fluxx.com
(aktiengesellschaft)

Nine month report
January 1 to November 30, 2000 (acc. to IAS)

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Contact:
fluxx.com Aktiengesellschaft
Herrenhaus Stift
D-24161 Kiel-Altenholz

Phone: +49.431.88 10 4-80
Fax: +49.431.88 10 4-70

Email: info@fluxx.com
http://www.fluxx.com

Investor Relations:
Stefan Zenker
Phone: +49.431.88 10 4-84

Email: zenker@fluxx.com

Key Data (IAS):

	9 month 2000 01.01.-30.09.2000	9 month 1999 01.01.-30.09.1999	q3 2000 01.07.-30.09.2000	q3 1999 01.07.-30.09.1999	q2 2000 01.04.-30.06.2000
Gross sales					
DM thou.	**47,063**	**13,746**	**16,897**	**6,047**	**14,065**
€ thou.	24,049	7,028	8,639	3,092	7,191
Betting stakes					
DM thou.	**24,052**	**4,890**	**8,719**	**2,268**	**5,214**
€ thou.	12,298	2,500	4,458	1,160	2,666
Net sales					
DM thou.	**22,984**	**8,856**	**8,178**	**3,779**	**8,851**
€ thou.	11,752	4,528	4,181	1,932	4,525
EBIT					
DM thou.	**–12,732**	**–8,213**	**–3,683**	**–4,210**	**–3,678**
€ thou.	–6,510	–4,199	–1,883	–2,153	–1,881
EBIT margin %	***–55.40 %***	***–92.74 %***	***–45.04 %***	***–111.41 %***	***–41.55%***
Consolidated net loss for the year					
DM thou.	**–6,393**	**–4,251**	**–1,900**	**–2,172**	**–1,808**
€ thou.	–3,269	–2,174	–971	–1,111	–924
Earnings per share (5.01 m)					
DM	**–1.28**	**–0.85**	**–0.38**	**–0.43**	**–0.36**
€	–0.65	–0.43	–0.19	–0.22	–0.18

	30.09.2000	30.06.2000
Non-current assets		
DM thou.	**28.968**	**23.303**
€ thou.	14.811	11.915
Equity and reserves		
DM thou.	**35.400**	**32.235**
€ thou.	18.100	16.481
Balance-sheet total		
DM thou.	**55.074**	**47.107**
€ thou.	28.159	24.085

Other key data:

	30.09.2000	30.06.2000
Employees	203	169
jaxx.de customers	200.000	133.000
jaxx.de partners	650	320

Introduction

Dear Shareholders, Dear Business Associates,

We are pleased to present the three-quarter report of fluxx.com AG, in which we are able to announce a crucial change that is highly relevant both to our company and to you, our shareholders.

Starting with this report, the sales figures as reported in the income statements will in future be include the sales from our e-gambling sector that have previously been designated "betting stakes". The auditors have made this decision on the basis of the regulations of the Neuer Markt. This finally puts us in a position to reflect the significance and outstanding progress of this business area in the key financial figures disclosed in our quarterly and annual reports. It will also now be fully evident that our sales in the promising sector of e-gambling are already on a par with sales in our longer-established b2b segment of e-business services.

This three-quarter report once again underlines the marked growth enjoyed by fluxx.com AG. Revenues in the e-gambling sector in particular have grown at an above-average rate of some 392%.

Our company is now entering the busiest phase of the year: the fourth quarter, in which the highest sales are traditionally expected. We can safely assume that our rapid growth will continue unabated.

Kiel, November 2000

The Board of Management

Business progress

e-gambling

jaxx.de remains Germany's Number One

The strategically outstanding business area of e-gambling continues to enjoy above-average growth. With now more than 250,000 registered customers (September 30: 200,000) and gambling sales totalling DM 24.1 million (EUR 12.3 million), fluxx.com has clearly extended its market lead in Germany in the first nine months of 2000. This development is substantially attributable to the gambling platform jaxx.de, which is for instance Germany's largest betting agency for lottery and Oddset.

Number of venture partners reaches 650

This rapid growth in the number of customers has been achieved above all thanks to targeted marketing measures in conjunction with venture partners. The number of partners who have incorporated jaxx.de's services into their Internet pages has risen from 55 one year ago to a current 650. These partners include prestigious Internet companies such as AOL, freenet.de, ricardo and evita.de.

The key measures included in particular cutting customer acquisition costs, enhancing customer loyalty and improving the user performance of jaxx.de. In order to reduce customer acquisition costs while simultaneously boosting the number of new registrations quite considerably, a model where jaxx.de's venture partners are fully integrated was developed. Our response-oriented advertising campaigns take the form of measures running for a limited period, to attract new customers through offline and online media.

Mobile phone quiz with "BigBrother"

As an additional means of broadening our customer base, we made more intensive use of prize competitions as a means of directing users to jaxx.de, thus guaranteeing a continuing rise in the number of registered players. Such measures include series of scratchcards with partners such as Eurosport and freenet.de, online prize competitions for instance with Kinowelt AG, clickfish.com and the production company Me, Myself and Eye, and the staging of a novel mobile phone SMS quiz in conjunction with the second line-up of the successful television programme "BigBrother". This competition is due to run until mid-December.

Thanks to the introduction of a new database system for the jaxx.de back office, the response time for customers during busy periods has been substantially improved. Optimum availability has met with a very positive response among users, and is already prompting a rise in sales.

Upward trend in bookmaking margin

The Internet horse-betting activities of the fluxx.com Group likewise made very good progress in the third quarter. horses.de, Germany's only licensed Internet betting office, recorded a year-on-year increase in sales of more than 100 %. The international horse-betting platform interjockey.com progressed particularly well. The gross margin on betting stakes rose considerably, from 4 % in July to 21 % in August and 30 % in September. This welcome trend stabilised in October, and is currently in the region of 27 %.

Acquisition of DVR Telewette

At the end of September, fluxx.com concluded the takeover of the tele-betting company DVR Telewette GmbH retroactively as of January 1, 2000, on the basis of the agreement reached in July with the Directorate of Thoroughbred Breeding and Racing (DVR), the umbrella organisation of flat racing. fluxx.com now holds an 80 percent stake in the Cologne-based company, which specialises in telephone-based horse betting and operates its own TV programme on the news channel n-tv. Last year, DVR Telewette GmbH handled betting stakes totalling in excess of DM 16 million (EUR 8.2 million).

Through this acquisition, fluxx.com has also acquired the exclusive rights to market flat racing via all online media (digital TV, Internet, WAP, UMTS, telephone). The amount invested by fluxx.com in the acquisition of Telewette, including all associated rights, does not exceed a single-digit number of millions. The acquisition of Telewette was financed entirely from a capital increase of 50,000 shares from the approved capital of fluxx.com AG, as a result of which the company's cash resources are not adversely affected. The new shares were placed with institutional investors at a price of EUR 44.

e-business services

Concentration on online business

To strengthen the development side of its online expertise, fluxx.com has acquired an initial 55 percent shareholding in the IT consultant book & data Software-Entwicklung GmbH, of Laboe, near Kiel, in an agreement backdated to January 1, 2000. The company specialises in the development of software solutions and in advising companies on IT matters; it currently has 21 employees. In the 1999 financial year, book & data recorded pre-tax profits from sales of DM 2.7 million (EUR 1.4 million), which will have a correspondingly beneficial effect on the cash flow of the fluxx.com Group. The customer base of the company, founded in 1991, includes Deutsche Telekom Computerservice Management, CABUS Computer-Systeme and Vossloh Systemtechnik. The contractual agreement envisages fluxx.com acquiring the remaining shares in book & data at the start of next year.

Management buy-out of traditional advertising agency

The traditional activities that the company was still conducting as a former advertising agency were hived off in the form of a management buy-out on September 30; these activities no longer bear any direct link with the company's strategic focus on the business areas of Internet services and online gambling. The divested division will in future be run by 21 fluxx.com employees as an independent full-service advertising agency with a regional emphasis.

The decision to shed this division will have a positive effect on the fluxx.com Group's earnings situation, as the division would not have broken even this year. The emphasis on online expertise and the declared aim of making the entire e-business services division show a profit by no later than the end of 2000 necessitated this move.

The marketing areas of online PR and online media, which remain within the fluxx.com Group, are already profitable.

Sustained profitability of Web consultancy activities

As in the second quarter, the Web consultancy sector generated a profit in the third quarter. As matters stand, the 2000 financial year as a whole should be concluded with a positive result.

In addition to high capacity utilisation following the receipt of a sizeable contract from MobilCom and France Telecom in the second quarter to create a UMTS platform ("M portal"), the State Bank of Schleswig-Holstein and the energy supplier Schleswag were recruited as new key accounts. A large number of follow-on projects from existing customers were also taken on.

Launch of the "Mobile Commerce Competence Group"

In the context of the M portal project for Mobilcom, a "Mobile Commerce Competence Group" was launched with the objective of developing and transferring interdisciplinary expertise. fluxx.com has already acquired a significant expertise and technology lead over its competitors in this area. The findings of the Mobile Commerce Competence Group will result in sales and positioning strategies which should further strengthen fluxx.com's market position in the field of mobile commerce in 2001.

Capital measures

As a result of a capital increase carried out in September, involving the issue of 50,000 shares at a subscription price of EUR 44, the company accrued additional funds of around DM 4.2 million (EUR 2.1 million). The lion's share of this sum was used for the acquisitions of book & data and Telewette.

The number of fluxx.com shares has therefore now risen to 5,050,000. In accordance with the guidelines on the calculation of earnings per share, the pro rata temporis method will be applied to the new shares in the earnings figures.

Economic developments

Gross sales rise by 242 percent

Total sales by the fluxx.com Group in the first nine months of 2000 rose from DM 13.7 million (EUR 7.0 million) in the corresponding prior-year period to DM 47.0 million (EUR 24.1 million). This represents an increase of 242 percent. In the third quarter, fluxx.com registered total sales of DM 16.9 million (EUR 8.6 million), compared with DM 6.0 million (EUR 3.1 million) in the third quarter, an increase of 179 percent.

For the first time in this quarterly report, and with the approval of its auditors, fluxx.com has made use of the option of including the full amount of the lottery and betting stakes handled via its Internet and TV facilities in its income statements. The auditors refer in particular to section 7.1.5. of the official regulations of the Neuer Markt: "If the sales revenues from the activities of the issuer are not suitable as a means of permitting an accurate assessment of the issuer's business activity, they shall be supplemented with figures adjusted in line with the issuer's activity."

Five-fold increase in betting stakes

Total betting stakes in the first nine months rose were up by 392 percent, from DM 4.9 million (EUR 2.5 million) in the corresponding prior-year period to DM 24.1 million (EUR 12.3 million). The figures for 2000 include DM 10.3 million (EUR 5.3 million) of betting stakes handled by DVR Telewette, which was acquired on September 30.

Compared with the second quarter, gross sales for the third quarter rose by 20 percent. As expected, net sales on the other hand fell slightly by 7.6 percent to DM 8.2 million (EUR 4.2 million), as no further components of the major order to establish a UMTS platform for MobilCom and France Telecom were invoiced in the third quarter of the year. Further income is expected in the fourth quarter on the basis of this order, with the result that the sales figure should receive a further significant boost by the end of the year.

In accordance with the statutory accounting requirements of German Commercial Code, the subsidiaries book & data and Telewette acquired in the third quarter are consolidated for the whole of 2000 in the income statement. In the IAS reconciliation accounts, the expenditure and income for these subsidiaries for the nine-month period have been booked entirely to the third quarter.

The acquired subsidiaries generated a profit of DM 545 thousand (EUR 279 thousand); this amount has, however, been neutralised in the consolidated earnings by a balancing item included on the expenses side. Consolidation of capital was performed as at September 30, 2000.

Q3 EBIT improves by 14 percent

The consolidated earnings before interest and taxes (EBIT) for the third quarter improved year-on-year by 14 percent, from DM -4.2 million (EUR -2.2 million) to DM -3.6 million (EUR -1.9 million), and are on a par with the figure for the second quarter. The EBIT margin has correspondingly risen further from -61 percent to -55 percent. The pre-tax loss for the nine-month period rose from DM -8.2 million (EUR -4.2 million) in 1999 to DM -12.7 million (EUR -6.5 million) in 2000. As matters stand, the EBIT margin is expected to improve still further by the end of the year. Income from the Web agency fluxx.com e-production and from the newly acquired subsidiaries is having an increasingly positive effect on consolidated earnings.

The consolidated net loss for the year according to IAS rose by 50.4 percent on the first nine months of 1999, from DM -4.3 million (EUR –2.2 million) to DM -6.4 million (EUR -3.3 million). This yields a result per share of EUR -0.65, based on 5,010,000 shares.

10 percent rise in liquid funds

The level of liquid funds (cash on hand and cash in banks) has risen for the first time in a year. The acquisition of book & data and the loss on the one hand, and the capital increase performed in the third quarter on the other hand, caused liquid funds to rise by 10 percent within the third quarter, from DM 14.9 million (EUR 7.6 million) to DM 16.4 million (EUR 8.4 million).

Employees

On the reporting date of September 30, the fluxx.com Group had 203 employees, including at its acquisitions book & data and Telewette. Taking into account the personnel shed as a result of the management buy-out on October 1, 2000, the employee total nevertheless rose only marginally in the third quarter, from 169 to 172. Payroll costs of DM 5.4 million (EUR 2.8 million) in the third quarter were just over double the prior-year figure (DM 2.6 million/EUR 1.3 million).

We continue to experience high demand for qualified personnel in the software development and project management areas. An efficient alliance network of management consultants and software consultants has been developed as a means of covering human resources gaps, including at short notice.

There were 61 employees in the e-gambling division on October 1, 2000 and 83 employees in the e-business services division on the same date. The management holding divisions account for the remaining 28 employees.

Outlook

Expansion of e-gambling platforms

The final quarter of the year will be dominated by the expansion of the e-gambling platforms from both a product and technical aspect. In the lottery sector, we aim to introduce subscription and jackpot games, which may also be tied to the size of the jackpot, as well as betting pools, before the end of the year. Betting pools in particular offer the prospect of a considerable rise in earnings in the lottery sector, as they yield higher margins.

jaxx goes TV

The integration of the various jaxx.de services into mobile portals, in particular in the context of the M portal project, is the focal point of current research and development activities. Strategic follow-up measures also include the adaptation of jaxx.de's content to digital TV platforms. Negotiations with various television stations and operators of digital platforms have already made very promising progress. fluxx.com has recruited Andreas Diga, an experienced TV manager, in an advisory capacity for this task. Diga, the former CEO of Pro 7 and founder of the first German-language home-shopping station H.O.T. was latterly a board member of the media corporation Intertainment AG.

Increased market shares in the online betting market

The takeover of DVR Telewette GmbH means that horse-betting acquires considerably greater importance for fluxx.com. Telewette is currently being integrated into the fluxx.com Group. Particular emphasis is being placed on optimising the way bets are received via the call centre, reducing costs and broadening its television presence, with the objective of boosting sales and earnings. By launching a separate horse-betting channel within jaxx.de and stepping up marketing activities to promote interjockey.com on an international scale, we in addition aim to increase significantly our shares in the German and international online betting markets.

Licensing of the jaxx platform

A separate sales team has been created to market the jaxx platform internationally in the form of standard software. Its licensing to a joint venture with the media corporation YBM in South Korea is now pending the decision of the licensee. Independently of this, fluxx.com is working hand in hand with the joint venture partner to tap the considerable potential of the rapidly expanding Asian market. fluxx.com is simultaneously in negotiations with several lottery corporations in Germany on the licensing of the platform for their own Internet services.

Balance Sheet

Consolidated Balance Sheets at September 30, 2000 and 1999 (according to IAS)

Assets	30.09.2000		30.09.1999	
	DM thou.	€ thou.	DM thou.	€ thou.
A. Non-current assets				
I. Intangible assets	6,817	3,485	347	177
II. Tangible assets	4,284	2,190	3,043	1,556
III. Financial assets	810	414	21	11
IV. Deferred taxes	17,057	8,721	7,952	4,066
A. Total	**28,968**	**14,811**	**11,363**	**5,810**
B. Curent assets				
I. Inventories	350	179	151	77
II. Accounts receivable from affiliated parties	4	2	27	14
III. Accounts receivable and other assets	9,152	4,679	3,261	1,667
IV. Cash on hand, cash in banks	16,360	8,365	36,713	18,771
V. Prepayments	240	123	23	12
B. Total	**26,106**	**13,348**	**40,175**	**20,541**
Total assets	**55,074**	**28,159**	**51,538**	**26,351**

Consolidated Balance Sheets at September 30, 2000 and 1999 (according to IAS)

Equity and liabilities	30.09.2000		30.09.1999	
	DM thou.	€ thou.	DM thou.	€ thou.
A. Equity and reserves				
I. Subscribed capital	9,877	5,050	9,779	5,000
II. Balancing item	18	9	18	9
III. Capital reserves	41,414	21,175	37,322	19,082
IV. Loss carry-forward	−14,051	−7,184	−2.788	−1,425
V. Net loss for the year	−1,900	−971	−4,251	−2,174
VI. Minority interest	42	21	0	0
A. Total	**35,400**	**18.100**	**40,080**	**20,493**
B. Non-current liabilities				
1. Provisions for pensions	0	0	0	0
2. Provisions for deferred taxes	602	308	600	307
3. Long-term loans	4,327	2,212	4,414	2,257
4. Bonds	64	33	31	16
B. Total	**4,993**	**2,553**	**5,045**	**2,579**
C. Current liabilities				
1. Provisions for taxation	0	0	0	0
2. Other provisions	3,085	1,577	1,426	729
3. Short-term loans	1,817	929	575	294
4. Short-term portion of long-terms loans	110	56	131	67
5. Advances from customers	250	128	0	0
6. Trade accounts payable	4,349	2,224	1,294	662
7. Other liabilities	5,070	2,592	2,987	1,527
8. Prepayments	0	0	0	0
C. Total	**14,681**	**7,506**	**6,413**	**3,279**
Total equity and liabilities	**55,074**	**28,159**	**51,538**	**26,351**

Income Statement

Consolidated Statement of Earnings for the period from 01.07. to 30.09.2000 and 1999 (IAS)

3rd quarter 2000 and 1999	01.07.-30.09.00		01.07.-30.09.99	
	TDM	T€	TDM	T€
1a. Gross sales	16,897	8,639	6,047	3,092
1b. Betting stakes	−8,719	−4,458	−2,268	−1,160
1c. Net sales	**8,178**	**4,181**	**3,779**	**1,932**
2. Change in inventories	285	146	−329	−168
3. Other operating income	1,205	616	27	14
4. Cost of materials				
a) Raw materials, consumables and supplies	−548	−280	−41	−21
b) Cost of purchased services	−1,425	−729	−2,220	−1,135
5. Personnel expenses				
a) Wages and salaries	−4,968	−2,540	−2,260	−1,156
b) Social security and other pension costs	−473	−242	−326	−167
6. Depreciation				
of intangible fixed assets and tangible assets	−903	−462	−366	−187
7. Other operating expenses	−4,489	−2,295	−2,474	−1,265
8. Other interest and similar income	142	73	32	16
9. Interest and similar expenses	−111	−57	−137	−70
10. Result from ordinary activities	**−3,107**	**−1,589**	**−4,315**	**−2,206**
11. Extraordinary expense/extraordinary result	0	0	0	0
12. Balancing item for earnings	−545	−279	0	0
13. Taxes on income	1,766	903	2,150	1,099
14. Other taxes	−14	−7	−7	−4
Net loss of the year	**−1,900**	**−971**	**−2,172**	**−1,111**
For information				
Development costs capitalised according to IAS	0	0	171	87
Expense for the initial public offering that can be charged to capital	0	0	0	0
Amortisation of development costs	−111	−57	−48	−25
Deferred taxes on the assets/equity and liabilities sides which affect the result	55	28	−61	−31
Result of development costs which can be capitalised	**−56**	**−29**	**62**	**31**
Result for information only	**−1,956**	**−1,000**	**−2,110**	**−1,079**

In accordance with the statutory accounting requirements of German Commercial Code, the subsidiaries acquired in this quarter are reported at their full-year value in the third-quarter figures for 2000. A balancing item was included on the expenses side to offset their earnings.

Consolidated Statement of Earnings for the period from 01.01. to 30.09.2000 and 1999 (IAS)

9 months of the year 2000 and 1999	01.01.-30.09.00		01.01.-30.09.99	
	TDM	T€	TDM	T€
1a. Gross sales	47,036	24,049	13,746	7,028
1b. Betting stakes	−24,052	−12,298	−4,890	−2,500
1c. Net sales	**22,984**	**11,752**	**8,856**	**4,528**
2. Change in inventories	268	137	151	77
3. Other operating income	1,598	817	159	81
4. Cost of materials				
a) Raw materials, consumables and supplies	−1,388	−710	−256	−131
b) Cost of purchased services	−8,644	−4,420	−4,808	−2,458
5. Personnel expenses				
a) Wages and salaries	−11,266	−5,760	−4,856	−2,483
b) Social security and other pension costs	−1,897	−970	−1,134	−580
6. Depreciation				
of intangible fixed assets and tangible assets	−2,201	−1,125	−816	−417
7. Other operating expenses	−11,641	−5,952	−5,509	−2,817
8. Other interest and similar income	492	252	96	49
9. Interest and similar expenses	−297	−152	−319	−163
10. Result from ordinary activities	**−11,992**	**−6,131**	**−8,436**	**−4,313**
11. Extraordinary expense/extraordinary result	0	0	0	0
12. Balancing item for earnings	−545	−279	0	0
13. Taxes on income	6,194	3,167	4,199	2,147
14. Other taxes	−50	−26	−14	−7
Net loss of the year	**−6,393**	**−3,269**	**−4,251**	**−2,174**
For information				
Development costs capitalised according to IAS	153	78	738	377
Expense for the initial public offering that can be charged to capital	0	0	0	0
Amortisation of development costs	−333	−170	−146	−75
Deferred taxes on the assets/equity and liabilities sides which affect the result	90	46	−295	−151
Result of development costs which can be capitalised	**−90**	**−46**	**297**	**152**
Result for information only	**−6,483**	**−3,315**	**−3,954**	**−2,022**

Cash Flow Statement

Cash Flow Statement for the period from 01.01. to 30.09.2000 and 1999 (acc. to IAS)

	01.01.-30.09.00		01.01.-30.09.99	
	DM thou.	€ thou.	DM thou.	€ thou.
Net loss for the year	–6,393	–3,269	–4,251	–2,174
Depreciation on fixed assets	2,201	1,125	816	417
Increase in provisions	2,004	1,025	2,132	1,090
Increase in inventories, accounts receivable trade debtors and other assets	–11,280	–5,767	–6,627	–3,388
Increase in trade accounts payable and other liabilities	3,358	1,717	3,013	1,541
Outflow of funds from current operations	**–10,110**	**–5,169**	**–4,917**	**–2,514**
Inpayments from disposal of fixed assets	54	28	0	0
Outpayments for investments in fixed assets	–10,069	–5,148	–1,884	–963
Outflow of funds from investments activities	**–10,015**	**–5,121**	**–1,884**	**–963**
Inpayments from capital increase and contributions by company member	4,443	2,272	43,160	22,067
Inpayments from the issue of bonds	80	41	31	16
Outpayments for the repayment of bonds and financing credit	–75	–38	–64	–33
Outpayments for capital increase measures	–508	–260	–3,084	–1,577
Inflow of funds from financing activities	**3,940**	**2,014**	**40,043**	**20,474**
Effective change in funds	–16,185	–8,275	33,242	16,996
Funds on January 1	30,728	15,711	2,896	1,481
Funds on September 30	**14,543**	**7,436**	**36,138**	**18,477**

The expenses incurred directly in connection with the initial public offering have been offset against the capital reserve, taking into account the effect on taxes, instead of being carried as an expense.