

Shareholders' Letter

1st Quarter 2005/2006

To our shareholders

feratel is a leading international developer and provider of tourism information systems. With its Telecommunications, Information and Reservation Systems (IRS) and Media Divisions, feratel operates with a successful focus on three sectors. The company has facilities in Austria, Germany, Switzerland, Italy, Spain, the Benelux countries, Hungary and Bulgaria, and a workforce totaling about a hundred employees.

Highlights of the first quarter of 2005/2006 (1st Mai to 31st July 2005)

Tourism lagging behind the international upswing in core markets

Sales and results unchanged over previous year

Acquisition of a further 54 % share of the Hungarian Hungarorama company

Weather cams now on the air in France and Spain

First information terminals installed in Spain and the Netherlands

General market situation

For the international tourism industry, 2004 brought an impressive upswing of more than 10 % and a new record total for arrivals (763 million). In spite of the slight downturn predicted for 2005, the World Tourism Organization (WTO) reports a continuation of the upward trend in the first four months of the year.

The basic situation in feratel's core markets in Austria, Germany and Switzerland in detail:

With 28.6 million arrivals, tourism in Austria grew by 1.2 % in 2004. Germany, Austria's biggest and most important market, failed to benefit from the economic recovery in 2004 - on the contrary. For 2005 the Austrian Economic Research Institute (Wifo) continues to predict a moderate increase in tourism sales with an estimated growth rate of 4 %.

The Swiss tourism industry has now gone through four difficult years in succession. Bednight totals in Switzerland have been in decline since the beginning of 2001, and in spite of the global economic upswing there were no signs of the hoped-for recovery last year either. Expectations for the 2004/2005 winter season were also disappointed. For the summer season that is now coming to an end, however, there are indications of a more positive mood on that market.

Domestic visitors accounted for 83 % of the 2004 total for arrivals in Germany, with incoming travel generating the remaining 17 %. Domestic bednights were down by minus 1.1 %, while the figure for foreign visitors was up by 8.8 %, producing a mere 0.1 % in growth. For 2005 the German Tourism Association is expecting moderate growth in bednights of between 1 and 2 percent.

The trend observed last year with regard to destination distribution continued in the period under report. More and more visitors are making their decisions without professional agency support, simply on the basis of word-of-mouth information or brand recognition. That means destinations must be in a position to react with the appropriate packages quickly and directly, i.e. on-line or by phone. This is where feratel has a strong role to play with its information and reservation systems and the creation of region-wide databases.

Performance in the first quarter

Due to the changed legal situation this quarterly balance sheet was drawn up according to IFRS.

The 2005/2006 financial year got off to a positive start. Consolidated sales increased from TEUR 2,753.7 in the first quarter of the previous year to TEUR 2,812.1 in the first quarter of 2005/2006. Consolidated EBITDA amounted to minus TEUR 209.3 after minus TEUR 162.4 in the previous year. Earnings before taxes (EBT) stood at minus TEUR 595.0 compared with minus TEUR 580.4 for the same period of the previous year.

The result for the first half of the financial year is budgeted to be significantly weaker than in the second half. That is because sales in the Telecommunications Division are always concentrated in the second half of the financial year, whereas fixed costs are distributed equally over the full twelve-month period. As in previous years, a positive result is accordingly anticipated for the third and fourth quarters.



Telecommunications Division

At TEUR 990.8 sales in the Telecommunications Division were up in the period-to-period comparison (TEUR 931.5). EBITDA came to minus TEUR 210.8 (compared with minus TEUR 228.1 in the first quarter of the previous year).

This summer, feratel recruited two new attractive partners for transmissions of its weather cams, namely the Spanish weather channel Canal Météo and the French specialist channel La Chaîne Météo. That constitutes a major step in terms of market entry in the two countries. In Spain Canal Météo makes use of individual feratel weather cams to illustrate the general weather situation in Europe, while in France La Chaîne Météo broadcasts images from camera locations in Alpe d'Huez, Sainte Foy Tarantaise, Nice and Frejus every fifteen minutes between 8 a.m. and 12 noon daily. Normally feratel's partner TV stations are supplied with a ready made program, but for the company's two new partners feratel has developed a platform that gives the TV companies access to the weather cams at feratel's technical center in Pfarwerfen and thus supports active programming.

In the period under report feratel installed new cameras in Hellendoorn in the Netherlands and in the Tyrolean winter resort of Fiss. With the help of the feratel InfoChannel, the Vorarlberg tourism destination Lech is going on air with a local TV channel that will offer useful information on events, eating out, etc. in addition to the weather cams.

Information and Reservation Systems Division (IRS)

Sales in the Information and Reservation Systems Division increased to TEUR 1,443.0 compared with TEUR 1,312.5 period to period. EBITDA came to TEUR 252.3 after TEUR 210.8 in the first quarter of the previous year.

Following a detailed product analysis, Europaspportregion Zell am See - Kaprun (Salzburg) was able to start working with Deskline® in time for this year's summer season. The introduction of Deskline® there means full integration in the region-wide solution implemented for Salzburg Province and on-line access to the region's complete accommodation offering via www.salzburgerland.at.

In June of this year, Ferienregion Kaiserwinkl (Tyrol) took the decision to invest in feratel's Deskline® and to launch a new regional portal with the Sphercast content and applications management system.

In June 2005 feratel also finalized an agreement to collaborate with the ncm company. CheckEffect, ncm's innovative analysis and comparative performance measuring software for tourism websites, will provide Deskline® customers with even better performance monitoring for their Internet sites.

In July 2005 feratel installed its first information terminal on the Spanish coast, in Cambrils. The first feratel information terminal in the Netherlands was rented by the coastal resort of Grou as a source of round-the-clock information on local tourism products and services.

In addition, the Grou Tourist Office is to become feratel's second Dutch IRS customer to work with Deskline® as an on-line and back office solution.

Media Division

Sales in the Media Division totaled TEUR 378.3 compared with TEUR 509.6 in the same period of the previous year. EBITDA amounted to minus TEUR 250.9 in the first quarter of 2005/2006 after minus TEUR 145.0 in the previous year.

In collaboration with our technology partner 2k development Handels GmbH, work started at the beginning of 2005 on the development of a destination portal for mobile terminal devices with GPRS and UMTS capability. „St. Anton“ was recently completed as a showcase and is now being presented to customers by our sales personnel. feratel Mobile enables tourism destinations to make useful information available to visitors via their mobiles, from the daily weather report to activities and events. To download the mobile regional website onto their cell phones, visitors simply send a short text message or e-mail and can then browse the information they require.

The Ice Hockey World Championships gave TW1 a new record audience in June, with a market share of 1.1 % for the month. The measures taken to access the eastern Europe cable networks are also bearing fruit. Over 300,000 households in Poland and Slovenia already receive TW1 24 hours a day.

Increased shareholding in Hungary

On 14 July 2005 feratel acquired a further 54 % share of Hungarorama Media Szolgáltató és Kereskedelmi Kft. with registered offices in Budapest. That brings the total feratel shareholding in that company to 80 %. The remaining 20 % are held by two Hungarian partners. In the 2004/2005 business year, sales at Hungarorama totaled TEUR 600.

feratel first entered the Hungarian market in financial 2003/2004 and today the company has eleven camera locations in the country. The program is broadcast by the national public broadcasting corporations Duna TV and Hir TV. Given the level of backlog demand there, the new EU member countries are expected to achieve significantly higher rates of growth in tourism than the old EU members. It can therefore be assumed that those countries will be investing more in tourism products and services.

Fifth Annual General Meeting

The fifth Annual General Meeting of feratel media technologies AG will be held on 19 October 2005 starting at 12 noon in the Hilton Hotel, 1st floor conference tract, Salurnerstrasse 15, Innsbruck.

The feratel Annual Report for 2004/05 is available at company headquarters. Requests for copies should be addressed to info@feratel.at. The report can also be downloaded from www.feratel.com.

Outlook

In the current business year, feratel is working on the assumption that the business environment will remain positive in its core markets in Austria, Germany and Switzerland. Positive stimuli and investments in tourism products and services are expected above all in the new countries of the EU. The next few months will be particularly important for our policy of expansion in France and Spain, with key contacts already made and firm foundations laid for further activities on those markets.

Given the present state of our knowledge, we are working on the assumption that it will be possible to achieve our operative goal of further improvements in terms of results and increased sales in the 2005/2006 business year.

Innsbruck, September 2005



Consolidated balance sheet at 31 July 2005

(with comparative figures at 30 April 2005 in thousand Euro)

according to IFRS

	31.7.2005 TEUR	30.4.2005 TEUR
Assets		
Non current assets		
Intangible assets	423,8	185,0
Goodwill	0,0	0,0
Property, plant and equipment	4.424,7	4.420,1
Shares of associated companies	0,0	102,2
Financial assets	392,3	402,3
	5.240,8	5.109,6
Deferred tax assets	419,6	412,1
Non current receivables	0,0	0,0
Current assets and prepayments		
Inventories	694,3	546,4
Trade receivables	2.441,9	2.626,9
Receivables from affiliated companies	36,3	33,9
Other receivables and assets	567,5	587,5
Liquid funds	7.039,1	7.778,4
Prepaid expenses	330,4	338,5
	11.109,5	11.911,6
	16.769,9	17.433,3
Liabilities		
Shareholders' equity		
Nominal share capital	6.517,1	6.517,1
Reserves	4.155,5	4.162,1
Minority interest	86,8	2,1
Net profit / loss for the year including retained earnings	279,1	902,1
	11.038,5	11.583,4
Long-term liabilities		
Accruals for severance	459,2	563,7
Other long-term accruals	118,4	113,5
Other long-term liabilities	0,0	0,0
	577,6	677,2
Deferred tax liabilities	0,0	0,0
Short-term liabilities accruals and deferred income		
Short-term financial liabilities	0,0	0,0
Trade liabilities	1.161,8	933,0
Liabilities to affiliated companies	0,0	0,0
Tax accruals	59,5	50,0
Other short-term accruals	1.369,3	1.379,6
Other short-term liabilities	551,1	565,4
Deferred income	2.012,1	2.244,7
	5.153,8	5.172,7
	16.769,9	17.433,3

Consolidated income statement

(with figures of the comparable period of the financial year 2004/05
in thousand Euro)
according to IFRS

	1 st quarter 05/06 TEUR	1 st quarter 04/05 TEUR
Sales	2.812,1	2.753,7
Own work capitalized	119,8	163,7
Other income from operations	39,9	141,3
Operating efficiency	2.971,8	3.058,7
Cost of materials and purchased services	-860,1	-989,8
Personnel expenses	-1.359,4	-1.404,2
Depreciation and amortization of non current assets	-426,5	-415,7
Depreciation of current assets	-3,1	0,0
Depreciation of goodwill	0,0	0,0
Other operating expenses	-961,6	-827,1
Profit/loss from operations (EBIT)	-638,9	-578,1
Financial result	43,9	-2,3
Profit/loss from ordinary activities (EBT)	-595,0	-580,4
Taxes on corporate income and business profits	-16,9	-12,7
Minority interest in net profit/loss of the period	-11,1	0,0
Net profit/loss for the period	-623,0	-593,1
Profit/loss from operations before depreciation and amortization (EBITDA)	-209,3	-162,4
Number of shares at balance sheet date	6.517.109	6.517.109
Net profit/loss of the period per share at balance sheet date (basic and diluted) in Euro	-0,10	-0,09
Headcount at balance sheet date, on a full time working basis	97	90

Consolidated cash flow statement

(with comparative figures of the comparable period of the
financial year 2004/05 in thousand Euro)
according to IFRS

	1 st quarter 05/06 TEUR	1 st quarter 04/05 TEUR
Profit/loss from operations (EBIT)	-638,9	-578,1
Operating cash flow before working capital changes (from profit/loss)	-212,6	-157,9
Cash flow from operating activities	-277,8	391,2
Net operating cash flow	-248,7	364,5
Cash flow from investment activities	-561,1	-348,6
Cash flow from financing activities	70,5	0,6
Opening net funds	7.778,4	5.414,3
Net change in cash and cash equivalents	-739,3	16,5
Closing net funds	7.039,1	5.430,8

Consolidated statement of changes in shareholders' equity

from 30 April 2005 to 31 July 2005 with comparative figures
of the comparable period of the financial year 2004/05 in thousand Euro
according to IFRS

	Nom. share capital	Net profit/loss incl. retained earnings, reserves and minority interest	Shareholders' equity (total)
	TEUR	TEUR	TEUR
Balance at 30 April 2004	6.517,1	5.043,0	11.560,1
Net profit/loss for the period		-593,1	-593,1
Translation gains and losses		1,6	1,6
Balance at 31 July 2004	6.517,1	4.451,5	10.968,6
	TEUR	TEUR	TEUR
Balance at 30 April 2005	6.517,1	5.066,3	11.583,4
Net profit/loss for the period		-623,0	-623,0
Minority interest in equity from initial consolidation		73,4	73,4
Minority interest in profit/loss of the period		11,3	11,3
Translation gains and losses		-6,6	-6,6
Balance at 31 July 2005	6.517,1	4.521,4	11.038,5