26	31	163	99
4. Cost of purchased materials	5.3.4	156	267	131	142
a) Raw material and consumables used		54	17	10	7
b) Cost of purchased services		102	250	121	135
5. Personnel expenses	5.3.5	1,435	1,233	1,426	1,417
a) Salaries		1,238	1,053	1,225	1,212
b) Social insurance		197	180	201	205
6. Depreciation and amortisation on intangible assets and on property, plant and equipment	5.3.6	1,012	291	1,032	930
7. Other operating expenses	5.3.7	2,398	2,067	3,102	2,477
Result from operating activities		**428**	**502**	**533**	**417**
8. Other interest and similar income	5.3.8	143	17	14	14
9. Interest and similar expenses	5.3.10	37	59	45	66
Finance result		**106**	**–42**	**–31**	**–52**
10. Result from ordinary activities	**5.3.11**	**534**	**460**	**502**	**365**
11. Income tax	5.3.12	–67	–43	–324	–4
12. Other tax	5.3.13	0	–3	0	1
13. Net profit for the period	**5.3.14**	**467**	**414**	**178**	**362**
14. Loss carry-forward from previous year		–20,239	–22,218	–20,417	–20,779
15. Accounting loss		–19,772	–21,804	–20,239	–20,417
16. Earnings per share					
Basic earnings per share (€)		0.034	0.020	0.015	0.036
Diluted earnings per share (€)		0.030	0.020	0.018	0.033

Cash Flow Statement for the period January 1 to September 30, 2005

	30/09/2005 T€	30/09/2004 T€
• Net profit for the period before extraordinary expenses	1,007	513
• Depreciation on fixed assets	2,974	699
• Amortisation and write-down on financial assets and marketable securities	0	0
• Increase/decrease in long-term accruals	144	52
• Finance income	–171	–37
• Interest expense	148	305
• Other non-cash expenses and income/deferred taxes	110	–436
• Profit/loss from the disposal of fixed assets	0	22
Cash flow before changes to working capital	**4,212**	**1,118**
• Change in receivables and other assets	–926	825
• Change in liabilities and other items on the shareholders' equity and liabilities side	–2,731	–472
• Increase/decrease in short-term accruals	0	30
Cash flow from operating activities	**555**	**1,501**
• Extraordinary expenses	0	0
• Interest paid	–98	–296
• Income taxes paid	0	0
Cash flow from operating activities	**457**	**1,205**
• Cash receipts from disposals of fixed assets	0	2
• Cash payments for investments in fixed assets	–4,740	–922
• Acquisition of investments and other financial assets	0	0
• Interest received	106	37
Cash flow from investing activities	**–4,634**	**–883**
• Cash receipts from capital increases	3,238	543
• Other cash receipts for capital	21,417	825
• Cash receipts/payments from the issue of bonds and from the raising of loans	24	7,200
• Repayments of bonds and loans	–45	–6,388
Cash flow from financing activities	**24,634**	**2,180**
Overall effective adjustment	**20,457**	**2,502**
• Cash and cash equivalents at the start of the period	7,756	3,059
Cash and cash equivalents at the end of the period	**28,213**	**5,561**
• Progression from cash and cash equivalents to net cash position	28,213	5,561
• Betting stakes passed on	1,866	1,247
• Securities provided	189	240
Net cash position	**26,158**	**4,074**

Cash Flow Statement for the period July 1 to September 30, 2005

	Q3 2005 T€	Q3 2004 T€	Q2 2005 T€	Q1 2005 T€
• Net profit for the period before extraordinary expenses	467	416	178	362
• Depreciation on fixed assets	1,012	291	1,032	930
• Amortisation and write-down on financial assets and marketable securities	0	0	0	0
• Increase/decrease in long-term accruals	54	23	80	10
• Finance income	–143	–17	–14	–14
• Interest expense	37	59	45	66
• Other non-cash expenses and income/deferred taxes	–7	–58	162	–45
• Profit/loss from the disposal of fixed assets	0	0	0	0
Cash flow before changes to working capital	**1,420**	**714**	**1,483**	**1,309**
• Change in receivables and other assets	107	–18	–966	–67
• Change in liabilities and other items on the shareholders' equity and liabilities side	–724	–288	–1,169	–838
• Increase/decrease in short-term accruals	157	145	–139	–18
Cash flow from operating activities	**960**	**553**	**–791**	**386**
• Extraordinary expenses	0	0	0	0
• Interest paid	–33	–132	–32	–33
• Interest taxes paid	0	–1	0	0
Cash flow from operating activities	**927**	**420**	**–823**	**353**
• Cash receipts from disposals of fixed assets	0	1	0	0
• Cash payments for investments in fixed assets	–2,585	–618	–1,570	–585
• Acquisition of investments and other financial assets	0	0	0	0
• Interest received	78	17	14	14
Cash flow from investing activities	**–2,507**	**–600**	**–1,556**	**–571**
• Cash receipts from capital increases	0	0	3,238	0
• Other cash receipts for capital	0	0	21,417	0
• Cash receipts/payments from the issue of bonds and from the raising of loans	24	7,200	0	0
• Repayments of bonds and loans	–6	–21	–15	–24
Cash flow from financing activities	**18**	**7,179**	**24,640**	**–24**
Overall effective adjustment	**1,562**	**6,999**	**22,261**	**–242**
• Cash and cash equivalents at the start of the period	0	0	0	7,756
Cash and cash equivalents at the end of the period	**–1,562**	**681**	**22,261**	**7,512**
• Progression from financial resources to net cash position	–1,562	681	22,261	7,514
• Betting stakes passed on	622	111	–1,484	2,728
• Securities provided	0	65	0	189
Netto cash position	**–2,184**	**505**	**23,745**	**4,597**

Development in Capital Accounts for the period January 1, 2004 to September 30, 2005

T€	Share capital	Additional paid-in capital	Accounting loss	**Total**	Bonds convertible
Position at December 31, 2003	5,915	22,289	–21,690	**6,514**	
Capital increase for DSM takeover	1,660	3,121		**4,781**	
From employee stock options	5			**5**	
Capital increase for cash	538	860		**1,398**	
Costs of raising equity		–35		**–35**	
Earnings for 1st half of 2004			99	**99**	
Position at June 30, 2004	8,118	26,235	–21,591	**12,762**	
Issue of convertible bond		1,397		**1,397**	5,803
Conversion of bond at August 20, 2004	309	253		**562**	–562
Conversion of bond at November 20, 2004	982	825		**1,807**	–1,807
Costs of raising equity		–110		**–110**	
Interest on bond					100
Earnings for 2nd half of 2004			812	**812**	
Position at December 31, 2004	9,409	28,600	–20,779	**17,230**	3,534
Conversion of bond at February 20, 2005	1,228	1,060		**2,288**	–2,288
Interest on bond					30
Premiums earned from employee stock options		26		**26**	
Result for 1st quarter of 2005			362	**362**	
Position at March 31, 2005	10,637	29,686	–20,417	**19,906**	1,276
Conversion of bond at May 20, 2005	570	505		**1,075**	–1,075
Interest on bond					9
Premiums earned from employee stock options		8		**8**	
From employee stock options	28	49		**77**	
Capital increase for cash	3,210	22,245		**25,455**	
Costs of raising equity		–544		**–544**	
Result for 2nd quarter of 2005			178	**178**	
Position at June 30, 2005	14,445	51,959	–20,239	**46,155**	210
Conversion of bond at August 20, 2005	64	58		**122**	–122
Dilution compensation for bond	12	–12		**0**	
Interest on bond					2
Premiums earned from employee stock options		10		**10**	
Result for 3rd quarter 2005			467	**467**	
Position at September 30, 2005	14,521	52,005	–19,772	**46,754**	90

FLUXX AG
Consolidated Financial Statements at September 30, 2005 (IFRS)

FLUXX AG, with registered office in Altenholz, on the Commercial Register of the Local Court of Kiel under Entry No. 5038 KI. is a leading agent for licensed gaming, currently focusing on the German market. It handles in essence the products of the German lottery and pools organisation, and arranges and also acts as agent principally for horse betting on the basis of existing bookmaking and sports betting licences. Along with its entry into the Spanish market through the acquisition of a majority interest in a Spanish company, FLUXX AG will place its business model on a broader European footing. On the basis of the products and solutions developed and offered, FLUXX is in a position to be able to arrange any form of licensed gaming, along a variety of sales channels, between the consumer and the state-owned lotteries and betting providers, and also to accept bets in its own right.

In addition to the self-marketed services jaxx.de, jaxxhorses.de, interjockey.com and Telewette.de, FLUXX makes its products and services available to other companies and organisations with extensive customer contacts. The latter include the Internet portal freenet.de, the online services WEB.DE, AOL and Lycos the lottery companies Nordwest-Lotto Schleswig-Holstein, Lotto Brandenburg and Lotto Mecklenburg-Vorpommern.

1. General principles

The Consolidated Financial Statements of FLUXX AG at September 30, 2005 are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB).

Pursuant to Section 315a of German Commercial Code, it is not necessary to prepare separate consolidated financial statements or a group management report in accordance with the requirements of German Commercial Code.

The application of the following International Accounting Standards results in discrepancies with the result for the period in the German Commercial Code accounts:

IFRS 2/ IAS 19:	Measurement of employee stock options
IFRS 3:	Business combinations
IAS 12:	Recognition of deferred tax according to the balance-sheet oriented liability method; recognition of deferred tax assets from deferred tax loss carry-forwards
IAS 22:	Business combinations, in particular IAS 22.25, capitalisation of incidental acquisition costs for the acquisition of companies
IAS 38:	Capitalisation of self-created intangible assets, capitalisation of intangible assets
IAS 32/39:	Measurement of financial instruments and liabilities

No differences compared with the German Commercial Code accounts currently arise from the application of the remaining standards.

Following its application for the first time in the quarterly accounts at March 31, 2005, IFRS 2 is likewise applied in these accounts. This standard specifies, among other things, that stock options issued to employees are to be measured at their fair value and recognised as an expense as a component of remuneration in return for the employees' services. The balancing entry is made under shareholders' equity, which it increases as a consequence. Detailed information on the FLUXX options scheme and on the approach is provided in section 6.8.

IFRS 3 was applied for the first time in 2004 in the determination and amortisation of the goodwill from the takeover on April 1, 2004 of 100 per cent of the shares of DSM Lottoservice GmbH. The requirement prohibits the amortisation of goodwill for company acquisitions completed after March 31, 2004. Instead, the value of the company is to be subjected to an impairment test and an adjustment in the valuation with an effect on income only made in the event of lasting impairment. From January 1, 2005, IFRS 3 is also to be applied to all existing business combinations. There is consequently no longer any goodwill amortisation in these financial statements.

In connection with the recognition and measurement of the convertible bond issued, the application of IAS 32 and IAS 39 results in differences both in the value shown in the balance sheet, as the convertible bond is divided into an equity capital and a borrowed capital portion, and in the earnings, as the non-interest-bearing borrowed capital portion is discounted and the resulting purely imputed interest is shown in the Consolidated Income Statements as an expense.

In respect of the assessment of prior-year comparative data, it should be noted that DSM Lottoservice GmbH, which was not consolidated until April 1, 2004, is only included for six of the first nine months of 2004. The business figures for DSM Lottoservice GmbH are included in full in the 2005 reporting period. Because of this, the scope for comparison between the periods is limited.

2. Consolidated companies

The Consolidated Financial Statements include five domestic and two foreign companies in which FLUXX AG directly or indirectly holds a majority of voting rights.

By resolution of the Management Board and Supervisory Board, 100 per cent of the shares of DSM Lottoservice GmbH were acquired in March 2004, with an effect on the consolidated companies from April 1, 2004. The acquisition took place by way of a capital increase for contribution in kind. The capital increase was entered in the Commercial Register on May 3, 2004. DSM Lottoservice GmbH in turn established a subsidiary in Austria in April 2005 in order to access new markets.

SUMMARY OF INVESTMENTS	**Registered office**	**Nominal capital T€**	**Proportionate interest %**
Parent company			
FLUXX AG	Altenholz	14,521	–
Direct investments			
ANYBET GmbH	Kiel	110	100.00
JAXX GmbH	Hamburg	110	100.00
DSM Lottoservice GmbH	Hamburg	30	100.00
Mittelbare Beteiligungen			
book + data Software-Entwicklung GmbH	Kiel	25	100.00
fluxx.com Telewette GmbH	Hamburg	51	80.00
interjockey.com horsebet GmbH	Lustenau/ Austria	400	85.46
DSM Lottoservice GmbH	Lustenau	35	100.00

3. Consolidation principles

The consolidation of capital is performed pursuant to IAS 22.32 in accordance with benchmark treatment (carrying at proportionate revalued amounts), taking account of IAS 22.12, reverse acquisition, in respect of the transfer of the parent companies of FLUXX AG in 1998. In accordance with benchmark treatment, the carrying values of investments are netted against the proportionate revalued equity of the subsidiaries at the time of their acquisition. Assets and liabilities are recognised at their fair values. Goodwill resulting from any remaining differences in value is recognised and no longer amortised from January 1, 2005 in accordance with the specifications of IFRS 3. Goodwill is assessed regularly for impairment and revalued where necessary.

There are currently no differences compared with application of the carrying amount method as a result of unidentifiable hidden reserves or charges from the assets and liabilities.

Intermediate gains or losses, sales, expenditure and earnings, together with receivables and liabilities between the consolidated companies, have been eliminated.

Income tax effects of consolidation entries recognised in the Income Statement are taken into account and deferred taxes recognised.

4. Principles of recognition and measurement

Uniform principles of recognition and measurement were used in the preparation of the individual financial statements at the date of the Consolidated Financial Statements for the subsidiaries included in the Consolidated Financial Statements.

Intangible assets

Under IFRS 3, the derivative goodwill resulting from the acquisition of subsidiaries is no longer amortised, but instead regularly subjected to an impairment test. There is currently no need for an adjustment in its value. Other purchased intangible assets are measured at cost of purchase, and self-created intangible assets at cost of construction, in each case less amortisation according to the straight-line method. The useful life is taken to be three to four years.

As a result of the acquisition of DSM Lottoservice GmbH and the resulting substantial expansion in the level of contracts for syndicate business at DSM Lottoservice GmbH, the acquisition costs of these contracts are capitalised pursuant to IAS 38. These contracts increasingly include the generating of addresses. The average useful economic life of these contracts, including address data, based on the current contractual terms of 3-36 months is taken as the basis for the amortisation period. Including a deduction as a precautionary measure, the amortisation period thus determined is 6 months.

Self-created software to the value of EUR 238 thousand was capitalised in the period under review, and will be amortised over a useful life of four years. No borrowing costs were to be capitalised. Pursuant to IAS 23, these costs will be recognised as an expense in the period in which they have occurred and reported in the Income Statement under interest expense.

The value of intangible assets, and in particular of goodwill, is regularly examined in accordance with IAS 36 and an appropriate impairment loss applied where necessary. No impairment losses were applied in the reporting period.

We refer to the notes in Section 5.1.1. with regard to the composition of self-created software.

Property, plant and equipment

Property, plant and equipment are measured at acquisition cost, less depreciation. Buildings are depreciated according to the straight-line method over a useful life of 50 years. Movable assets are always depreciated by the straight-line method; the useful life in the case of leasehold improvements is based on the term of the tenancy agreements; for other assets, fixtures and fittings, the useful life is between three and fifteen years. Property, plant and equipment that has been depreciated in full is reported under acquisition cost and cumulative depreciation until the assets in question are taken out of service. The acquisition costs and accumulated depreciation are deducted in the case of the disposal of assets, and results from the disposal of assets are shown in the Income Statement.

Where the value of assets determined in accordance with the above principles is above or below their fair value at the reporting date, this is taken into account by means of write-downs or write-ups pursuant to IAS 36. The fair value is determined from the market value or – if higher – the present value of the estimated future cash flows from the use of the asset.

Finacial assets

Financial assets are recognised on the basis of IAS 39 (Financial Instruments) unless other standards specify different treatment. Assets available for sale are consequently measured at fair value. The company's financial assets are to be categorised as available for sale even if short-term realisation does not appear to be possible. There exist no interest rate risks.

Deferred taxes

Pursuant to IAS 12, deferred tax assets on loss carry-forwards that can probably be utilised in the future are capitalised. Deferred tax expenses for temporary differences from the capitalisation and amortisation of self-created intangible assets are created.

A total rate of corporation and trade tax of 38 per cent (Austria 25 per cent), based on the current tax rates, has been used as a basis for calculating the future level of tax relief. We moreover refer to the explanatory remarks in Section 5.1.1.

Current assets

The receivables and other assets are measured at their fair value or at amortised cost (= cost of purchase, generally the original invoiced amount or the balance of a loan) according to IAS 39. Discernible individual risks are taken into account by means of individual valuation allowances; a general credit risk is likewise taken into account. All current assets are to be classified as available-for-sale financial assets or as loans and receivables originated by the company.

Prepaid expenses resulting from payments which were made for expenses incurred in the subsequent periods are likewise reported under current assets. There exist no interest rate risks.

Accrued expenses

Accrued expenses are measured according to IAS 37 by the best possible estimate of the extent of the obligation. They are formed for an obligation towards a third party arising from a past occurrence that will lead to an outflow of funds in the future and where it is possible to estimate the level of this financial burden reliably. The valuations are continually checked and the accrued expenses regularly adjusted.

Contingent liabilities and other financial obligations

A summary of the contingent liabilities and other financial obligations at September 30, 2005 is provided in Section 6 "Further notes".

Realisation of expenses and revenues

Expenses and revenues for the period under review are recognised upon realisation, irrespective of payment. Proceeds from the sale of services are realised once the service due has been rendered.

Leasing

The lease agreements concluded by the company consist exclusively of operating lease agreements. Obligations resulting from these are shown in the Income Statement as expense, pursuant to IAS 28.25.

Details of the expenditure arising in subsequent periods are provided in Section 5.3.7.

Events occurring after the balance sheet date

There were no disclosable events occurring after September 30, 2005, as defined in IAS 10.

5. Notes to the items in the Consolidated Balance Sheet and Consolidated Income Statement

5.1. Consolidated balance Sheet

5.1.1. Non-current assets

Intangible assets

The intangible assets totalling EUR 8,048 thousand include primary, derivatively acquired and self-created assets. In addition to goodwill totalling EUR 5,943 thousand, which was unchanged since December 31, 2004, software and licence purchases and other purchased intangible assets totalling EUR 1,601 thousand, this item includes capitalised internally produced software to the total value of EUR 504 thousand. Despite the high level of amortisation, other intangible assets remain largely at the level of December 31, 2004 and have risen slightly compared with the figure at June 30, 2005. This valuation results largely from the capitalisation of the syndicate contracts including address data acquired by DSM Lottoservice GmbH amounting to EUR 1,139 thousand.

The software and licence purchases and other purchased intangible assets are generally amortised by the straight-line method over a useful life of three years. The syndicate contracts, which have an economic term of 3-36 months, are amortised over an average of 6 months.

The goodwill differences from the consolidation of capital of investments acquired were measured at amortised cost at December 31, 2004. The useful life of these intangible assets was assumed to be five to six years. Linear amortisation in line with their useful life was performed up to and including December 31, 2004.

The intangible assets capitalised as goodwill relate in the main to the investments in interjockey.com horsebet GmbH, any-bet.com GmbH (now merged with ANYBET GmbH) and fluxx.com Telewette GmbH.

A goodwill amount of EUR 1,447 thousand had already been written down in full for book + data Software-Entwicklung GmbH in the 2002 financial year.

From January 1, 2005, this goodwill will no longer be amortised, pursuant to IFRS 3. The goodwill resulting from the acquisition of DSM Lottoservice GmbH has not been amortised since its acquisition in April 2004, pursuant to IFRS 3. If it had been amortised, the volume of amortisation in the period under review would have totalled EUR 978 thousand.

The reconciliation of goodwill required in accordance with IAS 22 is given in the enclosed Assets Movement Schedule.

The capitalised self-created software consists of new and refined software packages that are amortised by the straight-line method over a useful life of four years.

Property, plant and equipment

The item Property, plant and equipment includes three parcels of real estate, together with the holiday apartments on them that are both rented out and used internally as business centres. The real estate and buildings were acquired in 1996 and measured at cost, less scheduled depreciation, based on a useful life of 50 years. A write-up was performed in 2002 to reverse the write-downs of the previous years. FLUXX still intends to dispose of the holiday apartments in the medium term. The selling process that has already been initiated via an estate agent and the market valuation confirm the values shown on the balance sheet. However, the general state of the economy and the unfavourable investment climate in Germany mean that a sale cannot be expected in the short term.

The largest single item under Property, plant and equipment is the payment on account for the order already placed for 1,000 lottery terminals. These terminals will be installed at retail chains and filling stations as part of the Direct Lotto project to pave the way for playing the lottery at the till or point of sale.

The high additions to other plant and equipment compared with other periods are the result of capital expenditure already made for Direct Lotto peripheral devices, to the tune of EUR 407 thousand.

The remaining property, plant and equipment components relate to hardware, office equipment and furnishings, and other fixtures and fittings. Hardware is depreciated by the straight-line method over a period of three to four years, and office equipment and furnishings and other fixtures and fittings are depreciated by the straight-line method over a useful life of between four and 10 years.

Further details of costs and depreciation are provided in the Assets Movement Schedule.

Financial assets

The financial assets continue to show investments in New Communication GmbH & Co. KG, Seepark Sellin AG and TRANSPARENT Design Management GmbH.

Consolidated Assets Movement Schedule

	COST				DEPRECIATION					
	Position at 01/01/2005 T€	**Additions T€**	**Disposals T€**	**Position at 30/09/2005 T€**	**Position at 01/01/2005 T€**	**Additions T€**	**Disposals T€**	**Position at 30/09/2005 T€**	**Carrying value 30/09/2005 T€**	**Carrying value 31/12/2004 T€**
I. Intangible assets										
1. Concessions, industrial property rights, licences, software	6,737	2,764	0	9,501	5,287	2,720	0	8,007	1,494	1,450
2. Goodwill	8,899	0	0	8,899	2,956	0	0	2,956	5,943	5,943
3. Payments on account	0	107	0	107	0	0	0	0	107	0
4. Self-created software	867	238	0	1,105	505	96	0	601	504	362
	16,503	**3,109**	**0**	**19,612**	**8,748**	**2,816**	**0**	**11,564**	**8,048**	**7,755**
II. Property, plant and equipment										
1. Real estate and buildings	1,327	0	0	1,327	287	18	0	305	1,022	1,040
2. Other plant, and equipment	2,539	586	0	3,125	2,052	140	0	2,192	933	487
3. Payments on account	0	1,283	0	1,283	0	0	0	0	1,283	0
III. Financial assets	**3,866**	**1,869**	**0**	**5,735**	**2,339**	**158**	**0**	**2,497**	**3,238**	**1,527**
1. Investments	6	0	0	6	0	0	0	0	6	6
	6	**0**	**0**	**6**	**0**	**0**	**0**	**0**	**6**	**6**
Total Consolidated Assets Movement	**20,375**	**4,978**	**0**	**25,353**	**11,087**	**2,974**	**0**	**14,061**	**11,292**	**9,288**

Deferred taxes

For purposes of the capitalisation of deferred taxes, an unchanged total rate of corporation and trade tax of 38 per cent in Germany and 25 per cent in Austria was used as the basis for calculating the future level of tax relief on the loss carry-forwards.

The tax rate of 38 per cent applied takes account of the 1999 Tax Adjustment Law and the October 2000 Tax Reduction Law, together with a tax rate for corporation tax of 25 per cent, a solidarity surcharge of 5.5 per cent and a municipal trade tax rate of 17 per cent at a municipal trade tax factor of 430 per cent. Deferred taxes totalling EUR 11,671 thousand were capitalised on the fiscal loss carry-forwards of EUR 30,103 thousand. Of this amount, a sum of EUR 85 thousand applies to the period from January 1 to September 30, 2005. These resulted from a correction to the valuation amounting to EUR –290 thousand following the reduction of the tax rate in Austria, and from an addition of EUR 375 thousand for tax losses by the subsidiaries in the first nine months of the financial year. The high addition results from the costs of the capital increase in June 2005, which substantially diminished the tax result of FLUXX AG. The costs of the capital increase were netted against shareholders' equity with no effect on income, in accordance with IFRS. The tax refund claim arising from this was correspondingly netted directly with the reserve via the deferred tax assets.

Despite the positive earnings situation of the group, it was therefore necessary to recognise additional deferred tax assets in the period under review. Taking into account the current plans and the higher losses of FLUXX AG as a result of the costs of the capital increase, manifested in the form of higher loss carry-forwards, it can therefore be expected that the deferred tax credit balances can largely be realised by 2008.

The tax effects on the temporary differences from capitalised self-created intangible assets and capitalised incidental acquisition costs for the acquisition of a subsidiary of EUR 210 thousand are shown separately under deferred tax liabilities.

We refer to Section 5.3.12 by way of supplementary information.

5.1.2. Current assets

Payments on account, receivables and other assets, prepaid expenses

The receivables and other assets are made up as follows:

RECEIVABLES AND OTHER ASSETS T€	**Total 30/09/2005**	Total 31/12/2004	**Term to maturity over 1 year**
1. Trade accounts receivable	**923**	307	**0**
2. Receivables from investments	**0**	96	**0**
3. Miscellaneous assets	**889**	532	**0**
	1,812	935	**0**

The other assets in addition include receivables from credit card players totalling EUR 32 thousand (previous year EUR 377 thousand). These relate to receivables from players who pay their stakes by credit card. The sharp fall compared with the previous year results from the prompt transfer of payments by credit card companies as at the end of September 2005.

The rise in trade accounts receivable since December 31, 2004 results from accounts outstanding for commissions and invoices for licences. The items in question had been settled to some extent at the time of preparing the accounts. No impairment losses affecting the Income Statement were applied.

Cash on hand, cash in banks

The cash on hand and cash in banks totalling EUR 28,213 thousand includes cash in banks of EUR 2,055 thousand which is not freely accessible due to the security rights of third parties. The freely available cash position amounted to EUR 26,158 thousand at September 30, 2005.

5.2. Shareholders’ equity and liabilities

5.2.1. Capital and reserves

Share capital

Following the further conversion of debentures from the convertible bond issued in summer 2004, the exercising of employee stock options and the implementation of a capital increase in June 2005, the share capital of FLUXX AG totals EUR 14,520,700 and is divided into the same number of individual share certificates with no par value.

We refer to the remarks in the Management Report with regard to the structure and composition of the capital stock.

Approved capital

The company had approved capital of EUR 5,317,612, as approved at the Shareholders' Meeting on May 3, 2005. The authorisation period was simultaneously extended to May 2, 2010. Following the partial utilisation of the approved capital, the Management Board is now authorised to increase the share capital on one or more occasions by up to a total of EUR 2,107,602, with the approval of the Supervisory Board, through the issue of new shares against contributions in cash or in kind. The Supervisory Board has approved an appropriate amendment to the articles of incorporation. The shareholders shall be granted a fundamental subscription right; the Management Board is, however, authorised to exclude the shareholders' right to subscribe to capital increases in certain circumstances, with the agreement of the Supervisory Board. The resolutions from the Shareholders' Meeting of May 3, 2005 were entered in the Commercial Register on June 6, 2005.

Authorised but unissued capital

Convertible bonds

The Shareholders' Meeting of May 12, 2004 resolved to increase the authorised but unissued capital stock by an amount of up to EUR 3,200,000. The Management Board was authorised, with the agreement of the Supervisory Board, to equip convertible bonds with conversion rights on one or more occasions up until December 31, 2008, entitling the acquirer to purchase shares in the company. The conversion rights may refer to shares in the company with a mathematical nominal value of up to EUR 3,200,000.

The issue price payable for a new individual share certificate shall be at least 66 per cent of the average market price of the shares – the closing price in the electronic share dealing system XETRA – on the 10 trading days prior to the day of the resolution by the Management Board on the issue of the convertible bonds, but no less than EUR 1.00. The authorised but unissued capital shall only be increased to the extent that the bearers of convertible bonds exercise their rights to convert them into shares. A convertible bond, divided into 3,200,000 debentures, was successfully placed at a price of EUR 2.25 per debenture in July 2004, with the right to convert each debenture into a share with a par value of one euro. As a result of the exchanging of a total of 3,153,295 convertible bonds in 2004 and 2005 into 3,153,295 bearer individual share certificates, the authorised but unissued capital now totals EUR 46,705 (authorised but unissued capital 2004/I).

Finally, the share capital of the company has been increased by an authorised but unissued amount of EUR 4,100,000.00. The conditional capital increase will only be implemented to the extent that bearers of the debentures issued by the company pursuant to the authorisation resolved under agenda item 7 of the Shareholders' Meeting on May 3, 2005 exercise their right to convert them into new shares. The new shares shall bear profit entitlements from the start of the financial year in which they are created through the exercising of conversion rights.

The Management Board is, with the agreement of the Supervisory Board, authorised to determine the further details of the conditional capital increase and its implementation. The Supervisory Board is authorised to amend Section 4 of the Articles of Incorporation ("Capital Stock of the Company, Contributions in Kind") in accordance with how the authorised but unissued capital is drawn on.

The company has not yet made use of this authorisation. An action against the resolution on authorisation by the Shareholders' Meeting of May 3, 2005 is currently pending with the District Court of Kiel.

Supervisory Board members

In respect of the overall remuneration of the Supervisory Board members, we in addition refer to Section 6.6.

Employees

Pursuant to the resolution of the Ordinary Shareholders' Meeting of August 20, 1999, the Management Board was authorised to issue subscription rights on one or more occasions, with the agreement of the Supervisory Board, to employees of the company (including members of the Management Board) and of affiliated companies for a period of five years, bearing the entitlement to subscribe to shares with a total par value of EUR 240,000. The capital stock was raised by a corresponding authorised but unissued amount.

A subscription right entitles the bearer to acquire a share at a strike price equivalent to the price upon issue, or at EUR 3.85 in the case of subscription rights issued before the initial public offering.

Following the issue of pre-emptive shares in the 2005 financial year and the partial cancellation of the authorised but unissued capital, the latter now totals EUR 170,832 (authorised but unissued capital 1999/III).

The Ordinary Shareholders' Meeting on May 9, 2000 in addition increased the capital stock by a further authorised but unissued amount of EUR 210,000 to grant permission to issue subscription rights to the management and employees of the company and of affiliated companies. Following its partial cancellation, this authorised but unissued capital now totals EUR 32,120 (authorised but unissued capital 2000/I).

The capital stock was increased by a further authorised but unissued amount of EUR 55,800 at the Ordinary Shareholders' Meeting on May 3, 2001. This is to service the subscription rights of employees of the company and of its affiliated companies which were promised to these employees before the initial public offering and confirmed by the conclusion of stock option agreements dated January 31, 2000. Following the issue of subscription rights in the 2005 financial year and their partial cancellation, this authorised but unissued capital now totals EUR 22,474 (authorised but unissued capital 2001/I).

Finally, the Ordinary Shareholders' Meeting on May 3, 2005 increased the capital stock by a further authorised but unissued amount of EUR 307,897 to grant permission to issue subscription rights to the management and employees of the company and of affiliated companies (authorised but unissued capital 2005/I).

Accounting loss

The accounting loss is comprised as follows:

	30/09/2005 T€
Loss carry-forward at 01/01/05	–20,779
Net profit for the period	1,007
Accounting loss at 30/09/05	**–19,772**

5.2.2. Minority interests

Interests of minority shareholders in the share capital and the additional paid-in capital are reported here. There was no netting of shares in the result for the period, as the minority shareholders do not participate in the result.

5.2.3. Non-current liabilities

Tax accrual

The deferred taxes relate to the temporary differences from the capitalisation of self-created intangible assets and the resulting amortisation. Capitalisation initially improves the result in commercial/IFRS terms, but not fiscally in the period in which capitalisation takes place. A deferred tax expense is recognised on the difference. Amortisation in subsequent periods results in fiscally nondeductible expenses, and the commercial/IFRS result is consequently lower than the fiscal result and deferred tax accruals as a result of capitalisation are reversed again.

TAX ACCRUAL T€	Position at 01/01/2005	con-sumed	Re-versed	Allo-cated	Position at 30/09/2005
1. Income taxes	0	0	0	90	90
2. Deferred taxes	156	0	36	90	210
	156	**0**	**36**	**180**	**300**

Loans and bonds

LOANS AND BONDS T€	Total 30/09/2005	Total 31/12/2004	With a term to maturity of less than 1 year	1 - 5 years	> 5 years
1. Bonds	**91**	3,534	**0**	**91**	**0**
2. Due to banks	**2,064**	2,109	**52**	**2,012**	**0**
	2,155	5,643	**52**	**2,103**	**0**

Non-current loans

Amounts due to banks totalling EUR 1,058 thousand are secured by mortgages. According to IAS 1.63, the current portions of non-current loans are likewise reported under non-current liabilities. Interest not yet paid at the balance sheet date is reported under current liabilities, as other liabilities.

Bonds

The amounts shown under bonds relate to convertible bonds and to the portion of these debt instruments that is allocable to liabilities pursuant to IAS 32. The portion that is not allocable to liabilities is reported under the equity item of additional paid-in capital.

The successful issue of a convertible bond on the basis of a resolution by the Shareholders' Meeting of May 12, 2004 resulted in a cash inflow of EUR 7,200 thousand in the 2004 financial year. Pursuant to IAS 32, the convertible bond, which was issued interest-free as a zero-coupon bond, is to be broken down into an equity capital and a borrowed capital portion upon reporting for the first time. To this end, the countervalue of the bond is to be discounted at 5 per cent. The amount resulting from discounting totalling EUR 5,803 thousand was allocated to borrowed capital. Following the conversions already performed in 2004 and 2005, there remains a portion allocable to borrowed capital totalling EUR 91 thousand, which is reported under the item bonds, including imputed interest resulting from the measurement of the liability portion pursuant to IAS 39. This states that interest is to be calculated on liabilities granted interest-free, with the interest expense recognised as an expense in the Income Statement. At no time does the entry affect the cash flow.

The equity capital portion determined in the course of these measurements is reported under additional paid-in capital.

The subsequent conversions of the bond into shares in the company have been added to shareholders' equity accordingly.

5.2.4. Current liabilities

Other accruals

Other accruals are comprised as follows:

OTHER ACCRUALS T€	Position at 01/01/2005	Consumed	Reversed	Allocated	Position at 30/09/2005
1. Personnel cost	300	271	1	345	373
2. Suppliers in arrears	270	158	78	139	173
3. Costs of annual accounts and audit	61	51	4	44	50
4. jaxx points und bonus points	360	67	119	197	371
5. Litigation costs	12	11	1	20	20
6. Remuneration of Supervisory Board	10	10	0	26	26
	1,013	**568**	**203**	**771**	**1,013**

The accruals for personnel costs substantially comprise obligations for outstanding vacation leave, bonuses and industrial accident insurance contributions. The accruals for suppliers in arrears relate for example to marketing expenses not yet invoiced.

All accruals are short-term in nature, with a term of up to one year; no reimbursements are expected.

Current loans and liabilities, other liabilities

CURRENT LOANS AND LIABILITIES, OTHER LIABILITIES T€	Total 30/09/2005	Total 31/12/2004	With a term to maturity of less than 1 year	1 - 5 years	> 5 years
1. Due to banks	**30**	6	**30**	**0**	**0**
2. Trade accounts payable	**1,415**	2,193	**1,415**	**0**	**0**
3. Other liabilities	**1,393**	3,152	**1,393**	**0**	**0**
	2,838	5,351	**2,838**	**0**	**0**

Trade accounts payable

The trade accounts payable totalling EUR 1,415 have a term of up to one year (previous year EUR 2,193 thousand). They are secured to the customary extent by retention of title. The high level in the previous year stems largely from the high sales in December 2004 due to the size of the jackpot and the resulting sharp rise in commission payments to partners which had not yet been paid by the end of 2004, as well as from the higher volume of business in connection with the acquisition of DSM Lottoservice GmbH.

Other liabilities

Other liabilities are comprised as follows:

OTHER LIABILITIES	30/09/2005 T€	31/12/2004 T€
Liabilities from lottery players	904	2,790
Sales tax	251	93
Income tax and church tax	69	67
Social security contributions	111	103
Other	58	99
	1,393	**3,152**

The liabilities from lottery players include winnings not yet paid out to players and stakes that have not yet been passed on to the lottery companies. The high level at the end of the previous year is due to the relatively high jackpot in December 2004.

Deferred income

Under this item, the figure for the previous year shows pro rata sales for syndicate games already played but not billed until 2005. The billing of all amounts was up to date at September 2005.

5.3. Consolidated Income Statement

5.3.1. Sales

Sales include revenue from the handling of lottery and horse bets, as well as from sales of licences.

The commissions from the handling of lottery and horse bets are shown as sales once the state lotteries or racecourses have received the tickets or slips.

The sales generated by the sale of licences are reported as such once acceptance reports or other equivalent confirmations of acceptance have been received.

SALES	30/09/2005 T€	30/09/2004 T€
Commissions	5,321	4,923
Handling fees	9,608	5,539
Licence sales	230	7
Fees	477	499
Betting stakes	395	360
Revenue from call centres	0	123
Production output	118	812
Other	361	189
	16,510	**12,452**

The continuing high growth in the various platforms in the first nine months is reflected only to a disproportionately low extent in the revenue from commissions, in particular compared with 2004. This is because the lottery companies paid substantially higher commissions in the first half of 2004. The monopolistic organisation of the lottery companies within the context of the Regionalisation State Treaty since July 1, 2004 results in lower, uniform commissions for agents nationwide, with the result that revenue from commissions has risen more slowly despite the higher level of betting stakes.

On the other hand, handling revenues rose sharply as a result of customer growth and the integrated syndicate business of DSM Lottoservice GmbH. It should be noted in particular that the comparative figures for the previous year do not include DSM Lottoservice GmbH in full, as the company was not included in consolidation until April 1, 2004. The revenue from production output in connection with the administration of the syndicates and the revenue from call centre services have fallen, as these services are provided substantially for DSM Lottoservice GmbH and therefore now eliminated as intra-group transactions. The betting stakes comprise the revenue of Interjockey.

5.3.2. Production for own assets capitalised

Production for own assets capitalised relates to self-created intangible assets. These comprise exclusively software, the anticipated future benefit of which exceeds the capitalised cost, and in the 2005 financial year include in particular the sports betting products developed and software for Direct Lotto.

5.3.3. Other operating income

OTHER OPERATING INCOME	30/09/2005 T€	30/09/2004 T€
Income from the reversal of accruals	204	83
Income from write-down of allowances on receivable	0	4
Income from the disposal assets	0	2
Other income	84	264
	288	**353**

The other operating income arises substantially in connecton with the reversal of accruals.

5.3.4. Costs of purchased materials

In the year under review, the cost of raw materials and consumables used amounted to EUR 71 thousand (previous year EUR 130 thousand) and the cost of purchased services totalled EUR 358 thousand (previous year 516 thousand). The items relate to purchased services, the cost of which was passed on, as well as to betting winnings paid out.

5.3.5. Personnel expenses

Expenses for wages and salaries totalled EUR 3,675 thousand (previous year EUR 3,260 thousand), and social insurance contributions and expenses EUR 603 thousand (previous year EUR 540 thousand). No additional expenses for retirement benefits and maintenance payments were incurred. The value of the stock options issued to employees is likewise included in salary expenses pursuant to IFRS 2/ IAS 19, at the amount of EUR 44 thousand.

There were 85 employees at the reporting date (previous year 88, Q1 95, Q2 97). The average number of employees for the nine month period was 94 (previous year 89, Q1 94, Q2 95). New employees were recruited for the software development and product management areas in order to help meet the requirements for Direct Lotto sales. The reduction in the personnel level at September 30, 2005 results from the closing down of the call centre which we had hitherto operated independently; its tasks and employees have now been taken over by a partner call centre.

5.3.6. Depreciation and amortisation

Depreciation and amortisation totalling EUR 2,974 thousand (previous year EUR 699 thousand) includes EUR 2,720 thousand for amortisation of intangible assets and EUR 254 thousand for depreciation of property, plant and equipment. The increase results largely from the amortisation of the capitalised syndicate contracts, which result in a rise in the volume on account of the short amortisation period; this will increase further in the future. As a result of syndicate business and the new Direct Lotto sales channel, there will be an appreciable rise in the need for investment in forthcoming periods. Depreciation of property, plant and equipment in particular has consequently risen. Essential expenditure on replacement equipment and promising investments in expanding the field of business will be stepped up in future.

5.3.7. Other operating expenses

OTHER OPERATING EXPENSES	30/09/2005 T€	30/09/2004 T€
Marketing	2,384	1,861
Commissions	2,517	2,589
Expenses for premises	295	306
Collection charges	297	304
Rental for fixtures and fittings	23	52
Losses on receivables	268	206
Costs of annual accounts and audit	37	36
Legal and consultancy costs	343	334
Vehicle costs	129	74
Insurance, donations, membership fees	114	91
Postage	337	259
Sonstige Personalkosten	0	0
Telephone costs	83	75
Fees for data lines	110	73
Travel and entertaining expenses	183	130
Periodicals and books	7	0
Incidental costs of monetary transactions	45	34
Office supplies	40	38
Other costs	765	761
	7,977	**7,223**

As a result of increased marketing expenses to strengthen our own jaxx.de end consumer platform and further measures flanking the Direct Lotto test phase predominantly in the second and third quarters of 2005, other operating expenses show a 10 per cent increase on the prior-year figure. The higher losses on receivables are the result of intensive generation of new customers. The downturn in commissions stems from the reduced volume of business from WEB.DE.

The inclusion of DSM Lottoservice GmbH in the Consolidated Financial Statements is the reason for the quarter-on-quarter rise in postage costs.

The company leases vehicles, office machinery and telecommunications systems through operating lease agreements. The agreements concluded have residual terms of between one and five years.

The expense from these operating lease agreements and from tenancy agreements for furniture and fittings totalled EUR 73 thousand in the first nine month, and the expense from tenancy agreements EUR 269 thousand. The expenses are reported in other operating expenses under vehicle costs, rental for fixtures and fittings and expenses for premises. There are no finance lease agreements.

The following table shows the future minimum expenses that will be incurred from lease and tenancy agreements in view of the terms and notice periods of these agreements. These come under other financial obligations (see also Section 6.3). The rise in lease agreements results largely from switching company cars from short-term rental agreements to lower-priced but longer-term lease agreements.

TENANCY AND LEASE AGREEMENTS	30/09/2005 T€	30/09/2004 T€
Tenancy agreements		
Term up to 1 year	**144**	**57**
Term 1 to 5 years	**0**	**277**
Lease agreements		
Term up to 1 year	**4**	**36**
Term 1 to 5 years	**378**	**11**

5.3.8. Other interest and similar income

The other interest and similar income amounts to EUR 171 thousand (previous year EUR 37 thousand). It consists of interest on bank credit balances and loans issued. The interest was collected during the reporting period. As a result of the sharp rise in liquidity following the capital increase in the first half of the year, correspondingly higher interest income was earned.

5.3.9. Amortisation on investment

No amortisation was made in the reporting period.

5.3.10. Interests and similar expenses

The interest and similar expenses relate to interest expenses for non-current loans and imputed interest of EUR 41 thousand pursuant to IAS 32 for the convertible bond granted interest-free. Interest is fundamentally not booked against income; it is initially added to the figure for liabilities from bonds and then, following conversion, to shareholders' equity.

Of the total interest expense of EUR 148 thousand (previous year EUR 305 thousand), an amount of EUR 98 thousand was booked against income in the period under review.

5.3.11. Result from ordinary activities

The result from ordinary activities for the group is EUR 1,401 thousand, compared with EUR 314 thousand for 2004, and has therefore improved substantially.

5.3.12. Income tax

INCOME TAX T€	30/09/2005 Assessment base	30/09/2005 Tax expense	30/09/2004 Assessment base	30/09/2004 Tax expense
Result from ordinary activities	1,401		314	
Other tax	–1		1	
IAS accounting profit	**1,400**	**579**	**315**	**120**
Fiscally unrecognised goodwill amortisation	0	0	198	75
Fiscally recognised amortisation on investments	0	0	0	0
Other differences from consolidation	–2,014	–833	–1,079	–410
Fiscally unrecognised business expenses	72	30	7	3
Temporary differences (intangible assets)	–142	–59	–3	–1
Tax result	**–684**	**–283**	**–562**	**–213**
Tax rebate for previous years		1		2
Deferred taxes on temporary differences and loss carry-forwards from previous years		387		11
Reduction in deferred tax items idue to tax rate change in Austria		290		0
Reported income tax expense (–) = income		**395**		**–200**

The income tax essentially comprises the capitalised tax assets on the losses of the individual companies (tax income), and the deferred tax expense on production for own assets capitalised and on the amortisation on this. Income tax expense for gains from tax accruals is furthermore recognised as expense. The overall resulting tax income of EUR 283 thousand is adjusted by the tax refund claim from the costs of the capital increase of EUR 334 thousand, which were netted against the accrual with no effect on income. Although this expense does affect the tax result, the tax is to be recognised with no effect on income due to the income-neutral treatment in the IFRS accounts.

The unrecognised business expenses result predominantly from the non-recognition of interest payments between subsidiaries as a result of the new fiscal rules on shareholder debt financing (German Thin Capitalisation Rules).

The reduction in the corporation tax rate in Austria results in an additional tax expense of EUR 290 thousand from the remeasurement of the deferred tax assets for the Austrian subsidiary Interjockey.

With regard to income tax, we additionally make reference to the deferred taxes in Section 5.1.1. Detailed notes on how the tax rate was calculated were published in the Notes to the Consolidated Financial Statements for 2001.

5.3.13. Other tax

Other tax, where applicable, consists of motor vehicle tax and real property tax.

5.3.14. Net profit for the period

The net profit for the period is EUR 1,007 thousand, as against EUR 513 thousand for the prior-year period.

5.3.15. Earnings per share

EARNINGS PER SHARE	01/01-30/09/2005 T€	01/01-30/09/2004 T€
Consolidated earnings	1,007	513
Weighted average number of ordinary shares outstanding during the period under review	11,819	7,159
Basic earnings per share €	**0.09**	**0.07**
Number of dilutive shares under option	827	705
Number of shares that would have been issued at fair value	−230	−496
Total	**12,416**	**7,368**
Consolidated earnings (€ thousand)	1,007	513
Number of shares	12,416	7,368
Diluted earnings per share €	**0.08**	**0.07**

6. Further Notes

6.1. Contingent liabilities

There are contingent liabilities totalling EUR 189 thousand; these consist of guarantees on tenancy agreements, among other things.

6.2. Hedging policy and derivative financial instruments

There exists no interest rate risk in view of the long-term loan agreements with fixed interest rates. No hedging of the interest rate risk is therefore practised.

The company has concluded insurance policies to cover various operating risks. The following table shows the levels of cover for the principal credit risks.

Insured type	Insured total T€
Third-party insurance Business, product and environmental liability	2,000
Activity of corporate bodies	2,500
Business interruption	2,500
Electronics insurance	1,682
Accident insurance	2,500

6.3. Other financial obligations

The other financial commitments at September 30, 2005 totalled EUR 717 thousand (December 31, 2004: EUR 580 thousand). These obligations above all comprised tenancy, maintenance and lease agreements.

6.4. Segment reporting

SEGMENT REPORTING T€	B2C	B2B	Other	Consolidated transfers	Total
External sales	**7,533**	**8,936**	**41**	**0**	**16,510**
30/09/2004	4,166	8,286	0	0	12,452
Sales with other segments	**3,104**	**2,636**	**790**	**–6,530**	**0**
30/09/2004	2,278	2,166	794	–5,538	0
Total sales	**10,637**	**11,572**	**831**	**–6,530**	**16,510**
30/09/2004	6,444	10,452	794	–5,238	12,452
Gross income	**10,240**	**11,095**	**645**	**–5,661**	**16,319**
30/09/2004	5,513	10,059	794	–4,415	11,951
EBITDA	**3,630**	**2,333**	**2,409**	**798**	**4,352**
30/09/2004	455	2,097	–1,172	–98	1,282
Result for segment before interest and taxes	**726**	**1,075**	**–2,436**	**2,013**	**1,378**
30/09/2004	–23	900	–1,187	893	583
Net interest	**–590**	**–834**	**1,447**	**0**	**23**
30/09/2004	–534	–895	1,162	0	–267
Income taxes	**–37**	**–108**	**373**	**–623**	**–395**
30/09/2004	191	–1	7	3	200
Net profit or loss for the period	**99**	**134**	**–617**	**1,391**	**1,007**
30/09/2004	–365	1	–19	896	513
Gross carrying value of assets	**11,481**	**18,469**	**66,228**	**–43,113**	**53,065**
31/12/2004	11,255	18,390	42,111	–42,164	29,592
Liabilities	**16,993**	**23,780**	**553**	**–35,020**	**6,306**
31/12/2004	17,584	23,027	4,653	–33,101	12,163
Investment	**2,716**	**969**	**1,343**	**–50**	**4,978**
30/09/2004	798	375	4,781	0	5,954
Depreciation and amortisation	**2,904**	**1,257**	**27**	**–1,214**	**2,974**
30/09/2004	478	1,236	16	–1,031	699
Non-cash expenses	**0**	**–209**	**126**	**44**	**–39**
30/09/2004	108	187	90	0	385

The positive development in the segment results for the first nine months of 2005 compared with the corresponding period of the previous year has continued, mirroring the positive development in the consolidated result. The B2B segment continues to generate the highest sales, at EUR 8.9 million. As a result of the inclusion of DSM Lottoservice GmbH in the consolidated companies and the allocation of this company to the B2C segment, the latter has posted a disproportionately steep rise in sales. The gross profit has risen by a correspondingly steep 86 per cent compared with the same period of 2004. With expenses running at a moderate level, the result is high EBITDA in conjunction with a sharp rise in depreciation and amortisation, leaving a clearly positive EBIT for the segment.

The B2B segment continues to contribute high earnings. However, as at the year's half-way point, the B2C segment was almost able to pull level.

The B2B segment still has to absorb the cost of purchasing software licences for both segments and the resulting amortisation, as well as the cost of assuming the B2C segment's liabilities in respect of the holding company for the payment of the purchase price for these software licences. The amortisation and interest expense are consequently very high, and continue to diminish the segment result for the period substantially. The same applies to the interest burden for the B2C segment. In this segment, there are still high loans from the financing of the high losses of 2000-2002 by the holding company. The interest burden is correspondingly high. Both segments therefore report high liability items, which are mirrored by corresponding loans receivable for the holding company. Capital expenditure in both segments has risen sharply as a result of the expansion of syndicate business, coupled with initial spending for Direct Lotto particularly in the third quarter, as has the raising of loans within the group to finance capital expenditure.

Secondary data structured by geographical region have not been provided, since well over 90 per cent of sales are currently still generated within Germany.

6.5. Finance and investment

In the first nine months of 2005, FLUXX AG accrued cash from the earnings before depreciation and amortisation, deferred tax, interest and other non-cash expenses of EUR 4,212 thousand. The build-up of accounts receivable and other assets resulted in short-term tied-up capital of EUR –926 thousand. The reduction in liabilities and accruals compared with the high levels at December 31, 2004 resulted in an outflow of EUR –2,731 thousand. Further funds totalling EUR –98 thousand were used for interest payments. The cash flow from operating activities amounted to EUR 457 thousand.

A sum of EUR –4,740 thousand was used for capital expenditure predominantly on software, hardware infrastructure components, syndicate contracts and particularly payments on account for lottery terminals; this contrasts with interest receipts of EUR 106 thousand. The result is a cash flow from investing activities of EUR –4,634 thousand. The net cash flow before investing activities is thus EUR –4,177 thousand.

Whereas the company could largely be financed from the cash flow from operating activities in the first quarter, the investment and short-term rise in working capital in the second and third quarters needed to be financed from monetary holdings.

The repayment of loans for Sellin and the temporary drawing on credit facilities for a minor amount resulted among other things in a net outflow of funds of EUR –21 thousand. The successful implementation of a capital increase in June 2005 and the exercising of employee stock options in the second quarter resulted in an inflow of EUR 24,634 thousand after netting of the costs of the capital increase to date with the reserve.

The overall cash flow for the period is consequently EUR 20,457 thousand.

6.6. Total remuneration of the Supervisory Board and Management Board

The total remuneration of the Management Board in the period under review was EUR 385 thousand. The Shareholders' Meeting on May 3, 2005 moreover approved an annual remuneration of EUR 10 thousand per member and EUR 15 thousand for the Chairman, plus proven expenses, for the work of the Supervisory Board, until further notice. A performance-related payment was furthermore approved. Insofar as sales tax is due on the remuneration, the company is obliged to refund it. Supervisory Board members who have belonged to the Supervisory Board for only part of a financial year receive a pro rata payment. A sum of EUR 26 thousand was set aside in the period under review.

6.7. Related parties

Accounts receivable from members of the Board of Management totalled EUR 13 thousand. The following table shows the amounts due to related parties which diminished the result for 2005. The amounts concerned are in respect of consultancy fees and interest.

	30/09/2005 T€	30/09/2004 T€
GWU mbH (Managing Director Antje Stoltenberg, Supervisory Board member)	22	14
NIB (shareholder)	0	157
Total	**22**	**171**

GWU mbH provides general and tax consultancy services for the company.

The prices are in line with the market. The consultancy services are invoiced on the basis of hours worked, at hourly rates that are in line with the market, or on the basis of the applicable fee scales.

The business premises in Altenholz, near Kiel, which FLUXX AG occupied in May 2004, are rented from the former shareholder DSM Direct Sales Marketing GmbH. A monthly rent of EUR 9 thousand, including ancillary costs, is paid.

6.8. Stock option plans

The Shareholders' Meetings of August 20, 1999, May 9, 2000, May 3, 2001 and May 3, 2005 passed resolutions to increase the authorised but unissued capital stock by a total of up to 533,323 individual share certificates exclusively for the granting of subscription rights in the context of stock option schemes, as well as the basic framework for the stock option schemes to be established by the Management Board. The company has not yet made use of the authorisation by the Shareholders' Meeting of May 3, 2005.

The conditional increase in capital stock is only to be implemented insofar as the bearers of the stock options issued actually exercise their stock option in accordance with § 192 Para. 2 No. 3 of German Stock Corporation Law. The strike price corresponds to the actual market price at the time of the stock options' issue. The strike price for options issued before the initial public offering is EUR 3.85. A condition of exercising the options granted is that the share price must have reached at least 120 per cent of the share price at the time of issue (strike price).

An employee may exercise up to one-third of their stock options after a period of two years, in other words no earlier than 2001, up to two-thirds of their stock options after a further year and all their stock options after a period of five years. The options must be exercised within a period of no more than eight years. The above periods begin upon issue of the options. In each year, the options may only be exercised within two-week periods beginning on the ninth trading day

- After the Ordinary Shareholders' Meeting of the company,
- After the Annual Press Conference and
- After the day on which Deutsche Börse AG has made available the company's quarterly report to the public.

In the first half of 2005, 27,653 stock options were exchanged for shares in the company. At September 30, 2005 there remained 234,520 stock options issued under the various schemes.

The company has not yet made use of the authorisation by the Shareholders' Meeting of May 3, 2005. This authorisation specifies the following parameters for the establishment of a stock option scheme: Stock options may be granted only to employees not under notice of the company or an affiliated company. The persons in questions need not yet have commenced their activity on the behalf of the company or the affiliated company. Of the aforementioned maximum number of stock options to be issued, up to 30 per cent may be granted to the members of the company's Management Board, up to 40 per cent to the managing directors or subsidiaries and up to 80 per cent to employees of the company and its subsidiaries. Stock options may be issued continuously. The stock options may only be exercised after having been held for a period of two years from the date of issue (vesting period). The stock options may be exercised in the three years following expiry of the vesting period. Stock options not exercised shall expire when five years from the time of their issue have elapsed.

After the vesting period has ended, the stock options may in each case be exercised during a period of three weeks

- Following publication of the quarterly reports for the 2nd and 3rd quarters, as well as
- After the holding of the Ordinary Shareholders' Meeting (exercise periods).

The Management Board, and also the Supervisory Board in respect of members of the Management Board, may appropriately extend or shorten the above exercise periods as required. The beneficiaries must furthermore observe the restrictions proceeding from general statutory provisions such as German Securities Trading Law (insider law). Each stock option bears an entitlement to acquire one share in the company at the strike price, if exercised. The strike price shall be the share price at the time of issue. For this purpose, the "share price" shall be the last minimum price determined and published by the Federal Supervisory Office for Financial Services according to the German Securities Acquisition and Takeover Act (WpÜG). The options may only be exercised if the share price at the time of exercise reaches at least 115 per cent of the share price at the time of issue. For this purpose, the last minimum price determined and published on the internet by the Federal Supervisory Office for Financial Services according to the German Securities Acquisition and Takeover Act (WpÜG) shall likewise apply.

Pursuant to IFRS 2, for financial years from January 1, 2005 all options issued after November 7, 2002 and still subject to a vesting period at January 1, 2005 are to be measured and reported as salary expenses. For this purpose it is assumed that the value of the options – provided they are granted free of charge – represents remuneration for the period from the time the options were granted until the expiry of the vesting period. The value of the options is to be determined correspondingly and spread over the vesting period, taking account of such factors as fluctuation. As the options can be exchanged for shares in the company (equity settled) and are not redeemed in cash, the booking of salary expenses increases the additional paid-in capital. The expense entry simultaneously reduces the profit in the period when the expense is recorded, with the result that the shareholders' equity entry is corrected again.

A total of 188,851 options issued after November 7, 2002 fall under the rules of IFRS 2. Of these options, a total of 12,000 were issued to members of the Management Board at the start of 2003, as well as 101,851 options to employees of the group in June/July 2004 and 34,749 options to members of the Management Board. A further 40,251 options were granted to the Management Board in the second quarter of 2005. The options were measured at market price upon issue, applying the Black-Scholes option price model. The weighted average share price upon issue of the shares was EUR 2.31. The money market interest rate was assumed to be 2.2 per cent and the volatility of the shares 65 per cent, based on current market data at the time of preparation of these accounts. The 20 per cent exercise threshold was taken into account in the calculating using the above model. The staggered vesting period and a fluctuation based on the average for the past 3 years of 20 per cent per year were likewise taken into account. On the basis of these parameters, the average option price was EUR 1.22 per option and the total value of all options

EUR 218 thousand before fluctuation, over the entire term. The pro rata expense for the first nine months is EUR 44 thousand, taking fluctuation into account.

Of the total options issued, 179,015 remained in existence at the reporting date of September 30, 2005. 5,870 options had expired, and 3,966 had been exercised.

7. Other particulars

Corporate bodies

The members of the Management Board are:

- Rainer Jacken, Graduate Designer, Spokesman
- Mathias Dahms, Information Technology Graduate
- Stefan Hänel, Graduate Economist

Members of the Supervisory Board

- Goetz Graf von Hardenberg, Hamburg, Chairman, company director
- Antje Stoltenberg, Kiel, auditor
- Frank Motte, Gerlingen, management member

In addition to their membership of the Supervisory Board of FLUXX AG, the following persons hold other non-executive directorships as follows:

- Frank Motte: Weigl Group AG, Pöttmes

Mandate relationship with the auditor of the annual accounts, Susat & Partner oHG, Hamburg

Susat & Partner oHG had been mandated in the period ending September 30, 2005. The mandates issued related to an appraisal to substantiate the compensation claim against WEB.DE and the review of the quarterly accounts in the context of compiling the prospectus.

This company is in the first instance mandated by FLUXX to audit the annual accounts.

Altenholz, November 9, 2005

Rainer Jacken   Mathias Dahms   Stefan Hänel