

Shareholders' Letter

1st half year 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 half of 2005/2006 (1 May to 31 October 2005)

Slight increase in sales compared with the first half of 2004/2005

Result on target

First IRS projects in Slovakia und the Czech Republic

First information terminals on the Black Sea

New developments in the field of panorama cams for the Internet

General market situation

The World Tourism Organization (WTO) reports an estimated 460 million international arrivals in the first seven months of 2005. That is an increase of 25 million arrivals or 5.9 % compared with the same period in 2004. The latest figures for October are in line with the original WTO forecast of a 5-6 % increase in international tourism for 2005 as a whole. Following record growth in 2004 (+ 10.7 %), the tourism industry will again enjoy a rate of growth in 2005 that is well above the predicted long-term average of 4 %.

With 414 million arrivals in 2004, Europe is the world's unchallenged no. 1 tourism destination, followed by Asia with 153 million arrivals and America with 124 million. According to the WTO's long-term forecast, there will be no change in this ranking in the foreseeable future. Even though Europe's share of the market is expected to decline from 59.8 % in 1995 to 45.9 % in 2020, Europe will continue to occupy first place with a predicted 717 million arrivals.

Developments in tourism in feratel's core markets:

The first ten months of 2005 produced a positive picture for the Austrian tourism industry as a whole. At 107.8 million, bednights were up by 1.4 % while arrivals increased by 2.4 % to 25.9 million in the same period. The German Tourism Association (DTV) also presented a positive interim report for 2005. According to the Federal Statistics Office, bednights for foreign visitors came to 33.2 million, an increase of 6.2 % over the previous year. Germany's combined bednight total for foreign and domestic visitors stood at 236.8 million, an increase of 1.1 %. The forecast for the whole year has nevertheless had to be corrected slightly; the DTV is currently expecting a minor increase in bednights of up to 1.5 %. The Swiss tourism industry also turned in a positive performance in the summer, with the first signs of the long awaited upturn after several difficult years. The 2005 summer quarter from June to August brought a 3.7 % increase in bednights over the same period in 2003 (the last year for which comparable data are available). For the first eight months of this year, the Swiss Federal Statistics Office reports a 2.2 % increase in bednights. Domestic bednights were down by 2.7 %, but this was more than compensated by increased demand from foreign arrivals (+ 6.4 %).

At a conference held in Riga in October on the subject of "Tourism Communications", the WTO stressed the need for individual destinations to strengthen their competitive position with the help of the latest information technologies. According to Graham Cooke, President of World Travel Awards, the industry must exploit to the full the opportunities offered by the Worldwide Web to make information available to potential visitors in as many languages as possible. The first summit meeting of the European Travel Commission (ETC), which took place in Vienna in mid-October, was also dominated by the challenges presented by e-tourism. To that extent, the two conferences underscored the market opportunities available to feratel as a provider of information systems for tourism.

The company's performance

The positive developments reported for the first quarter also apply to the first half of the business year. Consolidated sales increased from 5.6 Mio. Euro in the first six months of 2004/2005 to 6 Mio. Euro in the same period of 2005/2006.

In keeping with expectations, the result for the first half of the year is - as always - significantly weaker than in the second half of the year. This is because sales in the Telecommunications Division are always concentrated in the second half of the financial year, whereas overheads are distributed equally over the whole year. In addition, sales in the company's incoming activities, where the focus is currently on the winter tourism market, are also mainly posted in the third and fourth quarters. As in past years, a positive result can therefore be expected in the third and fourth quarters of financial 2005/2006.

Consolidated EBIT was on target at minus 1.1 Mio. Euro after minus 1.1 Mio. Euro in the same period of the previous year as well. In the first half of 2005/2006, earnings before taxes came to minus 1.1 Mio. Euro after minus 1.1 Mio. Euro the year before.



Telecommunications Division

In the Telecommunications Division, sales increased to 2.4 Mio. Euro in the first half of 2005/2006 compared with 1.8 Mio. Euro in the same period of 2004/2005. EBITDA amounted to minus 263 TEUR after minus 545 TEUR in the previous year.

On 17 August the Tannheimer Valley went live with images from a new panorama cam transmitted by Bavarian Television and TW1. In Austria additional cameras were supplied to Obertauern, Jerzens and Serfaus. In Switzerland the Fischeralp Ski Area joined the feratel panorama cam customer base. The images from Fischeralp are now being fed into the local cable network. In Slovakia two new camera locations will also be available shortly.

In the resorts of Achenkirch, Alpbach and Gstaad, a feratel InfoChannel was installed for the production and transmission of professional regional television services.

Information and Reservation Systems Division (IRS)

For the first half of the year, the Information and Reservation Systems Division reports sales totaling 2.8 Mio. Euro (after 2.7 in the first half of the previous year). EBITDA came to 419 TEUR compared with 575 TEUR the year before.

Another major tourism association in the Tyrolean Unterland was recruited as an IRS customer, namely TVB Kirchberg. In the case of the Austrian province of Styria, the Dachstein-Tauern Region, Southwest Styria, Eastern Styria and the Styrian Spa Region have now been joined by Upper Styria as users of feratel's Deskline® information and reservation system. With the help of the Sphercast content and application management system, the Upper Styria region is also working on a revamped Internet site.

In Germany feratel won the contract for an IRS system for the Duchy of Lauenburg, and the municipalities of Lauenburg, Ratzeburg, Mölln and Geesthacht will in future be trusting in feratel for back-office and online applications.

feratel released version 3.2 of the darWIN® information and reservation system used by a number of German cities. The new version offers various additional features and new back-office modules such as a "Visitors Guide" and an "Extended Shopping Basket". The release also includes a complete revision of the online component.

Outside of feratel's core markets, in the new EU member countries, the last few months have also presented feratel with exciting opportunities in terms of products and tourism know-how. For example, the tourism offices in the Benecko and Jánské Lázně ski areas in the Czech Krkonose Mountains and the Donovaly Ski Area in Slovakia are now working with feratel's Deskline® information and reservation system for online information and reservations and back-office functions. A new IRS customer was also signed up in Italy, namely the Garda-Trentino Region with the resorts of Riva, Torbole and Nago.

New information terminals were installed in Saasbachwalden (D), Vilshofen (D), Weggis (CH) and Vitznau (CH), and at Salzburg Airport (A). Two information terminals were also supplied to Varna and Albena (Bulgaria) on the Black Sea.

Particularly healthy developments are reported in the incoming sector, which was launched two years ago. At present the focus is on selling leading Austrian regions on the Russian market.

Media Division

Sales in the Media Division came to 756 TEUR after 1 Mio. Euro the year before. EBITDA amounted to minus 394 TEUR in the first half of 2005/2006 compared with minus 264 TEUR in the same period of the previous year.

Since 2000 feratel's EventSoftware department has been supporting organizers of major national and international events in the field of accreditation. With the opening of the new winter season for downhill skiing in Sölden, the busy period has again begun for feratel, too. In the months ahead, the company will be involved in numerous major events in the fields of downhill and cross-country skiing and snowboarding.

The company's panorama cam offering for the Internet now includes a new feature which is available for all cameras transmitting on the basis of ICAM technology. The new development makes it possible not only to provide stills and streaming cams but also to generate a series of individual images for a website. The positions and timing of the individual images can be freely defined. During the period in which the camera is used for the TV transmission, the capture PC is automatically synchronized with the recording times of the feratel ICAM PC, and the panning system is deactivated during the TV recording for optimum TV transmissions.

As an agreement was reached in mid-September for a complete takeover of the specialty channel TW1 by ORF Austrian Radio, and the Sitour Group has since transferred its 50 % shareholding in TW1 to the ORF, the marketing contract signed with TW1 has now been terminated. As of January 2006, Tourismusfernsehen GmbH (TW1) will take responsibility for the marketing itself. Collaboration in the field of weather cams for TW1 is not affected, however. The contribution to sales generated by marketing activities for TW1 was about TEUR 800 per year with a neutral earnings contribution.

Fifth Annual General Meeting

The company's fifth Annual General Meeting was held on 19 October 2005. As proposed by the Board, it was decided to pay out a dividend for financial 2004/2005 of 7 eurocents per share for a total of 6,517,109 individual share certificates entitling the holder to receive a dividend.

Outlook

The IPO in 2000 and a number of major acquisitions were followed by years of reorganization and consolidation including the sale of individual fields of business that were not part of feratel's core activities. Since financial 2002/2003, there has been a continuous improvement in results. Further improvements to results and a further increase in sales are the goals for financial 2005/2006.

As announced in the first quarter, feratel is working on the assumption that the business environment will remain positive in its core markets in the current business year. An additional positive stimulus for sales and results can be expected from the company's new export markets and its incoming activities, which are now developing well.

Innsbruck, December 2005



Consolidated balance sheet at 31 October 2005

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

according to IFRS

	31.10.2005 TEUR	30.4.2005 TEUR
Assets		
Non current assets		
Intangible assets	400,7	185,0
Goodwill	0,0	0,0
Property, plant and equipment	4.247,5	4.420,1
Shares of associated companies	0,0	102,2
Financial assets	392,3	402,3
	5.040,5	5.109,6
Deferred tax assets	426,3	412,1
Non current receivables	0,0	0,0
Current assets and prepayments		
Inventories	840,7	546,4
Trade receivables	2.601,8	2.626,9
Receivables from affiliated companies	34,7	33,9
Other receivables and assets	686,6	587,5
Liquid funds	6.011,5	7.778,4
Prepaid expenses	172,6	338,5
	10.347,9	11.911,6
	15.814,7	17.433,3
Liabilities		
Shareholders' equity		
Nominal share capital	6.517,1	6.517,1
Reserves	4.147,9	4.162,1
Minority interest	95,6	2,1
Net profit / loss for the period including retained earnings	-683,9	902,1
	10.076,7	11.583,4
Long-term liabilities		
Accruals for severance	473,3	563,7
Other long-term accruals	121,8	113,5
Other long-term liabilities	0,0	0,0
	595,1	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	1.948,8	933,0
Liabilities to affiliated companies	0,0	0,0
Tax accruals	63,7	50,0
Other short-term accruals	1.103,1	1.379,6
Other short-term liabilities	563,7	565,4
Deferred income	1.463,6	2.244,7
	5.142,9	5.172,7
	15.814,7	17.433,3

Consolidated income statement

(with figures of the comparable period of the financial year 04/05
in thousand Euro)
according to IFRS

	1 st half year 05/06 TEUR	1 st half year 04/05 TEUR
Sales	5.956,6	5.589,6
Own work capitalized	204,1	206,5
Other income from operations	92,8	249,8
Operating efficiency	6.253,5	6.045,9
Cost of materials and purchased services	-1.848,1	-1.793,5
Personnel expenses	-2.670,3	-2.672,3
Depreciation and amortization of non current assets	-889,8	-827,0
Depreciation of current assets	-6,2	0,0
Depreciation of goodwill	0,0	0,0
Other operating expenses	-1.973,7	-1.814,0
Profit/loss from operations (EBIT)	-1.134,6	-1.060,9
Financial result	64,1	7,5
Profit/loss from ordinary activities (EBT)	-1.070,5	-1.053,4
Taxes on corporate income and business profits	-36,7	-18,3
Minority interest in net profit/loss of the period	-22,7	0,0
Net profit/loss for the period	-1.129,9	-1.071,7
Profit/loss from operations before depreciation and amortization (EBITDA)	-238,6	-233,9
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	-0,17	-0,16
Headcount at balance sheet date, on a full time working basis	96	97

Consolidated cash flow statement

(with comparative figures of the comparable period of the
financial year 04/05 in thousand Euro)
according to IFRS

	1 st half year 05/06 TEUR	1 st half year 04/05 TEUR
Profit/loss from operations (EBIT)	-1.134,6	-1.060,9
Operating cash flow before working capital changes (from profit/loss)	-244,0	-227,9
Cash flow from operating activities	-572,9	-6,8
Net operating cash flow	-545,8	-43,2
Cash flow from investment activities	-822,3	-505,2
Cash flow from financing activities	-398,8	-388,9
Opening net funds	7.778,4	5.414,3
Net change in cash and cash equivalents	-1.766,9	-937,3
Closing net funds	6.011,5	4.477,0

Consolidated statement of changes in shareholders' equity

from 30 April 2005 to 31 October 2005 with comparative figures
of the comparable period of the previous year in thousand Euro
according to IFRS

	Nom. Share capital TEUR	Net profit/loss incl. retained earnings, reserves and minority interest TEUR	Shareholders' equity (total) TEUR
Balance at 30 April 2004	6.517,1	5.043,0	11.560,1
Net profit/loss for the period		-1.071,7	-1.071,7
Dividend payment		-391,0	-391,0
Translation gains and losses		2,0	2,0
Balance at 31 October 2004	6.517,1	3.582,3	10.099,4
	TEUR	TEUR	TEUR
Balance at 30 April 2005	6.517,1	5.066,3	11.583,4
Net profit/loss for the period		-1.129,9	-1.129,9
Dividend payment		-456,2	-456,2
Minority interest in equity from initial consolidation		71,0	71,0
Minority interest in net profit/loss of the period		22,7	22,7
Translation gains and losses		-14,3	-14,3
Balance at 31 October 2005	6.517,1	3.559,6	10.076,7