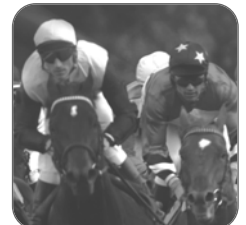


Three month' report January 1 to March 31, 2006 (IFRS)

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Contact:

FLUXX AG

Ostpreußenplatz 10
D-24161 Altenholz
Tel. +49 4 31-88104-0
Fax +49 4 31-88104-40
info@fluxx.com
<http://www.fluxx.com>

**Investor Relations &
Corporate Communications**

Stefan Zenker
Tel. +49 4 31-88104-84
Fax +49 4 31-88104-40
ir@fluxx.com



FLUXX Key data


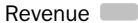
FLUXX KEY DATA (IFRS)

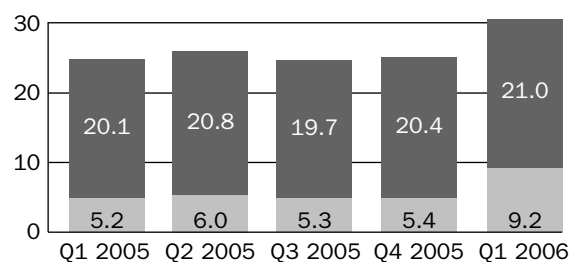
INCOME STATEMENT	Q1 2006 T€	Q1 2005 T€
Gross sales	30,204	25,291
Betting stakes	21,020	20,065
Revenues	9,184	5,226
EBITDA	881	1,347
EBIT	-349	417
Consolidated earnings	16	362
<hr/>		
Earnings per Share (€)		
Basic	0.00	0.04
Diluted	0.00	0.03
<hr/>		
Employees (average for the year)	112	94
Revenue per employee	82	56
Personnel expenses per employee	14	15
<hr/>		
Balance Sheet	31/03/2006 T€	31/12/2005 T€
Non-current assets	31,812	24,194
Net Cash	20,020	24,282
Shareholders' equity	48,397	47,572
Balance sheet total	59,857	55,605
Equity ratio	80.9%	85.6%

FLUXX at a glance

SALES

(EUR million)

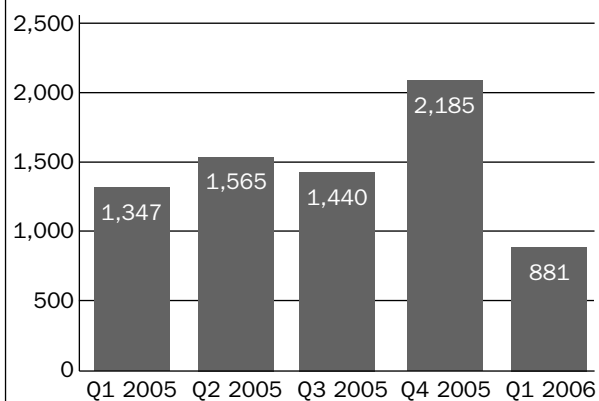
Betting stakes 
Revenue 



EBITDA

(EUR thousand)

EBITDA 





Group Management Report of FLUXX AG at March 31, 2006

1. Business and general situation

a. Activities

The FLUXX Group is a company specialising in the handling of lotteries and betting, with registered office in Altenholz, near Kiel. The necessary rights and licences and the technical and market-relevant expertise place the companies of the FLUXX Group 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. In addition to the self-marketed services jaxx.de, jaxx.com, myBet.com and Telewette, FLUXX makes its products and services available to other companies and organisations with extensive customer contacts. These include online portals (AOL, freenet.de, Lycos), TV stations (Premiere), publishers (Burda Direct), retail chains and filling stations (EDEKA, OIL!, Orlen) and the lottery companies in the states of Schleswig-Holstein, Brandenburg and Mecklenburg-Western Pomerania.

b. Business progress

The first quarter of 2006 was characterised on the one hand by sharp sales growth of 76 per cent, attributable in particular to the integration of the sports betting portal myBet.com and continuing growth in the field of online processing. On the other hand, the start-up costs for sports betting and lottery via retail outlets, which will act as the driving forces of growth in the future, resulted in increased expenditure in the first quarter, as a result of which the result was down on the prior-year quarter.

■ Online processing

All online services operated by FLUXX companies continued to show highly satisfactory progress in the first quarter of 2006, for the most part enjoying sales growth that outstripped the growth of the market as a whole. However, the expiry of the partnership agreement with WEB.DE adversely affected overall growth in online processing.

FLUXX AG has been the majority shareholder of the Spanish company DigiDis Digital Distribution Management S.L. since November 2005. Its first projects in the Spanish lottery market involve online products on www.loterias.com. The level of betting stakes generated via this channel nevertheless still remains low.

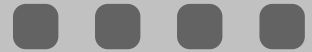
At the end of March 2006, FLUXX was commissioned by Burda Direct, the direct marketing arm of the publisher Burda Verlag, to develop and operate the lottery and betting portal "bestwetten.de". This product is to be launched in time for the football World Cup.

■ Syndicates

Syndicate business remained flat compared with the previous quarter, in particular because the available call centre resources were inadequate for building up the customer base further. The recently established partnerships with Premiere and Burda Direct now give FLUXX access to new, extensive customer bases.

■ Lottery via retail outlets

The "Play Lotto when you Shop" project has been in the roll-out phase since the start of 2006. In the first quarter of 2006, around 50 more supermarkets and filling stations were equipped with lottery terminals near the tills in addition to the 25 existing market, and a further 300 outlets have been identified and earmarked for the necessary



installations. FLUXX is planning to install terminals in 2,000 shops and filling stations by the end of 2007. Through the existing partners EDEKA, OIL! and Orlen as well as Kaiser's Tengelmann, with which a test run was agreed in the first quarter, we already have contractual guarantees on signing up these 2,000 outlets.

Following a broad-based customer survey, appropriate promotional and marketing measures that should help to boost the capacity utilisation per terminal were prepared in the first quarter. It is not yet possible to make any valid predictions as to the average level of use of the terminals on account of their still limited spread and the fact that they have for the most part only been in operation for a short period. It is nevertheless becoming clear that the desired levels of economic efficiency for the terminals should be attainable after a start-up phase of between two and three quarters. The sales generated via the terminals already in operation have not yet reached any significant level.

The nationwide roll-out is still being hampered by the critical attitude of certain state lottery companies. Although the legal framework provides an adequate basis for forcing through the roll-out in those states even without the approval of the lottery companies in question, FLUXX is nevertheless initially exercising restraint in those federal states, bearing in mind the spirit of partnership that has traditionally prevailed between itself and the lottery companies. A ruling on a case pending before the Federal Competition Authority in connection with the permissibility of nationwide over-the-counter sales at retail outlets is likely within the next few weeks (see also 6.d "Legal and regulatory risks").

■ Sports betting

FLUXX AG acquired 77 per cent of the shares of QED Ventures Ltd. (QED) in the first quarter of 2006. QED operates an international online sports betting portal and a franchise model for sports betting shops under the "myBet.com" brand via its fully owned subsidiary Personal Exchange International Ltd. (PEI), Malta. The international sports betting service of JAXX moreover went online in March on www.jaxx.com.

The ruling of the Federal Constitutional Court at the end of March (see also Development of the market) has initially impeded the marketing of our products in Germany, and in particular the further development of physical betting shops. As a leading online agent for the state sports betting service "ODDSET", FLUXX on the other hand stands to benefit from the ruling, because private operators will continue to find it difficult to access the German market. FLUXX's own sports betting activities will continue to be run and expanded outside Germany via myBet.com and jaxx.com. FLUXX will furthermore continue to prepare for the deregulation of the German sports betting market. The company believes that the prospects of greater liberalisation in Germany after 2007 remain positive, on the basis of the current European legal position.

Sales in the sports betting segment totalled EUR 3.7 million in the first quarter of 2006, which are booked to consolidated revenue. This figure contrasts with betting winnings of EUR 3.4 million, which are reported under cost of materials.



c. Development of the market

The German lottery companies experienced a fall of around 1.4 per cent in sales in the first quarter of 2006 compared with the prior-year period. By contrast, betting stakes placed via the internet continued to enjoy double-digit growth. We believe that the proportion of betting stakes handled by online media is currently slightly more than five per cent.

In a leading decision announced at the end of March, the Federal Constitutional Court in Karlsruhe ruled that the state sports betting monopoly in its present form is not compatible with the constitutional right to freedom of occupation. The constitutional lawyers ruled that a constitutional position can be achieved both through the consistent application of the betting monopoly in a way that ensures that it genuinely prevents addiction, and through the legally standardised, controlled authorisation of commercial activities by private betting companies. The Federal Constitutional Court gave the legislative body until the end of 2007 to put the requirements into practice.

In an initial reaction to the ruling, the state sports betting service ODDSET announced that it would be significantly cutting back on its marketing measures in order to preserve the state monopoly. ODDSET's sales will consequently experience a sharp fall. On the other hand, the privately organised licence-holders of the so-called "GDR" licences from the former East Germany regard themselves as unaffected by the ruling and have in some cases stepped up advertising spending on their sports betting products quite considerably. The sports betting sector is therefore expected to continue to enjoy high growth overall.

Other parties which will profit from the ruling are foreign providers offering sports betting over the internet, as well as bookmakers operating illegally. It is consequently to be hoped that the legislative body will provide equal opportunities for state and private operators in the future, based on fair arrangements that represent a moderate deregulation of the market.

2. Financial performance

Consolidated revenues rose by 76 per cent in the first quarter of 2006 compared with the prior-year quarter, from EUR 5.2 million to EUR 9.2 million. This figure includes bookmaking revenues of EUR 3.7 million generated via the betting operations of myBet.com. The betting stakes processed by the FLUXX Group on behalf of the lottery companies were boosted by almost five per cent, from EUR 20.1 million to EUR 21.0 million. Growth was curtailed by the termination of the online lottery partnership with WEB.DE, the current stagnation of syndicate business and a weak quarter for lottery with no substantial jackpots. The corresponding quarter of the previous year was disproportionately strong in this respect. Gross consolidated sales (revenues plus betting stakes handled) were increased by 19 per cent, from EUR 25.3 million in the first quarter of 2005 to EUR 30.2 million in the first quarter of 2006.

Principal sources of revenue in the first quarter were commissions from lottery companies and racecourses (20 per cent of revenue) and handling fees (33 per cent) for betting stakes, as well as betting stakes (43 per cent) generated via myBet.com and jaxx.com. Further proceeds were generated in the form of fees for software development and licence income. The B2C segment accounted for 25 per cent of cash inflow, the B2B segment for 35 per cent and the sports betting business of myBet.com for 40 per cent.

Along with the entry into sports betting business, the cost of materials rose significantly year on year in the first quarter, as this item includes the betting winnings paid out. Of this expenditure totalling EUR 3.6 million (previous year: EUR 142 thousand), betting winnings account for some EUR 3.4 million. A gross profit margin of around 10 per cent was consequently achieved in the sports betting segment.

Personnel expenses rose by 11 per cent, from EUR 1.4 million to EUR 1.6 million, and the average number of employees climbed from 94 to 112. With per capita reve-



nues rising, per capita expenditure eased back from EUR 15 thousand in the first quarter of 2005 to EUR 14 thousand in the first quarter of 2006. In addition to performance-related pay components, the Management Board, managing directors and employees are able to share in the company's economic development via a stock options scheme. The stock options schemes are explained in the notes to the consolidated financial statements, in section 6.8.

Other operating expenses rose substantially by 51 per cent, from EUR 2.5 million to EUR 3.7 million. The biggest items here were marketing costs (EUR 1.4 million) and commissions on betting stakes handled to be passed on to venture partners (EUR 0.8 million). As well as more intensive acquisition of new customers in the B2C and sports betting segments, the increased marketing expenses were attributable above all to preparations and support for the roll-out of Direct Lotto. Increased legal and consultancy costs were moreover incurred in the first quarter of 2006 in connection with proceedings at the Federal Competition Authority and the Federal Constitutional Court.

As a result of the increased expenditure in the start-up phase of the new business areas of sports betting and Direct Lotto, earnings before interest, taxes, depreciation and amortisation (EBITDA) fell by 35 per cent from EUR 1.3 million to EUR 0.9 million. The EBITDA margin is 9.6 per cent.

Depreciation and amortisation rose from EUR 0.9 million in the first quarter of 2005 to EUR 1.2 million in the first quarter of 2006, mainly as a result of the capitalisation of the acquisition costs for syndicate contracts. Earnings before interest and taxes (EBIT) fell from EUR 417 thousand in the first quarter of 2005 to EUR -349 thousand.

Despite the losses posted by the newly acquired subsidiary myBet.com and the increased marketing expenses, the period closed with a slight profit of EUR 16 thousand. The consolidated profit in the first quarter of 2006 was EUR 362 thousand. Earnings per share (diluted) fell from EUR 0.03 to EUR 0.001.



3. Financial position

Operating activities during the reporting period were financed largely from cash flow from operations. The expenditure resulting from acquisitions and investment spending was financed from monetary holdings and through leases. The acquisition of the 77 per cent stake in QED Ltd. (myBet.com) was likewise paid from monetary holdings.

The overall cash flow in the first quarter of 2006 amounted to EUR -3.9 million. Cash and cash equivalents amounted to EUR 22.3 million at March 31, 2006, of which EUR 2.3 million is not freely accessible due to the security rights of third parties. In its finance management approach, FLUXX strives for predominantly short-term investments of a money market character with a balanced risk/reward ratio.



4. Net worth

The net worth rose by EUR 7.6 million in the first quarter of 2006. The rise stems largely from the capitalisation of the investment in QEE Ltd. and the capitalisation of syndicate contracts. Current assets fell by EUR 3.4 million as a result of investing activities.

The accumulated shareholders' equity showed only a marginal rise of EUR 825 thousand since the reporting date of December 31, 2005, to EUR 48.4 million. With a balance sheet total of EUR 59.9 million, the equity ratio is 80.9 per cent.

Non-current liabilities have risen by EUR 2.2 million to EUR 4.5 million, as the Direct Lotto terminals acquired in the previous year are now financed via a lease agreement. The current liabilities rose by EUR 1,249 thousand to EUR 6.9 million at the balance sheet date.



Capital stock, shareholder structure

The free float accounted for 100 per cent of the capital stock of FLUXX AG totalling EUR 14,524,355 at March 31, 2006. In February, DWS Investment GmbH reported that it had crossed the reporting threshold of 5 per cent of the voting rights in FLUXX AG on February 16, 2006 and now holds 5.6 per cent of the voting rights. At the start of

March, FMR Corp. (Fidelity) reported that it had exceeded the threshold of 10 per cent on March 1 and now holds 10.1 per cent of the voting rights.

Directors' holdings

The shareholdings of directors on either corporate body at March 31, 2006 are as follows:

Name	Position	Type of security	Position at 31/12/2005	Addition	Disposal	Position at 31/03/2006
Rainer Jacken	Management Board spokesman	Shares	1,333	0	0	1,333
		Options	27,667	0	0	27,667
Mathias Dahms	Management Board member	Shares	2,713	0	0	2,713
		Options	27,667	0	0	27,667
Stefan Hänel	Management Board member	Options	27,700	0	0	27,700
Frank Motte	Supervisory Board	Shares	2,972	0	0	2,972



5. Report on post-balance sheet date events

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

6. Risk report

a. Market risks

The German gaming market which is the primary target of the FLUXX Group can be described as steady and therefore on the whole predictable. Individual segments are nevertheless subject to annual fluctuations which, particularly in the lottery sector, depend on the level of the jackpots available to play for, and are therefore more difficult to plan for. The online area is highly dependent on the spread of use of the internet, consumer confidence and the readiness of users to conduct transactions via the medium. The proportion of lottery and betting stakes handled over the internet can only be planned with difficulty, as there are few reliable studies on this market.

The development of the sports betting segment is even more difficult to assess, as legal and regulatory aspects on the one hand (see also d. "Legal and regulatory risks") and competitive factors on the other (see also b. "Competitive risks") can strongly influence how the market develops.

With regard to over-the-counter sales of lottery products at retail outlets, it is currently not yet foreseeable how the range will be received in the marketplace by consumers in the long run. It has been agreed with the partners in this venture to expand the sales network only 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 negotiation 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.

Defending our advantage as first mover, together with our superior development know-how and skills, is fundamentally 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.

b. Competitive risks

The competitive situation is on the whole positive for the FLUXX Group, as most of the products that FLUXX provides have been on the market for a number of years now, particularly in the lottery segment. There are nevertheless clear risks from being in competition with the products of the lottery companies themselves and with other private providers. The market is becoming less transparent and the pro-



bability of losing new customers to competitors is rising, as is the risk that the market share will fall. Meanwhile the costs of marketing and conducting competitor analyses are on the increase.

Even if the online lottery market has been dominated by FLUXX, the lottery companies and the private operator Tipp24 AG in recent years, the possibility cannot be excluded that further competitors will seek a share of what is still a young, high-growth market. The barriers to market entry are relatively low.

In the European sports betting segment, in which the FLUXX Group is active with its own activities and via its investment in the sports betting service myBet.com, the level of competition is much higher. Several relatively major and a large number of small companies have already positioned themselves here, with the result that market success harbours greater risks in respect of recognition and product acceptance. In Germany, on the other hand, the competitive situation has become clearer and more predictable as a result of the ruling of the Federal Constitutional Court. Major foreign operators will continue to show restraint while the legal position remains unclear.

In the sphere of over-the-counter lottery sales, it is not currently foreseeable whether and, if so, how the competition will react to the Direct Lotto activities of the FLUXX Group. It is possible that individual competitors will develop a concept of their own, as a result of which the launch of our Direct Lotto system could be hindered.

c. Operating risks

With regard to operations, the FLUXX Group is exposed to a range of risks which can nevertheless be classed as slight thanks to the processes and systems that have been set up over several years. All the same, it cannot be excluded that deficiencies in software and hardware or in the service provided could result in recourse against FLUXX by its partners.

There furthermore exists a general risk in connection with the use of the internet. Technical bottlenecks due to the high growth in its use, temporary restrictions as a result of attacks, viruses or 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.

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.

d. Legal and regulatory risks

In its ruling on sports betting in March 2006, the Federal Constitutional Court gave the state licence-holders clear guidelines on the action required from them if they are to maintain their monopoly on gambling. As a reaction to this ruling, ODDSET drastically reduced the level to which it advertises the state betting service ODDSET, a course of action that will lead to a sharp fall in its betting stakes. This could also have a negative impact on FLUXX's business, even if the risk is limited because ODDSET accounts for less than five per cent of the total betting stakes handled by the FLUXX Group.

The conditions imposed by the Federal Constitutional Court requiring a marked reduction in marketing activities could, however, also affect other state-licensed forms of gaming such as Lotto. If the scope for advertising lotteries were to be drastically reduced, this could result in a significant downturn in lottery stakes, which would also affect the core business of the FLUXX Group.



The FLUXX Group intends to expand the Direct Lotto sales system gradually nationwide, in coordination with the regional lottery companies. Individual lottery companies are now trying to obstruct the spread of the FLUXX Group's Direct Lotto sales network by refusing to accept tickets. In this connection, the lottery company in Lower Saxony has terminated the arrangement whereby tickets can be submitted by the FLUXX subsidiary ANYBET via electronic link. Although the Federal Competition Authority has indicated that the resistance organised by the lottery companies infringes current competition law, it is at present not possible to rule out the possibility that FLUXX will continue to be prevented by individual lottery companies from extending its Direct Lotto sales network throughout all of Germany and that a broad-based sales launch will thus be hindered or delayed.

On the basis of the authorising provision in Section 15 of the State Treaty on lotteries, certain federal states have 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 as to which block companies may be served (exclusively) by the handling agent. On the other hand, 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.

It cannot at present be excluded that the intensive examination and tracking of the proceedings at the Federal Constitutional Court and Federal Competition Authority could adversely affect the roll-out of the Direct Lotto project in terms of both cost and timescale.

e. Financial market risks

The positive development in the FLUXX share price over the past three years and the successful placement of the capital increase in June 2005 demonstrate that the situation on financial markets is on the whole positive for FLUXX AG and that financing by means of equity injections is fundamentally possible. The FLUXX Group is equipped for further growth thanks to its comfortable level of monetary holdings. The high equity ratio and relatively low level of loan liabilities likewise give FLUXX an improved basis for potential financing with outside capital. As a growth company, FLUXX is nevertheless to be placed in a risk-exposed market context, as a result of which raising outside capital in particular could prove difficult.

f. Risk management system of FLUXX AG

The risk management system of FLUXX AG takes the form of a score card. Potential risks are registered and analysed with the aid of key data and reports from the individual 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.



7. Report on expected developments

The increased expenditure on the incorporation of the new business areas sports betting and Direct Lotto, which diminished the result for the first quarter, has established a basis for continuing vigorous sales growth in future quarters. The relatively high negative contribution of the sports betting activities of myBet.com to the overall result should in particular be substantially reduced over the next few quarters, as the high pace of growth will not be mirrored by a rise in the basic fixed costs. Further sales potential is moreover to be tapped through the introduction of casino and poker products for international customers.

The ruling by the Federal Constitutional Court on sports betting has initially impeded the marketing of sports betting in Germany. In an effort nevertheless to share in the sharply rising demand for sports betting products throughout Europe, myBet.com will increasingly be tapping into additional market potential in other European Countries. Initial partnerships in Greece and Croatia for shop-based business have bolstered this strategy. Particularly in the run-up to the football World Cup, the aim is now to implement sales and marketing measures to promote recognition of myBet.com significantly, in order to gain a growing share of the European sports betting market.

The basis for further growth was likewise established in our core business. The partnerships recently sealed with Premiere and Burda will increasingly stimulate online and syndicate business in future quarters.

The speed at which we are rolling out the Direct Lotto terminals will gather pace. In addition to the 50 more outlets equipped during the first quarter, plans for installations at 300 further locations are now in the preparatory phase. The aim is to equip around 2,000 outlets with Direct Lotto terminals by the end of 2007. The key challenges that we face in this connection include handling the logistics of the roll-out and informing customers in a focused manner by

means of appropriate sales promotion measures. It should be pointed out that FLUXX yet again enjoys an advantage as first mover in this sale segment, too, a position that puts into perspective the elevated start-up costs for preparing the market.

This Quarterly Report contains predictive statements and information – in other words, statements about events that lie ahead rather than in the past. These predictive statements can be identified by words such as "expect", "anticipate", "intend", "plan", "believe", "aim", "estimate", "intend" and similar. Such predictive statements are based on our present expectations and on certain assumptions. They therefore entail a number of risks and uncertain factors. The business activities, success, business strategy and results of FLUXX are influenced by a great many factors, many of which are beyond the control of FLUXX. These factors may mean that the actual results, achievements and performance of the FLUXX Group could depart substantially from the figures used to indicate results, achievements or performance, whether explicitly or implicitly, in the predictive statements.

Altenholz, May 9, 2006

Rainer Jacken

Mathias Dahms

Stefan Hänel



Consolidated Balance Sheet at March 31, 2006

ASSETS	Notes	31/03/2006 T€	31/12/2005 T€
A. NON-CURRENT ASSETS		31,812	24,194
I. Intangible assets	5.1.1	14,910	9,072
1. Goodwill		11,325	6,139
2. Other intangible assets		3,585	2,933
II. Property, plant and equipment	5.1.1	4,859	3,860
1. Land and buildings		1,010	1,016
2. Other plant and equipment		1,011	527
3. Payments on account		2,838	2,317
III. Financial assets	5.1.1	3	3
Investments		3	3
IV. Deferred taxes	5.1.1	12,040	11,259
B. CURRENT ASSETS		28,045	31,411
I. Inventories	5.1.2	38	0
II. Receivables and other assets	5.1.2	5,566	5,171
1. Trade accounts receivable		1,307	1,430
2. Receivables from investments		0	0
3. Miscellaneous assets		4,259	3,741
III. Cash on hand, cash in banks	5.1.2	22,292	26,230
of which freely available (net cash)		20,020	24,282
IV. Prepaid expenses	5.1.2	149	10
TOTAL ASSETS		59,857	55,605



Consolidated Balance Sheet at March 31, 2006

SHAREHOLDERS' EQUITY AND LIABILITIES	Notes	31/03/2006 T€	31/12/2005 T€
A. SHAREHOLDERS' EQUITY		48,397	47,572
I. Share capital	5.2.1	14,524	14,523
II. Additional paid-in capital	5.2.1	52,004	51,989
III. Accounting loss	5.2.1	-18,939	- 19,045
IV. Minority interest	5.2.1	808	105
B. NON-CURRENT LIABILITIES		4,517	2,339
1. Deferred tax liabilities	5.2.2	286	245
2. Finance lease liabilities	5.2.2	2,150	0
3. Bonds	5.2.2	88	89
4. Due to banks	5.2.2	1,993	2,005
C. CURRENT LIABILITIES		6,943	5,694
1. Due to banks	5.2.3	55	59
2. Current finance lease liabilities	5.2.2	663	0
3. Trade accounts payable	5.2.3	1,422	1,578
4. Other liabilities	5.2.3	3,531	2,640
5. Other accruals	5.2.3	1,185	1,417
6. Deferred tax liabilities	5.2.3	87	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		59,857	55,605



Consolidated Income Statements for the period January 1 to March 31, 2006

	Note	31/03/2006 T€	31/03/2005 T€
Gross sales		30,204	25,291
Betting stakes		21,020	20,065
1. Sales	5.3.1	9,184	5,226
2. Changes in inventories	5.3.2	23	0
3. Production for own assets capitalised	5.3.3	134	58
4. Other operating income	5.3.4	489	99
5. Cost of purchased materials	5.3.5	3,636	142
a) Raw material and supplies		0	7
b) Cost of purchased services		3,636	135
6. Personnel expenses	5.3.6	1,579	1,417
a) Wages and salaries		1,351	1,212
b) Social insurance		228	205
7. Depreciation and amortisation on intangible assets and on property, plant and equipment	5.3.7	1,230	930
8. Other operating expenses	5.3.8	3,734	2,477
Result from operating activities		-349	417
9. Other interest and similar income	5.3.9	230	14
10. Interest and similar expenses	5.3.10	48	66
Finance result		182	-52
11. Result before tax	5.3.11	-167	365
12. Income tax	5.3.12	183	-4
13. Other tax	5.3.13	0	1
14. Net profit for the period	5.3.14	16	362
15. Minority interest in earnings		90	0
16. Earnings including minority interest		106	0
17. Loss carry-forward from previous year		-19,045	-20,779
18. Accounting loss		-18,939	-20,417
19. Earnings per share			
Basic earnings per share (€)		0,00	0,04
Diluted earnings per share (€)		0,00	0,03



Cash Flow Statement for the period January 1 to March 31, 2006

	31/03/2006 T€	31/03/2005 T€
• Net profit for the period	16	362
• Depreciation on fixed assets	1,230	930
• Amortisation and write-down on financial assets and marketable securities	0	0
• Increase/decrease in long-term accruals	41	10
• Finance income	-230	-14
• Interest expense	48	66
• Other non-cash expenses and income/deferred taxes	21	-45
• Profit/loss from the disposal of fixed assets	-300	0
Cash flow before changes to working capital	826	1,309
• Change in inventories, receivables and other assets	-571	-68
• Change in liabilities and other items on the shareholders' equity and liabilities side	823	-838
• Increase/decrease in short-term accruals	-232	-18
Cash flow from operating activities	846	385
• Interest paid	-44	-33
• Income taxes paid	0	0
Cash flow from operating activities	802	352
• Cash receipts from disposals of fixed assets	300	0
• Cash payments for investments in fixed assets	-2,236	-585
• Cash payments for investments in consolidated companies	0	0
• Cash payments for investments in subsidiaries	-3,000	0
• Acquisition of investments and other financial assets	0	0
• Interest received	213	14
Cash flow from investing activities	-4,723	-571
• Cash receipts from capital increases	0	0
• Other cash receipts for capital	0	0
• Cash receipts/payments from the issue of bonds and from the raising of loans	2,813	0
• Repayments of bonds and loans	-16	-23
Cash flow from financing activities	2,797	-23
• Change in consolidated companies	-2,814	0
Overall effective adjustment	-3,938	-242
• Cash and cash equivalents at the start of the period	26,230	7,756
Cash and cash equivalents at the end of the period	22,292	7,514
• Progression from financial resources to net cash position	22,292	7,514
• Betting stakes passed on	2,209	2,728
• Securities provided	63	189
Net cash position	20,020	4,597


Development in capital accounts for the period January 1, 2006 to March 31, 2006

T€	Share Capital	Additional-paid-in capital	Accounting loss	Minority interest	Total	Bonds convertible
Postition at December 31, 2004	9,409	28,600	-20,779	5	17,235	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	
Earnings for 1st quarter of 2005			362		362	
Postition at March 31, 2005	10,637	29,686	-20,417	5	19,911	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 options	28	49			77	
Capital increase for cash	3,210	22,245			25,455	
Costs of raising equity		-544			-544	
Earnings for 2nd quarter of 2005			178		178	
Postition at June 30, 2005	14,445	51,949	-20,239	5	46,160	210
Conversion of bond at August 20, 2005	64	58			122	-122
Dilution compensation for convertible bond	12	-12			0	
Interest on bond						2
Premiums earned from employee stock options		10			10	
Earnings for 3rd quarter of 2005			467		467	
Postition at September 30, 2005	14,521	52,005	-19,772	5	46,759	90
Conversion of bond at November 20, 2005	1	1			2	-2
Dilution compensation for convertible bond	0	0			0	
Interest on bond					0	1
Premiums earned from employee stock options		14			14	
From employee options	1	2			3	
Costs of raising equity		-33			-33	
Acquisition of subsidiary DigiDis				115	115	
Earnings for 4th quarter of 2005			727	-15	712	
Postition at December 31, 2005	14,523	51,989	-19,045	105	47,572	89
Conversion of bond at February 20, 2006	1	1			2	-2
Dilution compensation for convertible bond	0	0			0	
Interest on bond					0	1
Premiums earned from employee stock options		14			14	
Acquisition of remaining interest in interjockey.com				5	5	
Acquisition of subsidiary myBet.com				788	788	
Earnings for 1st quarter of 2006			106	-90	16	
Postition at March 31, 2006	14,524	52,004	-18,939	808	48,397	88



FLUXX AG – Consolidated Financial Statements at March 31, 2006 (IFRS)

FLUXX AG, with registered office in Altenholz, Ostpreußenplatz 10, 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 and European market. It handles in essence the products of the German lottery and pools organisation, and arranges and also acts as agent principally for horse and sports 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 in the fourth quarter of 2005, FLUXX AG placed its business model on a broader European footing and was already able to acquire its first commercial customers in time for the draw for the Spanish Christmas lottery. 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 lottery and betting providers, and also to accept bets in its own right.

In addition to the self-marketed services jaxx.de, jaxxhorses.de, jaxx.com, myBet.com, 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 free-net.de, the online services WEB.DE, AOL and Lycos, the Spanish lottery portal Loterias.com, burda direct win and the lottery companies Nordwest-Lotto Schleswig-Holstein, Lotto Brandenburg and Lotto Mecklenburg-Vorpommern.

1. General principles

The Consolidated Financial Statements of FLUXX AG at March 31, 2006 are in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB). They are prepared in accordance with the IFRS rules that are to be applied in the EU, as well as with the requirements of commercial law pursuant to Section 315a Para.1 of German Commercial Code. It is consequently not necessary to prepare separate consolidated financial statements or a group management report in accordance with the requirements of German Commercial Code. The Consolidated Financial Statements comply with all IFRS the application of which was mandatory by the balance sheet date.

The application of the following International Accounting Standards (IAS) and IFRS results in discrepancies between the result for the period and the German Commercial Code accounts:

- IFRS 2:** 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.

■ Changes in recognition and measurement principles

The IASB (International Accounting Standards Board) has passed a large number of amendments to existing standards which are to be applied for the first time for financial years beginning January 1, 2005. The new versions of the following standards are being applied for the first time in these quarterly financial statements, following their application for the first time in 2005:

IAS 1 (2003): Presentation of Financial Statements

IAS 8 (2003): Accounting Policies, Changes in Accounting Estimates, and Errors

IAS 16 (2003): Property, Plant and Equipment

IAS 17 (2003): Leases

IAS 24 (2003): Related Party Disclosures

IAS 27 (2003): Consolidated and Separate Financial Statements (IFRS)

IAS 32 (2003): Financial Instruments: Disclosure and Presentation

IAS 33 (2003): Earnings per share

IAS 39 (2003): Financial Instruments: Recognition and Measurement

With regard to the evaluation of year-on-year comparisons, it should be noted that QED Ventures Ltd., Malta (QED) together with its subsidiaries (also referred to hereinafter as myBet.com), which was included in consolidation for the

first time at January 1, 2006, is not present in the figures for the quarter ending on March 31, 2005. Because of this, the scope for comparison between the periods is limited.

■ New accounting standards

In December 2004, the IASB published changes to IAS 19 that are to be applied to financial years beginning on or after January 1, 2006. These changes will in future permit the recognition of actuarial gains and losses within equity. Additional information on pension liabilities will moreover be required in the Notes. As FLUXX does not report any pension liabilities, the changed standard will not have any effect on the future IFRS Consolidated Financial Statements.

In April 2005, the IASB published changes to IAS 39 that are to be applied to financial years beginning on or after January 1, 2006. The changes relate to the disclosure of hedging relationships within the group, which do not occur in FLUXX's case. Other changes to IAS 39 (and correspondingly IFRS 4) relate to financial guarantees. These changes apply to financial years beginning on or after January 1, 2006. As expected, these rules likewise have no impact on FLUXX's net worth, financial position and financial performance.

IFRS 7 "Financial Instruments: Disclosures" was approved by the IASB in 2004. It applies to financial years beginning on or after January 1, 2007. IFRS 7 relates in particular to explanatory representations of financial instruments, which will be satisfied by FLUXX when application of the standard becomes mandatory.

In December 2004, the IASB furthermore approved IFRS 6 "Exploration for and Evaluation of Mineral Assets", which is to be applied to financial years beginning on or after January 1, 2006. This standard will likewise have no effect on FLUXX in the future, as it will not be applicable in view of the business activities in question.



In 2005 the IASB published the following new interpretations that were approved by endorsement until preparation of the summary:

- IFRIC 4:** Determining Whether an Arrangement Contains a Lease (applicable for financial years beginning on or after January 1, 2006)
- IFRIC 5:** Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (applicable for financial years beginning on or after January 1, 2006)
- IFRIC 6:** Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (applicable for financial years beginning on or after December 31, 2005)

The following has not yet been recognised by the EU:

- IFRIC 7:** Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (applicable for financial years beginning on or after March 1, 2006)

It is expected that all these interpretations will have no impact on the net worth, financial position and financial performance of FLUXX.



2. Consolidated companies

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

At the start of the new financial year, FLUXX AG acquired a majority interest of 77 per cent in the Maltese holding company QED. QED holds 100 per cent of the shares of SWS Wettshop Service GmbH, Berlin and PEI Personal Exchange International Ltd., which operates an international sports betting service under the brand of myBet.com. The purchase price was EUR 6,000 thousand. The acquired assets amounted to EUR 4,469 thousand at the time of the takeover. The acquired assets amounted to EUR 4,469 thousand at the time of the takeover, comprising EUR 1,381 thousand in fixed assets (predominantly software and deferred tax assets), EUR 1,088 thousand in cash and cash equivalents, receivables and other assets of EUR 186 thousand, and also goodwill amounting to EUR 1,814 thousand. The liabilities amount to EUR 1,000 thousand and comprise EUR 82 thousand in accruals, EUR 126 thousand in trade liabilities and EUR 791 thousand in other liabilities. These reflected the fair values at the time of acquisition.

Within the context of the purchase of QED, a customer base and software were acquired. The fair values of the customer base could not be reliably determined, as no historical data regarding the value of customers and their gaming behaviour is as yet available. The software was capitalised in accordance with IAS 38. No hidden reserves over and above this could be identified.

The contribution of QED to the result for the period was EUR –300 thousand.

A further holding company established in Malta in 2005, which in turn has three fully-owned subsidiaries with licences for sports betting, casinos and lotteries respectively, has the purpose of paving the way for an international presence. FLUXX owns a 100 per cent stake in this holding company. These companies are not currently operational. The remaining 14.54 percent stake in interjockey.com horsebet GmbH was acquired in full with effect from January 1, 2006 at a purchase price of EUR 58,140.



SUMMARY OF INVESTMENTS	Registered office	Nominal capital T€	Proportionate interest %
Parent company FLUXX AG	Altenholz	14,524	–
Direct investments			
ANYBET GmbH	Kiel	110	100.00
JAXX GmbH	Hamburg	110	100.00
DSM Lottoservice GmbH	Hamburg	30	100.00
DigiDis S. L.	Madrid, Spanien	182	72.50
JAXX.COM Holding Ltd.	Malta	1	100.00
QED Ventures Ltd.	Malta	4	77.00
Indirect investments			
book + data Software-Entwicklung GmbH	Altenholz	25	100.00
fluxx.com Telewette GmbH	Hamburg	51	80.00
interjockey.com horsebet GmbH	Lustenau, Österreich	400	100.00
DSM Lottoservice GmbH	Lustenau, Österreich	35	100.00
JAXX.COM Casino Ltd.	Malta	20	100.00
JAXX.COM Sportsbetting Ltd.	Malta	20	100.00
JAXX.COM Lottery Ltd.	Malta	10	100.00
PEI Ltd.	Malta	3	77.00
SWS Wettshopservice GmbH	Berlin	25	77.00

3. Consolidation principles

The consolidation of capital has been performed pursuant to IAS 22.32 in accordance with benchmark treatment (carrying at proportionate revalued amounts), taking account of IAS 22.12, reverse acquisition. Subsidiaries acquired after April 1, 2004 are included in the Consolidated Financial Statements by the purchase method, pursuant to IFRS 3.

Recognisable assets and liabilities are recognised at their fair values upon initial consolidation. 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 tested for impairment yearly, as well as whenever it is indicated, and amortised as necessary (impairment test).

Intermediate gains or losses, sales, expenditure and earnings, together with receivables and liabilities between the consolidated companies, are eliminated. Deferred tax is recognised on temporary differences.



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

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. Self-created software to the value of EUR 134 thousand was capitalised in the period under review, and will be amortised over a useful life of four years.

Under IFRS 3, the derivative goodwill resulting from the acquisition of subsidiaries is no longer amortised, but instead subjected to an impairment test on a regular basis as well as when indicated. There is currently no need for an adjustment in its value.

Syndicate contracts were acquired from third parties by DSM Lottoservice GmbH, Hamburg and Lustenau, and capitalised at cost pursuant to IAS 38. These contracts increasingly include the acquisition 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.

Addresses bases generated independently of the contracts are amortised over two years in line with their expected usage.

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.

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 Consolidated Income Statement under interest expense.

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 is measured at acquisition cost, less depreciation. No borrowing costs were to be capitalised. 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 ten 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. Results from the disposal of assets are shown in the Consolidated Income Statement.

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



■ Financial 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. Fair value adjustments are therefore recognised within equity.

The company's financial assets are to be categorised as available for sale 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, Spain and Malta 30 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 allowances.

■ Prepaid expenses

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.

■ Liabilities

Financial liabilities, trade accounts payable and other liabilities are measured at amortised cost.

■ Contingent liabilities and other financial obligations

Contingent liabilities are potential obligations towards third parties or actual obligations where an outflow of resources is unlikely. They are not recognised in the Consolidated Balance Sheet, but explained in the 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. 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.

■ Leases

The lease agreements concluded by the company consist of both operating lease agreements and finance lease agreements. In the first quarter, FLUXX concluded an agreement on the financing of the Direct Lotto project with a leasing company. This agreement is to be classified as a finance lease because the economic interest has passed to FLUXX. At the start of the lease, the leased asset is therefore capitalised at the present value of the lease payments or at a lower fair value, pursuant to IAS 17. The corresponding payment obligations from the future lease payments are recognised as a liability. The leased assets are reported under fixed assets.

Lease payments from operating leases are to be recognised as an expense in the income statement pursuant to IAS 17.33.

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

■ Events occurring after the balance sheet date

There were no disclosable events occurring after March 31, 2006, as defined in IAS 10.

■ Discretionary decisions in the application of the recognition and measurement principles

Discretionary decisions are required in applying the recognition and measurement principles. This is particularly the case regarding the matter:

Past statistical data was used in measuring the accrual for bonus points.

■ Estimates and evaluations by the management

The preparation of the Consolidated Financial Statements necessitates certain assumptions and estimates that apply to the carrying amounts of the assets, liabilities, income and expenditure recognised in the accounts.

■ Impairment test for goodwill

The impairment test for goodwill is based on forward-looking assumptions. These assumptions have been made on the basis of the estimated situation at the balance sheet date. An assumption on the future development of the economic context that was considered to be realistic at that point in time was moreover taken into account in estimating future business development. The actual amounts may differ from the estimates as a result of differences between actual developments in the underlying situation and the assumed developments. In such instances the assumptions and, if necessary, the carrying amounts of the assets and liabilities in question, are adjusted.

■ Deferred tax on loss carry-forwards

The loss carry-forwards exist predominantly in Germany and can be carried forward without restriction. On the basis of our business plan, the company is working on the assumption that the loss carry-forwards can be reduced



significantly over future years. The business plans are likewise based on forward-looking assumptions. The assumed and actual amounts may diverge if the actual development differs. In this instance, the assumptions and, if necessary, the carrying amounts of the assets will be adjusted.

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 14,910 thousand include both acquired and self-created assets. Acquired software and licences, including payments on account for these, as well as customer bases (syndicate contracts) and rights of use for addresses account for EUR 2,906 thousand of this total. The goodwill of EUR 11,325 thousand includes the addition of EUR 5,123 thousand from the 77 per cent interest in QED Ltd., Malta. An amount of EUR 679 thousand was capitalised for internally produced software.

The software and licence purchases are generally amortised by the straight-line method over a useful life of three years. The syndicate contracts and the rights of use for the addresses are amortised over a useful life of 6-24 months.

The goodwill differences from the consolidation of capital of investments were amortised over a period of between five and six years up until December 31, 2004, and in some cases a reduction for impairment recognised.

From January 1, 2005 goodwill amortisation is no longer performed, 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. Instead, it is tested annually for impairment. If it had been amortised, the volume of amortisation in the period under review would have totalled EUR 306 thousand.

The goodwill has been allocated to the cash-generating units in order to perform the impairment test. The cash-generating units generally comprise subsidiaries. For testing the DSM goodwill for impairment, both DSM companies were grouped together as a single cash-generating unit. The goodwill of DSM totals EUR 5,206 thousand, as in the previous year. For ANYBET, there likewise exists goodwill unchanged from the previous year of EUR 603 thousand.

In the impairment test, the recoverable amount for the cash-generating units is determined from the fair value less disposal costs or the value in use. The value in use is the present value of future cash flows that the cash-generating unit is expected to be able to generate. The value in use is determined on the basis of a company valuation model. This model is based on internal corporate planning up until 2010. The planning data is based on past experience and future expectations. The capitalisation interest rates are determined on the basis of the productive value method using a risk-free interest rate of 4 per cent, a borrowed-capital interest rate of 8 per cent, a beta of one and a market risk premium of 20 per cent, and amount to 14.8 per cent for the cash-generating units. No growth rate has been assumed for the present value of the perpetual pension.

The reconciliation of goodwill 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 amounts shown on the balance sheet. However, the general state of the economy and the unfavourable investment climate in Germany mean that a sale still cannot be expected in the short term.

The largest single item under Property, plant and equipment is the item Payments on account and construction in progress, amounting to EUR 2,838 thousand. This includes the payment on account for the order placed for 1,000 lottery terminals, as well as the first terminals delivered. 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 infrastructure acquired to date was financed under a finance lease. The carrying amount of the assets capitalised under finance lease arrangements is EUR 2,865 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 ten years.

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

■ **Investments**

The investment in Seepark Sellin AG is shown under financial assets.

Consolidated Assets Movement Schedule

	COST					DEPRECIATION AND AMORTISATION						
	Position at 01/01/2006 T€	Changes in consol- dated companies T€	Additions T€	Disposals (A) reclasses (U) T€	Position at 31/03/2006 T€	Position at 01/01/2006 T€	Changes in consol- dated companies T€	Additions T€	Disposals T€	Position at 31/03/2006 T€	Carrying value 31/03/2006 T€	Carrying value 31/12/2005 T€
I. Intangible assets												
1. Licences, software, rights of use and customer base	10,752	489	1,245	300 (A)	12,186	8,635	85	1,091	300	9,511	2,675	2,117
2. Goodwill	9,095	0	5,186	0	14,281	2,956	0	0	0	2,956	11,325	6,139
3. Payments on account	220	0	100	89 (U)	231	0	0	0	0	0	231	220
4. Self-created software	1,233	0	134	0	1,367	637	0	51	0	688	679	596
	21,300	489	6,665	389	28,065	12,228	85	1,142	300	13,155	14,910	9,072
II. Property, plant and equipment												
1. Real estate and buildings	1,327	0	0	0	1,327	311	0	6	0	317	1,010	1,016
2. Other assets, fixtures and fittings	2,771	158	459	0	3,388	2,244	51	82	0	2,377	1,011	527
3. Payments on account and construction in progress	2,317		650	129 (U)	2,838	0		0	0	0	2,838	2,317
	6,415	158	1,109	129	7,553	2,555	51	88	0	2,694	4,859	3,860
III. Investments												
1. Subsidiaries	3	0	0	0	3	0	0	0	0	0	3	3
	3	0	0	0	3	0	0	0	0	0	3	3
Total Consolidated Assets Movements	27,718	647	7,774	518	35,621	14,783	136	1,230	300	15,849	19,772	12,935



■ Deferred taxes

Deferred taxes are recognised using the balance sheet liability method. Deferred tax assets on loss carry-forwards are recognised where use of the loss carry-forwards is expected.

The tax effects on the temporary differences from capitalised self-created intangible assets are shown under the deferred tax liabilities.

A total rate of corporation and trade tax of 38 per cent in Germany, 25 per cent in Austria and 30 per cent in Spain and Malta was used as the basis.

Deferred taxes totalling EUR 12,040 thousand were capitalised on the usable fiscal loss carry-forwards of EUR 32 million. Compared with the previous year, this item has risen as a result of the consolidation of the loss carry-forwards from previous years recognised for myBet, and as a result of ongoing tax losses. EUR 216 thousand are attributable to the fiscal results of the subsidiaries for the period from January 1, 2006 to March 31, 2006.

As a result of the expansion of business in Spain and the anticipated start-up losses from the investment in QED Ltd., Malta (myBet.com) in January 2006, it is no longer expected that the deferred tax credit balances can be realised in the short term by 2008. The company is, however, assuming that they can be realised in the medium term and considers the loss carry-forwards as entirely sound.

We refer to Section 5.3.11 by way of supplementary information.

5.1.2. Current assets

■ Inventories

Inventories include infrastructure components for betting shops that are sold to the shops' franchisees.

■ 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 31/03/2006	Total 31/12/2005	Term to maturity over 1 year
1. Trade accounts receivable		1,307	1,430	0
2. Receivables from investments		0	0	0
3. Miscellaneous assets		4,259	3,741	0
		5,566	5,171	0



This item comprises trade accounts receivable originating primarily from syndicate business, as well as miscellaneous assets. The latter includes principally one amount receivable of EUR 3,250 thousand from a leasing company. No impairment losses were applied.

■ **Cash and cash equivalents, cash on hand, cash in banks**

This item totalling EUR 22,292 thousand includes cash in banks of EUR 2,272 thousand which is not freely accessible due to the security rights of third parties. At March 31, 2006 the freely available cash position amounted to EUR 20,020 thousand. The item includes investments in money market funds and other investments of a money market character (commercial papers).

5.2. Shareholders' equity and liabilities

5.2.1. Capital and reserves, minority interest

■ **Share capital**

Following the further conversion of debentures from the convertible bond issued in summer 2004, the share capital of FLUXX AG totals EUR 14,524,355 and is divided into the same number of individual share certificates with no par value.

■ **Approved capital**

The company has approved capital of EUR 2,107,602, as approved at the Shareholders' Meeting on May 3, 2005. The authorisation period was simultaneously extended to May 2, 2010. The Management Board is authorised to increase the capital stock 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 bond

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. 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 3,155,522 convertible bonds in 2004, 2005 and 2006 into 3,155,522 bearer individual share certificates, plus 12,342 bearer individual share certificates issued to bearers of debentures by way of dilution compensation, the authorised but unissued capital now totals EUR 32,136 (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 resol-



ved 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 was pending with the District Court of Kiel. The action was withdrawn by the plaintiff at the appeal stage in November 2005.

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 the partial cancellation, this authorised but unissued capital now totals EUR 32,120 (authorised but unissued capital 2000/1).

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 pre-emptive shares in the 2005 financial year and their partial cancellation, this authorised but unissued capital now totals EUR 21,459 (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).



■ Reserves

The company has additional paid-in capital pursuant to Section 272 (2) of German Commercial Code totalling EUR 52,004 thousand. No further reserves exist.

■ Accounting loss

The accounting loss is comprised as follows:

	31/03/2006 T€
Loss carry-forward at 01/01/06	-19,045
Minority interest in earnings	90
Net profit for 2006	16
Accounting loss at 31/03/2006	-18,939

■ Minority interest

Interests of minority shareholders in the share capital and the additional paid-in capital are reported here. Minority interest in the result for the period relates to the other shareholders of the Spanish subsidiary DIGIDIS and of QED Ltd., Malta. There was no netting of other interests in earnings, as the other minority shareholders do not respectively participate in earnings.



5.2.2. Non-current liabilities

■ Deferred tax liabilities

DEFERRED TAX LIABILITIES T€	Position at 01/01/2006	Änderung Kon- solidierungskreis	Consumed	Reversed	Allocated	Position at 31/03/2006
1. Deferred taxes	245	9	0	19	51	286

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 IFRS terms, but not fiscally in the period in which capitalisation takes place. A deferred tax expense is recognised on this difference. Amortisation in subsequent periods results in fiscally non-deductible expenses. The commercial result is consequently lower than the fiscal result and deferred tax liabilities from capitalisation are correspondingly reversed again.

■ Loans and bonds

LOANS AND BONDS T€	Total 31/03/2006	Total 31/12/2005	With a term to maturity of		
			less than 1 year	1 - 5 year	> 5 year
1. Finance lease liabilities	2,813	0	663	2,150	
2. Bonds	88	89	0	88	0
3. Due to banks	2,047	2,058	54	1,993	0
	4,948	2,147	717	4,231	0



■ Liabilities from lease agreements

This item relates to the liability from the financing (present value of lease payments) of an initial portion of the infrastructure for a total of around 1,000 terminals that are to be installed over the next few months as part of the rollout of Direct Lotto. The liability was measured at the present value of the lease payments. The corresponding assets are reported under property, plant and equipment. The company has received a commitment for an amount of EUR 5.0 million from the leasing company. The term of the tranches is 48 months, at an effective interest rate of 4.72 per cent.

A minimum equity ratio of 30 percent was agreed with the lessor.

■ Non-current loans

Amounts due to banks totalling EUR 1,033 thousand are secured by mortgages. These relate exclusively to the Sellin holiday apartments. 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 subsequent conversions of the bond into shares in the company have been added to shareholders' equity accordingly.



5.2.3. Current liabilities

■ Accrued expenses

The accrued expenses are comprised as follows:

SCHEDULE OF ACCRUALS T€	Position at 01/01/2006	Changes in consolidated companies	Con- sumed	Re- versed	Allo- cated	Position at 31/03/2006
1. Personnel cost	427	0	151	0	127	403
2. Suppliers' invoices	493	58	398	14	155	294
3. Costs of annual accounts and audit	58	10	31	3	15	49
4. JAXX-points and bonus points	393	0	0	155	121	399
5. Litigation costs	0	0	0	0	0	0
6. Remuneration of Supervisory Board	46	0	15	0	0	40
	1,417	68	595	132	427	1,185

The accruals for personnel costs substantially comprise obligations for outstanding vacation leave, bonuses and industrial accident insurance contributions. The accruals for suppliers' invoices relate for example to marketing

expenses not yet invoiced, and legal fees. 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	Total	With a term to maturity of		
	31/03/2006	31/12/2005	less than 1 year	1 - 5 years	> 5 years
1. Due to banks	1	6	1	0	0
2. Trade accounts payable	1,422	1,578	1,422	0	0
3. Other liabilities	3,531	2,640	3,531	0	0
	4,954	4,224	4,954	0	0



■ Trade accounts payable

The trade accounts payable totalling EUR 1,422 thousand (previous year EUR 1,578 thousand) have a term of up to one year. They are secured to the customary extent by retention of title.

■ Other liabilities

Other liabilities are comprised as follows:

OTHER LIABILITIES	31/03/2006 T€	31/12/2005 T€
Liabilities from lottery players	1,834	1,839
Sales tax	658	475
Income tax and church tax	428	96
Social security contributions	303	113
Other	308	117
	3,531	2,640

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.

■ Deferred tax liabilities

Game fees that have already been collected but do not produce revenue until the subsequent period are reported under this item.

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 and betting stakes for sports betting.

SALES	31/03/2006 T€	31/03/2005 T€
Commissions	1,809	1,769
Handling fees	3,052	3,064
Licence sales	0	0
Fees	57	87
Betting stakes	3,923	143
Revenue from call centre	0	0
Production output	177	51
Other	166	112
	9,184	5,226

The continuing high growth of the various platforms is being diluted by the current flat development in syndicate business. As a result of this, in conjunction with the disproportionately strong first quarter of 2005, the rise in commissions and handling fees is below-average.

When analysing sales, it should be noted in particular that the comparative figures for the previous year do not include sports betting business. The high growth of our subsidiary myBet.com in the sports betting segment is the main reason for the vigorous sales growth of 76 per cent.



5.3.2. Changes in inventories

This item includes the growth in inventories for infrastructure components for betting shops.

5.3.3. 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.

5.3.4. Other operating income

OTHER OPERATING INCOME	31/03/2006 T€	31/03/2005 T€
Income from the reversal of accruals	133	83
Income from the reduction in impairment losses on receivables	0	0
Income from the disposal of fixed assets	300	0
Other income	56	16
	489	99

The other operating income results among other things from the reversal of accruals and the sale of old syndicate portfolios.

5.3.5. Cost of purchased materials

In the year under review, the cost of raw materials and supplies amounted to EUR 0 thousand (previous year EUR 7 thousand) and the cost of purchased services totalled EUR 3,636 thousand (previous year 135 thousand). The items relate to purchased services, the cost of which was passed on, as well as to betting winnings paid out. The latter rose drastically as a result of the integration of myBet.com.

5.3.6. Personnel expenses

Expenses for wages and salaries totalled EUR 1,351 thousand (previous year EUR 1,212 thousand), and social insurance contributions and expenses EUR 228 thousand (previous year EUR 205 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 14 thousand.

There were 114 employees at the reporting date (previous year 95). The average number of employees for the quarter was 112 (previous year 94). The rise results from the consolidation of myBet.com.

5.3.7. Depreciation and amortisation

Depreciation and amortisation totalling EUR 1,230 thousand (previous year EUR 930 thousand) includes EUR 1,142 thousand for amortisation of intangible assets and EUR 88 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 probably increase further in the future. As a result of syndicate business and the Direct Lotto sales



channel, there will be a further 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.

5.3.8. Other operating expenses

OTHER OPERATING EXPENSES	31/03/2006 T€	31/03/2005 T€
Marketing	1,443	776
Commissions	848	862
Expenses for premises	153	84
Collection charges	144	92
Rental for fixtures and fittings	1	8
Losses on receivables	175	108
Costs of annual accounts and audit	28	15
Legal and consultancy costs	263	89
Vehicle costs	47	26
Insurance, donations, membership fees	80	53
Postage	114	148
Other personnel costs	24	11
Telephone costs	37	68
Fees for data lines	34	31
Travel and entertaining expenses	68	42
Periodicals and books	8	3
Incidental costs of monetary transactions	25	2
Office supplies	61	7
Other costs	181	52
	3,734	2,477

Particularly the EUR 667 thousand increase in marketing expenses compared with the previous quarter to strengthen our own jaxx.de end consumer platform and to flank the Direct Lotto rollout have prompted a rise in other operating expenses and therefore temporarily diminished the result. The same applies to the EUR 174 thousand rise in legal and consultancy 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 32 thousand in the first quarter, and the expense from tenancy agreements EUR 84 thousand. The expenses are reported in other operating expenses under vehicle costs, rental for fixtures and fittings and expenses for premises.

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	31/03/2006 T€	31/03/2005 T€
Tenancy agreements		
Term up to 1 year	276	46
Term 1 to 5 years	0	185
Lease agreements		
Term up to 1 year	0	18
Term 1 to 5 years	394	103



5.3.9. Other interest and similar income

The other interest and similar income amounts to EUR 230 thousand (previous year EUR 14 thousand). It consists of interest on bank credit balances and loans issued, as well as premiums earned on the basis of a conservative investment strategy.

The interest and premiums were largely collected during the reporting period.

5.3.10. Interest and similar expenses

The interest and similar expenses relate to interest expenses for non-current loans and imputed interest of EUR 1 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 48 thousand (previous year EUR 66 thousand), an amount of EUR 44 thousand was booked against income in the period under review.

5.3.11. Result before tax

The consolidated result for the period before tax is EUR -167 thousand, compared with EUR 365 thousand for the first quarter of 2005.



5.3.12. Income tax

INCOME TAX T€	31/03/2006 Assessment base	31/03/2006 Tax expense	31/03/2005 Assessment base	31/03/2005 Tax expense
Result before tax	-167		362	
Other tax			0	
IAS accounting profit	-167	-64	362	138
Fiscally unrecognised goodwill amortisation	0	0	0	0
Fiscally recognised amortisation on investments	0	0	0	0
Other differences from consolidation	-459	-138	-427	-163
Fiscally unrecognised business expenses	50	19	24	9
Temporary differences (intangible assets)	-83	-32	26	10
Tax result	-659	-215	-15	-6
Tax rebate for previous years				0
Deferred taxes on temporary differences and loss carry-forwards from previous years		32		10
Reduction in deferred tax items due to tax rate change in Austria		0		0
Reported income tax expense (-) = income		-183		4

The income tax comprises the deferred tax expense from the reversal of deferred tax assets, and tax on production for own assets capitalised and on the amortisation on this. The unrecognised business expenses result predominantly from the fiscal non-recognition of interest payments between subsidiaries as a result of the new fiscal rules on shareholder debt financing (German Thin Capitalisation Rules).

All temporary differences are shown in the above table. We expect that a sum of EUR 1,500 thousand of the deferred tax assets recognised will be realised within 12 months. EUR 106 thousand of the deferred tax liabilities are expected to be realised within 12 months.



5.3.13. Other tax

Other tax consists of motor vehicle tax and real property tax.

5.3.14. Net profit or loss for the period

The net profit for the period is EUR 16 thousand, as against EUR 362 thousand for the prior-year period.

5.3.15. Earnings per share

EARNINGS PER SHARE	31/03/2006 T€	31/03/2005 T€
Consolidated earnings	16	362
Weighted average number of ordinary shares outstanding during the period under review	14,523	9,927
Basic earnings per share in €	0.001	0.04
Number of dilutive shares under option	249	1,605
Number of shares that would have been issued at fair value	-76	-647
Total	14,696	10,885
Consolidated earnings (€ thousand)	16	362
Number of shares	14,696	10,885
Diluted earnings per share €	0.001	0.3

6. Further notes

6.1. Contingent liabilities

There are contingent liabilities totalling EUR 209 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

In the first quarter of 2006, the company sold a small number of put options at the Eurex as part of a conservative options strategy and earned premiums in return. The short position entered into results in a legal obligation of the company towards the option holder. The company must sell the option instrument at the request of the option holder during the life of the option. Most positions had expired at March 31, 2006, with the result that the option premium



could be collected with an effect on income. Premiums totalling EUR 39 thousand, which were recognised as income in view of the fair value of the underlying options, were collected for positions not yet closed. The settlement value at the balance sheet date for the open positions was EUR 16 thousand. At the time of preparation of the accounts, all premiums had been collected with an income effect.

6.3. Other financial obligations

The company must spend EUR 2,688 thousand (previous year: EUR 9,292 thousand) in the future for rent and similar obligations, EUR 1,500 thousand of which results from the obligation from the fulfilment of the purchase agreement with QED Ventures Ltd., Malta (MYBET.com). EUR 287 thousand result from future interest payments for finance leases.



6.4. Segment reporting

SEGMENT REPORTING				Consolidated		
T€	B2C	B2B	Sportwetten	Other	transfers	Total
External sales	2,317	3,215	3,651	1	0	9,184
31/03/2005	2,354	2,871		1	0	5,226
Sales with other segments	1,285	782	0	1,897	-3,964	0
31/03/2005	1,017	870		240	-2,127	0
Total sales	3,602	3,997	3,651	1,898	-3,964	9,184
31/03/2005	3,371	3,740		242	-2,127	5,226
Gross income	3,373	3,963	255	125	-2,008	5,708
31/03/2005	3,234	3,640		242	-1,975	5,141
EBITDA	1,686	360	-384	-767	-14	881
31/03/2005	996	792		-414	-26	1,348
Result for segment before interest and taxes	534	-112	-428	-781	438	-349
31/03/2005	73	387		-422	379	417
Net interest	-202	-291	1	654	20	182
31/03/2005	-190	-281		419	0	-52
Income taxes	-91	109	126	39	0	183
31/03/2005	42	-46		0	0	-4
Net profit or loss for the period	238	-293	-300	-89	459	16
31/03/2005	-76	63		-3	378	362
Gross carrying value of assets	11,867	20,934	990	69,537	-43,471	59,857
31/12/2005	12,302	19,174		66,600	-42,570	55,506
Liabilities	18,220	25,748	1,325	4,079	-37,912	11,460
31/12/2005	18,269	23,740		937	-34,912	8,034
Investment	1,067	1,121	892	6,005	-664	8,421
31/03/2005	474	150		20	0	644
Depreciation and amortisation	1,152	472	43	13	-450	1,230
31/03/2005	922	405		8	-405	930
Non-cash expenses	13	145	17	0	47	222
31/03/2005	109	-130		17	0	-4



A further segment has been added to the summary as a result of the inclusion of the sports betting activities of myBet.com. Sports betting is responsible for the bulk of sales growth in the quarter under review. As expected, the segment is still making a negative contribution to the overall result. The young company is still being established in the high-growth European sports betting market. Investment spending on software development and the establishment of customer and sales relations are burdening the result during this early phase.

The B2B and B2C segments are exhibiting restrained growth compared with the prior-year quarter. This is due to the current stagnation in the level of syndicate contracts and a disproportionately good first quarter of 2005 with high jackpots, contrasting with the notable absence of sizeable jackpots in the first quarter of 2006. These segments that are considered to constitute our core business likewise spent relatively large amounts on marketing in the first quarter, in order to strengthen these business areas in their competitive context. In total, this consequently diminished the result by a disproportionately high amount of around EUR 600 thousand.

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. As a result of the expansion of syndicate business, coupled in particular with initial capital expenditure for Direct Lotto, capital expendi-

ture in both segments has risen sharply, as has the raising of loans within the group in the B2C segment to finance capital expenditure.

Secondary data structured by geographical region has not been provided, since well over 90 per cent of sales are generated within Germany in the core business areas and the already broad European customer base in sports betting business does not permit a straightforward regional breakdown.

Transactions between the segments were handled on the same basis as transactions with third parties.

6.5. Finance and investment

In the first quarter of 2006, FLUXX AG accrued a major amount of cash from earnings before depreciation and amortisation, deferred tax, interest and other non-cash expenses of EUR 826 thousand. The build-up of accounts receivable and other assets resulted in short-term tied-up capital of EUR -571 thousand. The build-up of liabilities resulted in an inflow of EUR 832 thousand, whereas the reduction of accruals led to an outflow of EUR -232 thousand. Further funds totalling EUR -44 thousand were used for interest payments. The cash flow from operating activities amounted to EUR 802 thousand.

A sum of EUR -2,236 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 213 thousand. Furthermore, a payment of EUR -3,000 thousand was made for the acquisition of the investment in QED Ltd. The result is a cash flow from investing activities of EUR -4,723 thousand.

The net cash flow before investing activities is thus EUR -3,921 thousand.



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 –16 thousand. The company accrued EUR 2,813 thousand through the financing of the Direct Lotto project via a finance lease. The change in the consolidated companies results in EUR –2,814 thousand.

The overall cash flow for the period is consequently EUR –3,938 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 120 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 9 thousand was set aside in the period under review.

6.7. Related parties

Accounts receivable from members of the Management Board totalled EUR 9 thousand. The following table shows the amounts due to related parties which diminished the result for 2006. The amounts concerned are in respect of consultancy services.

	31/03/2006 T€	31/03/2005 T€
GWU mbH (Managing Director Antje Stoltenberg, Supervisory Board member)	0	5
Total	0	5

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.

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 532,308 individual share certificates exclusively for the granting of subscription rights in the context of stock options schemes, as well as the basic framework for the stock options schemes to be established by the Management Board. 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 Section 192 Para. 2 No. 3 of German Stock Corporation Law.

The strike price for the 1999, 2000 and 2001 stock options schemes corresponds respectively 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.

Stock options from the 2005 stock options scheme 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 of subsidiaries and up to 80 per cent to employees of the company and its subsidiaries. Stock options may be issued continuously.

Each stock option bears an entitlement to acquire one share in the company at the strike price, if exercised. The exercise 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), upon issue of the stock options. 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.

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.

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).

In the first quarter of 2006, no stock options were exchanged for shares in the company, and 5,392 options expired in the first quarter of 2006. At March 31, 2006 there were 215,341 stock options issued under the various schemes.

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 adjusted again. A total of 175,493 options which had been issued after November 7, 2002 and had not expired at the reporting date fall under the rules of IFRS 2. The options were measured at market price upon issue, applying the Black-Scholes option pricing model. The money market interest rate was assumed to be 2.2 per cent. The exercise threshold was taken into account in the calculation 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.

The development in the options to be reported pursuant to IFRS 2 is shown below:

	Total options	Average fair value	Total cost	Subscription price	Potential inflow	Volatility
01/01/2005 Employees (2004 allocation)	101,851	0.90 €	91,326 €	2.31 €	235,276 €	65 %
Management Board (2004 allocation)	42,783	0.89 €	38,060 €	2.32 €	99,468 €	65 %
Expired options 2005/2006	-9,392	0.90 €	8,421 €	2.31 €	21,696 €	65 %
Q3/2005 allocation to Management Board	40,251	2.21 €	89,089 €	7.47 €	300,675 €	45 %
31/03/2006 Volume of options scheme	175,493	1.20 €	210,054 €	3.50 €	613,724 €	
Cost in financial year 2005			58,587 €			
Cost in Q1 2006			14,309 €			



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, management board member
- Antje Stoltenberg, Kiel, auditor
- Frank Motte, Aalen, managing partner

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

In the 2006 financial year, Susat & Partner oHG was not mandated to perform any further tasks over and above the auditing of the annual accounts. Expenses of EUR 13 thousand were recorded in the first quarter of 2006 for the auditing of the annual accounts.

Altenholz, May 9, 2006

Rainer Jacken

Mathias Dahms

Stefan Hänel