



10TACLE STUDIOS AG

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Six-Month Report 2006

Contact:

Frank Holz
Director Marketing & Sales

10TACLE STUDIOS AG
Goebelstr. 21
64293 Darmstadt
Germany

Phone: +49 (0)6151-3973821
Fax: +49 (0)6151-3973810
E-mail: ir@10tacle.com
www.10tacle.com

Key Figures

10TACLE STUDIOS Group		HY 2006	HY 2005	Change
Revenues	€'000	12,706	1.817	10.888
EBITDA	€'000	2,905	509	2,396
EBIT	€'000	2,305	43	2,262
Consolidated net income	€'000	1,459	-67	1,526
of which minority interests	€'000	527	0	527
Earnings per share (after minority interest)	€	0,18	n/a	n/a
Equity*	€'000	25,340	10,583	14,757
of which minority interests*	€'000	774	242	532
Total assets*	€'000	46,144	29,532	16,612
Cash and cash equivalents at end of period*	€'000	12,472	7,121	5,351
Employees*		219	168	51
of which full-time employees*		135	89	46

*As at December 31, 2005

Year of formation	2003
Basis of consolidated accounting	IAS / IFRS
Fiscal year	01.01. - 12.31.
Managing Board	Michele Pes
Senior management	Frank Holz – Head of Marketing and Sales Jürgen Reusswig – Head of Development Kay Krämer – Head of Internationalization Wolfgang Reinisch – Head of Finance
Supervisory Board	Dr. Markus Braun – entrepreneur Dr. Bastian Schmidt-Vollmer – attorney at law Paul Bauer-Schlichtegroll – entrepreneur
Number of shares as of June 30, 2006	5.049.851

Geographical segments			HY 2006	HY 2005	Change
Europe					
Germany	Revenues	€'000	7,683	1,780	5,903
	EBIT	€'000	828	-244	1,072
UK	Revenues	€'000	4,714	134	4,580
	EBIT	€'000	1,656	15	1,641
Belgium	Revenues	€'000	1,111	0	1,111,
	EBIT	€'000	199	0	199,
Slovakia	Revenues	€'000	755	0	755
	EBIT	€'000	100	1	99
Asia	Revenues	€'000	724	8	716
	EBIT	€'000	538	-108	646
Other (including USA)	Revenues	€'000	651	499	152
	EBIT	€'000	-65	-61	-4
Consolidation	Revenues	€'000	-2,932	-604	-2,328
	EBIT	€'000	-951	440	-1,391
Total	Revenues	€'000	12,706	1,817	10,889
	EBIT	€'000	2,305	43	2,262

Letter to our Shareholders

Dear Shareholders of 10TACLE STUDIOS AG,

On June 22, 2006, 10TACLE STUDIOS AG was listed in the General Standard segment of the Frankfurt Stock Exchange. We issued 778,151 new shares at a price of €11.75 per share and can now welcome you, as our new investors, to 10TACLE STUDIOS AG, one of the leading independent international development and production companies for high-end computer and video games.

Since its incorporation in August 2003, 10TACLE STUDIOS AG has concentrated its efforts on actively growing and internationalizing its business. Today, we employ 220 staff in six proprietary development studios across Europe and Asia, while continuously expanding our capacities. The products of 10TACLE STUDIOS AG meet the highest international standards and cover all the relevant high-growth segments of the games market. At this year's Games Convention to be held in late August in Leipzig, Germany (the most important European trade fair for computer and video games), 10tacle will introduce its new racing game "GTR 2", once again setting a new benchmark for the racing simulation genre. The soon-to-be released action epic "Elveon" will undoubtedly be one of the trade fair's crowd pullers.

10tacle's business model is based on three pillars: the service model, the studio model (enabling us to produce computer and video games in our own studios), and the publishing model. Accounting for over 90% of our entire business, the service model has so far been dominating our activities. Our service business line offers services to third parties relating to the acquisition of computer and video games, project controlling and project management for the development of these games, and their subsequent distribution. As of June 30, 2006, 10tacle provided these services primarily to three media funds and one so-called private placement.

We intend to use the funds generated by the initial public offering to significantly expand our studio model in order to drive growth through proprietary developments, independent of external contracts, thereby solidifying our independence as a development and production house.

Although going public put considerable additional strain on the Company's management, 10tacle's business development during the first half of 2006 has been very successful. Our revenues totaled €12.706 million, compared to €1.817 million for the first half of the previous year. The operating result (EBIT) amounted to €2.305 million (HY 2005: €43,000), while consolidated net income stood at €1.459 million (HY 2005: minus €67,000). Earnings per share amounted to €0.18. As our mid-year financial statements clearly show, 10tacle Group is not achieving its growth at the expense of its operating results and is, in fact, perfectly capable of realizing its ambitious goals.

During the due diligence process in preparation for the IPO, it transpired that our young Company, thanks to its cooperation with media funds (which has been in place since 2004), boasts a powerful administrative structure that not only meets the legal

transparency and disclosure requirements but also provides a platform for further growth. In terms of our operative business, we have implemented controlling tools in the technical games development processes that afford us the highest level of control and planning accuracy. This is a result of our close working relationship with leading distributors world-wide and the contracts awarded by media funds. We are therefore well-positioned for further growth.

As a prelude to the second half of the year, in July 10tacle agreed on a strategic partnership with the Chinese Shanghai-based company NINEYOU, which will entail mutual distribution support and joint games development for Europe and Asia. NINEYOU is one of the most successful providers of internet games in China. We have also made good progress in our negotiations with various fund initiators in Singapore. 10tacle now expects shortly to be awarded the first contracts by an Asian media fund, generating an order volume of no less than US\$ 20 million for the second half of 2006. We will continue to expand our Company via the targeted acquisition of interests and licenses until the end of the year, consolidating 10tacle's position as a strong and independent global player in the area of computer and video game development.

We would like to take this opportunity to thank everyone who supported us when we went public and who contributed to the success of our business.

With kind regards,

A handwritten signature in black ink, appearing to read 'M. Pes', is positioned above the typed name.

Michele Pes
CEO (Chief Executive Officer)
10TACLE STUDIOS AG

Management Report

1. 10TACLE STUDIOS – the Company

1.1. Business model

10TACLE STUDIOS AG (hereinafter also referred to as the “Company” or “10tacle”) is an independent international development and production company for high-end computer and video games. 10tacle’s business model continues to rest on three pillars:

- Publishing model: The Company commissions third-party development studios to produce computer and video games, handles project controlling and project management, and licenses the finished products to distributors who are responsible for end-customer sales. 10tacle generates profits through the difference between the external development costs and the sales proceeds.
- Studio model: The Company held significant interests in six development studios as of June 30, 2006. These studios create computer and video games whose brands develop a market value over and above the individual game. This model generates profit through the difference between the actual cost and the contract value where contracts are placed by third parties, as well as through sales via distributors where developments are financed by the Company, provided that the revenues exceed the funds used for development.
- Service model: 10tacle offers services to third parties relating to the acquisition of computer and video games, project controlling and project management for the development of these games, and their subsequent distribution. As of June 30, 2006, 10tacle provided these services primarily to three media funds and one so-called private placement. The Company generates profits via this model from the difference between the actual costs and the ongoing or revenue-dependent remuneration.

During the reporting period, the service model accounted once again for the lion’s share of the Group’s business activities, i.e. over 90%. However, in the mid term it is intended to significantly expand the other areas, in particular the studio model, using the acquired structures and resources.

1.2. Structure of 10TACLE STUDIOS AG, Darmstadt

10TACLE STUDIOS AG acts as a holding company for the 10tacle Group, forming the operational and commercial framework for 10tacle’s individual investees. The Company also coordinates the use of the resources of its individual investees by other investees as well as the utilization of synergies, and operates a centralized financial controlling system.

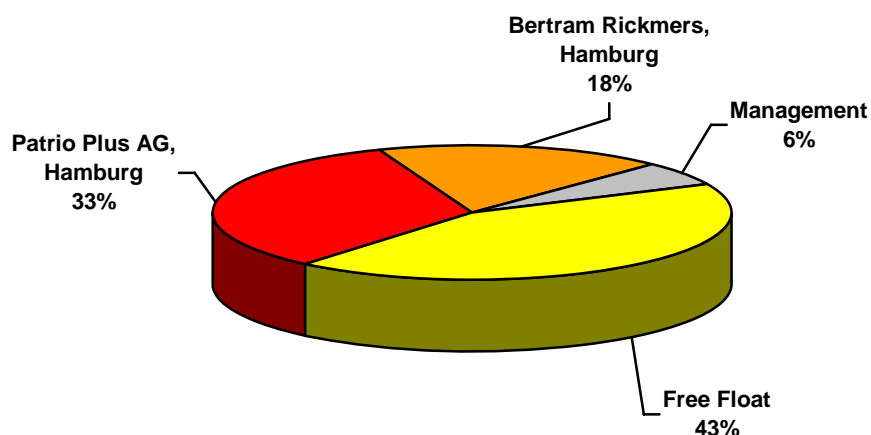
As of December 31, 2005, the Company's share capital amounted to €259,358, divided into 259,358 no-par-value shares. In accordance with the resolutions passed by the Managing Board and the Supervisory Board on February 23, 2006, the Company's Authorized Capital was partially utilized to increase its share capital by €25,422 to a total of €284,780. 25,422 new shares were issued for this purpose. The execution of the capital increase was registered with the commercial register on May 4, 2006.

The Company's Shareholders' Meeting held on May 8, 2006 resolved on a capital increase shareholders' equity, which resulted in a 1:15 capital write-down for each shareholder. Accordingly, for each existing share of stock held, each shareholder received an additional 14 new shares. To this end, the capital was increased, from issuer's funds, to €4,271,700. In addition, new Authorized Capital and Conditional Capital was created for a staff stock option program. These changes were entered into the commercial register on May 17, 2006.

In May 2006, the Company filed its offering prospectus with the German Federal Financial Supervisory Authority ("BaFin") for its approval. Once this approval was granted, the Company applied for admission to the Regulated Market (*Geregelter Markt*), General Standard segment, of the Frankfurt Stock Exchange. In connection with the IPO, 778,151 new shares from the capital increase from Authorized Capital resolved on May 24, 2006 were issued. The Company was listed on the stock exchange with a share capital of €5,049,851 on June 22, 2006, with the issue proceeds totaling €9,143,274.25.

Against the background of a generally weak stock market, the share of 10TACLE STUDIOS AG did not trade above the issue price of €11.75 during the first two months after flotation. So far, the share has remained range-bound between €10 to €11.90.

As of June 30, 2006, the Company's shareholder structure was as follows:



1.3. Structure of the 10tacle Group

The Company's shareholding structure did not change significantly during the reporting period. However, three of the subsidiaries in existence as of December 31, 2005 were given a new corporate purpose and renamed accordingly.

- 10T TRAVEL GmbH: 10tacle Games Development & Production XIV GmbH was renamed 10T TRAVEL GmbH. 10% of the shares in the business were transferred to the company's new managing director, Bianca Bender. 10T TRAVEL GmbH will be responsible for organizing and arranging all travel by Group staff and will also offer this service to parties outside the Group.
- 10TACLE RESEARCH & DEVELOPMENT GmbH: 10tacle Games Development & Production XIII GmbH was renamed 10TACLE RESEARCH & DEVELOPMENT GmbH. In this incarnation, the company will be responsible for the coordination of both the group-wide and external use of the NeoReality software. This software forms the basis for a wide variety of game developments on differing platforms, offering both an enormous savings and huge marketing potential for the Group.
- 10TACLE MOBILE GmbH: 10tacle Games Development & Production XII GmbH was renamed 10TACLE MOBILE GmbH. 10% of the shares in the business were transferred to the company's new managing director, Alexandra Gerb. The company's business will be dedicated to the development of 10tacle's solution for small consoles (e.g. SONY PSP, NINTENDO DS), thereby tapping into a new market for the Group.

Other than that, the Group's structure has remained the same since December 31, 2005. However, a total of eight special purpose entities were not included in the group of consolidated companies in the mid-year financial statements, since the control principle did not apply to these companies despite a 100% interest being held by the parent company, 10TACLE STUDIOS AG. As the entire operating activities of these companies are practically tied to a completion bond under an escrow agreement, the control principle is not relevant to these companies, exempting them from inclusion into the consolidated financial statements.

2. 10tacle Group's business development

2.1. Business developments during the first six months of 2006

Although the parent's company IPO tied up considerable resources within the entire Group during the first half of 2006, the Group was nevertheless able to achieve all its operational goals without restriction.

2.2. Key projects in the first half of 2006

The developments commissioned by the second media fund in 2005 were assigned to various teams within the 10tacle Group and have, up until the reporting date, been running on target, both in terms of scheduling and keeping within budget.

During the first half of 2006, 10TACLE MOBILE GmbH commenced pre-production on two games for the SONY PSP and NINTENDO DS consoles and will soon start with the production of two titles for these platforms.

In June, private investors awarded one of 10tacle Group's special purpose entities a contract for the development of a racing game for the SONY PSP, PS III and NINTENDO DS platforms, having a total contract value of €7.8 million. The Group's subsidiaries BLIMEY! Games Ltd, London (10tacle's stake: 51%) and 10TACLE MOBILE GmbH (10tacle's stake: 90%) will shortly commence the development phase.

2.3. The Group's results

Revenues for the period under review (January 1, 2006 to June 30, 2006), amounting to €12.706 million, was generated primarily from the production contributions of a private placement for video games (€7.800 million) and revenue from long-term production orders (calculated in accordance with the percentage of completion method).

The other operating income totaling €814,000 resulted predominantly from the reversals of provisions in connection with the adjustment of provisions for production services in line with efficiency gains in the production development process. The other work performed and capitalized, amounting to €1.169 million, was largely due to the capitalization of development costs for intangible assets developed in-house.

The costs of materials (€5.062 million) are solely made up of expenses for services yet to be rendered for the production of console games.

Depreciation and amortization totaling €599,000 relate primarily to the amortization of intangible assets (mostly game licenses).

The finance costs (€290,000) result mainly from expenses associated with 10TACLE STUDIOS AG's IPO, which cannot be offset from the additional paid-in capital (capital reserves) (€227,000) as well as interest expenses and short-term loans (€63,000).

Overall, the Group closed the period under review with profit after minority interest of €932,000.

3. Current developments

3.1. Significant changes after the end of the period under review

In July 2006, 10tacle entered into a strategic partnership with the Chinese company NINEYOU in Shanghai. NINEYOU is one of the most successful providers of internet games in China. This partnership will provide 10tacle with access to the Chinese market for its own products, while at the same time selling NINEYOU's titles as its distribution partner in Europe. In addition, both companies intend to jointly develop a number of titles in the near future, leveraging the core competencies of both companies while drawing on the differences and opportunities within the Asian and European markets.

The negotiations with the management of a number of fund initiators in Singapore made considerable progress. It is expected that the 10tacle Group will soon be awarded its first contracts from Asian media funds. It is anticipated that the total volume will reach at least US\$ 20 million during the 2006 fiscal year, with further significant increases expected in the future.

3.2. 10tacle Group's outlook for the 2006 fiscal year

As shown by the results of the mid-year financial statements for 2006, the 10tacle Group will once again exceed its own targets. In particular the cooperation with NINEYOU and the Asian media funds will have a positive impact on the short-term development.

The targeted acquisition of interests and licenses will significantly further strengthen the Group's operative and structural position. More specifically, there are plans to create further development resources, set up an independent, albeit limited, distribution network and to enter into a comprehensive cooperation agreement with a media group operating on an international level. During the second half of the current year, the Group will profile itself more distinctly as a strong and independent global player in the area of computer and video game development and steadily continue on its chosen path in all business lines.



Darmstadt, August 2006

A handwritten signature in black ink, appearing to read 'M. Pes'.

10TACLE STUDIOS AG
Michele Pes
CEO (Chief Executive Officer)

CONSOLIDATED BALANCE SHEET
for the period ended June 30, 2006

10TACLE STUDIOS GROUP
In accordance with IASs / IFRSs

ASSETS

	06.30.2006	12.31.2005
	€	€
Noncurrent assets		
Intangible assets	6,134,718.73	4,797,779.22
Goodwill	2,857,908.59	2,857,908.59
Property, plant and equipment	774,513.86	580,695.87
Investments	180,000.00	205,000.00
Other noncurrent receivables	1,502,446.26	2,382,981.59
Deferred taxes	<u>1,840,867.62</u>	<u>1,265,524.58</u>
Total noncurrent assets	13,290,455.06	12,089,889.85
Current assets		
Inventories	337,802.03	17,525.52
Trade accounts receivable	13,526,799.27	5,528,265.38
Current tax receivables	82,370.95	60,864.87
Other current receivables	4,620,314.80	4,314,738.11
Short-term investments / marketable securities	1,564,639.31	400,000.00
Cash and cash equivalents	12,471,954.23	7,121,378.87
Other current assets	<u>250,000.00</u>	<u>0.00</u>
Total current assets	32,853,880.59	17,442,772.75
Total assets	<u>46,144,335.65</u>	<u>29,532,662.60</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

	06.30.2006	12.31.2005
	€	€
Shareholders' equity		
Subscribed capital	5,049,851.00	259,358.00
Additional paid-in capital	17,685,836.18	9,180,132.55
Other reserves		
Translation reserve	3,091.34-	0.00
Retained earnings	1,834,137.67	901,846.67
Shareholders' equity before minority interest	24,566,733.51	10,341,337.22
Minority interest in shareholders' equity	<u>774,222.09</u>	<u>242,240.20</u>
Total shareholders' equity	25,340,955.60	10,583,577.42
Noncurrent liabilities		
Non-current interest-bearing borrowings	26,624.08	93,780.90
Other noncurrent liabilities	121,289.82	0.00
Deferred taxes	<u>2,786,408.03</u>	<u>1,799,468.33</u>
Total noncurrent liabilities	2,934,321.93	1,893,249.23
Current liabilities		
Other current provisions	10,177,799.40	6,899,198.69
Current tax payables	61,098.08	27,264.00
Current interest-bearing borrowings	48,988.56	2,474,629.26
Trade accounts payable	1,787,364.81	2,612,917.63
Other current liabilities	<u>5,793,807.27</u>	<u>5,041,826.37</u>
Total current liabilities	17,869,058.12	17,055,835.95
Sum of shareholders' equity and total debt	<u>46,144,335.65</u>	<u>29,532,662.60</u>

Consolidated Income Statement

for the period January 1, 2006 to June 30, 2006

	1 st HY 2006 €	1 st HY 2005 €
Revenues	12,706,858.04	1,817,864.26
Other operating income	813,637.07	329,481.96
Changes in inventories of finished goods and work in progress	0.00	483,396.40
Production for own fixed assets capitalized	1,169,209.03	0.00
Cost of raw materials and consumables used, and of goods purchased for resale	5,062,262.21	475,139.29
Personnel expenses	3,754,971.55	871,107.86
Depreciation and amortization	599,426.67	465,904.37
Other operating expenses	<u>2,967,360.10</u>	<u>775,261.67</u>
Operating income / loss	2,305,683.61	43,329.43
Finance cost	290,276.54	284,616.81
Other financial income	<u>76,600.14</u>	<u>24,424.75</u>
Profit before tax	2,092,007.21	-216,862.63
Income tax	<u>632,573.21</u>	<u>-149,641.32</u>
Profit from ordinary activities / income after taxes	<u>1,459,434.00</u>	<u>-67,221.31</u>
Net income before minority interest	<u>1,459,434.00</u>	<u>-67,221.31</u>
Net income attributable to minority interest	527,143.00	0.00
Net income	932,291.00	-67,221.31

Cash Flow Statement

for the period January 1, 2006 to June 30, 2006

Cash flow statement	1 st HY 2006	1 st HY 2005
	€'000	€'000
Net income	932	-67
+ Depreciation of fixed assets	599	466
- Write-ups on fixed assets	0	0
+/- Other non-cash income / expenses	0	0
+/- Increase / decrease in provisions, including deferred taxes	4,266	-1,679
-/+ Profit / loss from the disposal of fixed assets	0	0
-/+ Increase / decrease in inventories, trade receivables and other assets not attributable to investing or financing activities, including deferred taxes	-8,591	896
+/- Increase / decrease in trade payables and other liabilities not attributable to investing or financing activities	-2,411	155
Net cash from operating activities	-5,205	-228
-/+ Payments / proceeds for investments in / disposals of tangible and intangible assets	-2,130	-1,901
-/+ Payments / proceeds for the purchase / disposal of noncurrent financial assets	25	0
Net cash from investing activities	-2,105	-1,901
-/+ Sale / purchase of short-term investments / marketable securities	-1,165	0
- Distributions to equity participants		0
+ Capital increases	13,296	0
+ Change in the translation reserve	-3	-17
Net cash from financing activities	12,128	0
Net changes in cash and cash equivalents	4,818	-2,146
Cash and cash equivalents at the beginning of the period	7,121	4,521
Reconciliation for minority interest	532	2
Cash and cash equivalents at end of period	12,472	2,377

BREAKDOWN OF SHAREHOLDERS' EQUITY

1.1. - 06.30.2006 (IAS/IFRS)

		Subscribed capital			Retained earnings	Other reserves	Sum of consolidated shareholders' equity
		Number of issued no-par-value shares	Nominal amount (notional)	Additional paid-in capital			
			€	€	€	€	€
<u>As of Dec. 31, 2004</u>		138.000,00	138.000,00	2.923.218,72	-155.560,90	0,00	2.905.657,82
Net profit or loss for the period	06.01.2005				-67.221,31		-67.221,31
Translation differences						-	
						16.709,78	-16.709,78
<u>As of June 30, 2005</u>		138.000,00	138.000,00	2.923.218,72	-222.782,21	16.709,78	2.821.726,73
Net profit or loss for the period	12.07.2005				1.124.628,88		1.124.628,88
Translation differences						16.709,78	16.709,78
Capital transactions		121.358,00	121.358,00	6.256.913,83			6.378.271,83
<u>As of Dec. 31, 2005</u>		259.358,00	259.358,00	9.180.132,55	901.846,67	0,00	10.341.337,22
Net profit or loss for the period	06.01.2006				932.291,00		932.291,00
Translation differences						-3.091,34	-3.091,34
<u>Capital transactions:</u>							
Capital increase		25.422,00	25.422,00	4.398.006,00			4.423.428,00
Capital increase from issuer's funds		3.986.920,00	3.986.920,00	-3.986.920,00			0,00
Capital increase (IPO)		778.151,00	778.151,00	8.094.617,63			8.872.768,63
<u>As of June 30, 2006</u>		5.049.851,00	5.049.851,00	17.685.836,18	1.834.137,67	-3.091,34	24.566.733,51

General information on the mid-year financial statements, the basis for consolidation and the consolidation methods

Consolidated financial statements

As with the consolidated financial statements as of December 31, 2005, the mid-year financial statements of 10TACLE STUDIOS AG, Goebelstrasse 21, 64293 Darmstadt (hereinafter referred to as “10tacle AG” or “Company”) as of June 30, 2006 were prepared in accordance with the International Financial Reporting Standards issued by the IASB (International Accounting Standards Board). The explanations contained in the notes to the consolidated financial statements as of December 31, 2005 also apply to these mid-year financial statements.

In accordance with section 315a (1) of the German Commercial Code (*Handelsgesetzbuch*, “HGB”), internationally recognized accounting standards were used to prepare the mid-year financial statements. Moreover, the HGB provisions specified in section 315a (3) in conjunction with subsection (1) of the HGB were also complied with insofar as they are applicable.

Both the consolidated mid-year financial statements and the individual mid-year financial statements of the companies to be included in the scope of consolidation were audited by external auditing firms.

Compliance with IFRSs

The Company’s mid-year financial statements were prepared in compliance with the Financial Reporting Standards (IFRSs) and International Accounting Standards (IASs), and their interpretations.

The requirements of the Standards applied were met in full and resulted in a true and fair view of the Group’s net assets, financial position and results of operations.

Changes to the scope of consolidation

The scope of consolidation was expanded to include three newly incorporated subsidiaries, namely 10tacle GDP XII, XIII and XIV. The subsidiaries of the same name, which were already included in the scope of consolidation as of December 31, 2005, were renamed 10TACLE MOBILE GmbH (formerly: GDP XII), 10TACLE RESEARCH & DEVELOPMENT GmbH (previously: GDP XIII), and 10TACLE TRAVEL GmbH (formerly: GDP XIV). 10% of the nominal capital of both 10TACLE MOBILE GmbH and 10TACLE TRAVEL GmbH was transferred. The above changes to the scope of consolidation did not result in any changes to the figures of the previous year.

All subsidiaries within the scope of consolidation were fully consolidated in accordance with IAS 27. Entities under joint control within the meaning of IAS 31 that would need to be consolidated on a *pro rata* basis, or associated companies as per

IAS 28, which would need to be carried “at equity” in the case of significant influence, did not exist.

Accounting policies

The preparation of the mid-year financial statements was based on the same accounting policies as the consolidated financial statements as of December 31, 2005 and the financial statements for the same period of the previous fiscal year (January 1, 2005 to June 30, 2005). Therefore, relevant notes in the consolidated financial statements as of December 31, 2005 apply accordingly.

Internally developed intangible assets

The NeoReality middleware, which is carried under internally generated intangible assets, is still in production. Production costs stood at €990,000 during the period under review.

Changes in shareholders' equity

The subscribed capital is carried at par and amounts to €5,049,851 (as of December 31, 2005: €259,358), divided into 5,049,851 no-par-value shares with a notional value of €1.00 each. The subscribed capital was fully paid up as of the reporting date.

In accordance with the resolutions passed by the Managing Board and the Supervisory Board on February 23, 2006, the Company's capital was increased from a nominal value of €259,358, by nominally €25,422, to a total of €284,780 through the issuance of new shares. The issue price of the new shares was €1.00 per share plus a premium of €173.00. Upon its registration in the commercial register on May 17, 2006, a capital increase from the issuer's funds by way of a withdrawal from additional paid-in capital (capital reserves) in the amount of €3,986,920 took effect. This was also associated with a share split of 1 to 15.

The Company's share capital was further raised from Authorized Capital in accordance with the resolutions passed by the Managing Board and the Supervisory Board on May 24, 2006, increasing its capital by €778,151, from €4,271,700 to a total of €5,049,851. This increase was also effected by the issuance of new shares as part of the IPO. The issue price of the new shares was €11.75 per share for this capital increase.

The additional paid-in capital (capital reserves) changed as follows:

	€'000	€'000	€'000	€'000
As of 01.01.05 / 06.30.06	2.395	528	0	2.923
Capital increases	6.519	0	-262	6.257
As of 12.31.05	<u>8.914</u>	<u>528</u>	<u>-262</u>	<u>9.180</u>
Capital increase against cash contributions Registration 05.04.06	4.398	0	-30	4.368
Capital increase from issuer's funds	-3.987	0	0	-3.987
Capital increase against cash contributions Registration 06.21.06	8.365	0	-240	8.125
As of 06.30.06	<u>17.690</u>	<u>528</u>	<u>-532</u>	<u>17.686</u>

The other changes in additional paid-in capital (capital reserves) related to the cost of equity transactions deducted directly from additional paid-in capital. Please refer to the statement of changes to shareholders' equity for information on changes in equity.

Segment reporting

The segments are divided into regions and break down as follows:

Geographical segments			HY 2006	HY 2005	Change
Europe					
Germany	Revenues	€'000	7,683	1,780	5,903
	EBIT	€'000	828	-244	1,072
UK	Revenues	€'000	4,714	134	4,580
	EBIT	€'000	1,656	15	1,641
Belgium	Revenues	€'000	1,111	0	1,111
	EBIT	€'000	199	0	199
Slovakia	Revenues	€'000	755	0	755
	EBIT	€'000	100	1	99
Asia					
	Revenues	€'000	724	8	716
	EBIT	€'000	538	-108	646
Other (including USA)					
	Revenues	€'000	651	499	152
	EBIT	€'000	-65	-61	-4
Consolidation					
	Revenues	€'000	-2,932	-604	-2,328
	EBIT	€'000	-951	440	-1,391
Total					
	Revenues	€'000	12,706	1,817	10,889
	EBIT	€'000	2,305	43	2,262

Provisions

In the consolidated financial statements as of December 31, 2005, provisions were set aside for production costs and production services. As a result of efficiency gains in relation to production costs and production services, it became necessary to make changes to the future expenditure required for setting aside provisions. The portion of these provisions that was not required was reversed, with this reversal being reflected in the income statement. The provisions changed as follows:

Provisions	As of 01.01.05	Addi- tions	Uti- lized	Rever- sals	As of 12/31/05
	€'000	€'000	€'000	€'000	€'000
Provisions for					
Production costs	4.181	3.632	1.036	432	6.345
Production services	1.016	1.413	86	244	2.099
Sales guarantee	924	120	924	0	120
Warranties	214	0	0	44	170
Production cost reserve	148	200	0	0	348
Year-end closing/audit costs	121	66	118	3	66
Outstanding invoices	96	946	95	1	946
Miscellaneous	199	80	195	0	84
	<u>6.899</u>	<u>6.457</u>	<u>2.454</u>	<u>724</u>	<u>10.178</u>

The additions to production cost provisions and production services provisions relate to the production and service expenses for the production of racing games on various platforms, as commissioned by a newly launched fund. The total contract volume stands at €7.800 million.

Other contingent liabilities:

Contingent liabilities and other financial commitments are a result of the following:

Liabilities from the issuance and assignment of bills of exchange	€'000	0
Liabilities from guarantees, and from bill and check guarantees	€'000	0
Liabilities from warranty agreements	€'000	26,422
Liabilities from the granting of security for third-party liabilities	€'000	0

Fund 1:

10TACLE STUDIOS AG commissions its production subsidiaries to produce video games for the *AAA Capital Game Production and Sales GmbH & Co. Fonds Nr. 1 KG* media fund under "pseudo contract production" (*unechte Auftragsproduktion*) arrangements. The registered office of Fund 1 is Walderseestrasse 30, 30177 Hanover, Germany. The media fund has entered into a licensing agreement with 10tacle Publishing GmbH, the distribution subsidiary of 10TACLE STUDIOS AG, for the exploitation of video games.

Pursuant to the option agreement between *AAA Capital Game Production and Sales GmbH & Co. Fonds Nr. 1 KG* and 10TACLE STUDIOS AG dated October 22, 2004,

10TACLE STUDIOS AG undertook to help ensure, during the production phase of video games, that potential distributors provide a minimum guarantee of at least 70% of the production costs incurred by Fund 1 for the production of the video game in question, as defined in a specified payment plan.

If 10TACLE STUDIOS AG cannot obtain a legally binding and effective minimum guarantee from a potential distributor, or the guarantee level of 70% of all production costs is not reached, the Company itself will furnish a minimum guarantee in favor of Fund 1 in the amount of the difference between the actual minimum guarantees provided by third parties and 70% of the production costs incurred by Fund 1 for the production of the video game in question. The production costs amount to €11,896,946; 70% of this amount is €8,327,861.50. As one game has already been completed and a minimum guarantee was furnished for 70% of the production costs paid by the fund, the guarantee amount was reduced, by €1,450,750, to €6,877,111.50.

Fund 2:

10TACLE STUDIOS AG commissions its production subsidiaries to produce video games for the *AAA Capital Game Production and Sales GmbH & Co. Fonds Nr. 2 KG* media fund under “pseudo contract production” (*unechte Auftragsproduktion*) arrangements. The registered office of Fund 2 is Walderseestrasse 30, 30177 Hanover, Germany. The media fund has entered into a licensing agreement with 10tacle Publishing GmbH, the distribution subsidiary of 10TACLE STUDIOS AG, for the exploitation of video games.

Pursuant to the option agreement between *AAA Capital Game Production and Sales GmbH & Co. Fonds Nr. 2 KG* and 10TACLE STUDIOS AG dated April 29, 2005, 10TACLE STUDIOS AG undertook to help ensure, during the production phase of video games, that potential distributors provide a minimum guarantee of at least 70% of the production costs incurred by Fund 2 for the production of the video game in question, as defined in a specified payment plan.

If 10TACLE STUDIOS AG cannot obtain a legally binding and effective minimum guarantee from a potential distributor, or the guarantee level of 70% of all production costs is not reached, the Company itself will furnish a minimum guarantee in favor of Fund 2 in the amount of the difference between the actual minimum guarantees provided by third parties and 70% of the production costs incurred by Fund 2 for the production of the video game in question. The production costs amount to €17,892,577; 70% of this amount is €12,524,803.90.

Racing game private placement:

10TACLE STUDIOS AG commissions its production subsidiaries to produce video games for *AAA Capital Holding GmbH & Co. KG* under “pseudo contract production” (*unechte Auftragsproduktion*) arrangements. The registered office of the company is Walderseestrasse 30, 30177 Hanover, Germany. The company has entered into a

licensing agreement with 10tacle Publishing GmbH, the distribution subsidiary of 10TACLE STUDIOS AG, for the exploitation of video games.

Pursuant to the project agreement between *AAA Capital Holding GmbH & Co. KG* and 10TACLE STUDIOS AG dated June 30, 2006, 10TACLE STUDIOS AG furnished a revenue guarantee which entails that the marketing of the video game will generate at least 90% of the production costs incurred by the company for the production of the racing game in question. The production costs amount to €7,800,000; 90% of this amount is €7,020,000.

Assumption of guarantees by 10TACLE STUDIOS AG for 70% and 90% of the production costs incurred by the Fund or AAA Capital Holding GmbH & Co. KG, respectively:

In view of the past business development, the underlying projections and the current negotiations with distributors, there is no risk of recourse under the minimum guarantee for 70% of the production costs of the individual games for Fund 1 and Fund 2 to be assumed by 10TACLE STUDIOS AG, or under the revenue guarantee furnished for 90% of the production costs for the racing game of *AAA Capital Holding GmbH & Co. KG*.

Managing Board and Supervisory Board

Members of the Company's Managing Board during the period under review:

- Mr. Michele Pes, journalist, Hohen Eichen 25, 22946 Grossensee

The following advances and loans were extended to members of the Managing Board and the following contingent liabilities were assumed on their behalf:

Settlement account Michele Pes: balance of receivables from Michele Pes as of the reporting date: €46,530, 5% interest, the settlement account may be repaid at any time.

Members of the Supervisory Board during the period under review:

- Dr. Markus Braun, entrepreneur, Munich, Chairman of the Supervisory Board
- Dr. Bastian Schmidt-Vollmer, attorney at law, Hamburg, member of the Supervisory Board
- Mr. Helge Schaare, entrepreneur, Hamburg, member of the Supervisory Board (until May 8, 2006)
- Mr. Paul Bauer-Schlichtegroll, entrepreneur, Icking, member of the Supervisory Board (from May 8, 2006)

No loans or advances were extended to members of the Supervisory Board and no contingent liabilities were assumed on their behalf.

The total remuneration of the members of the Managing Board amounted to €128,043. No remuneration was paid to the members of the Supervisory Board.

Other disclosures

The Company employed an average of 110 staff during the first half of the 2006 fiscal year.

Darmstadt, August 21, 2006

Statement of changes in noncurrent assets

01.01.2006 - 06.30.2006

	Cost of purchase					Accumulated depreciation and amortization				Carrying amount			Depreciation and amortization during the fiscal year
	01.01.2006	Additions	Disposals	Transfers	06/30/2006	01.01.2006	Additions	Disposals	06/30/2006	06/30/2006	12/31/2005		
	€	€	€	€	€	€	€	€	€	€	€	€	
A. Noncurrent assets													
I. Intangible assets													
1 Concessions, industrial property rights, and similar rights and assets as well as licenses in such rights and assets	4.945.418,53	1.783.204,48	0,00	1.083.967,35	7.812.590,36	1.231.606,66	446.264,97	0,00	1.677.871,63	6.134.718,73	3.713.811,87	446.264,97	
2 Goodwill	2.857.908,58	0,00	0,00	0,00	2.857.908,58	0,00	0,00	0,00	0,00	2.857.908,58	2.857.908,58	0,00	
3 Advance payments	1.083.967,35	0,00	0,00	-1.083.967,35	0,00	0,00	0,00	0,00	0,00	0,00	1.083.967,35	0,00	
Intangible assets	8.887.294,46	1.783.204,48	0,00	0,00	10.670.498,94	1.231.606,66	446.264,97	0,00	1.677.871,63	8.992.627,31	7.655.687,80	446.264,97	
II. Property, plant and equipment													
1 Other equipment, operating and office equipment	854.580,78	346.979,69	8.109,99	0,00	1.193.450,48	273.884,91	153.161,70	8.109,99	418.936,62	774.513,86	580.695,87	153.161,70	
Property, plant and equipment	854.580,78	346.979,69	8.109,99	0,00	1.193.450,48	273.884,91	153.161,70	8.109,99	418.936,62	774.513,86	580.695,87	153.161,70	
III. Investments													
1 Equity investments	205.000,00	0,00	25.000,00	0,00	180.000,00	0,00	0,00	0,00	0,00	180.000,00	205.000,00	0,00	
Investments	205.000,00	0,00	25.000,00	0,00	180.000,00	0,00	0,00	0,00	0,00	180.000,00	205.000,00	0,00	
	9.946.875,24	2.130.184,17	33.109,99	0,00	12.043.949,42	1.505.491,57	599.426,67	8.109,99	2.096.808,25	9.947.141,17	8.441.383,67	599.426,67	