

Half-year Shareholders' Letter

2004/2005



To our shareholders

feratel media technologies AG is a leading international developer and provider of teleinformation systems (weather cams for television), tourism software and tourism-related content. The company has facilities in Austria, Germany, Switzerland, Italy, the Benelux countries and Bulgaria, and a workforce totaling about a hundred employees.

Highlights of the first half of financial 2004/05

- Upturn in international tourism, moderate growth in Europe
- Consolidated sales stable year on year
- Clear improvement in earnings ratios
- Continuous market gains with the feratel Deskline® information and reservation system

GENERAL MARKET SITUATION

For most holiday destinations, the positive market expectations have been fulfilled in the last few months. According to the WTO, the first eight months of 2004 saw a 12 percent increase overall in international arrivals. This figure must of course be seen relative to the previous year's disappointing tourism statistics resulting from the restrained mood in the general economy, the Iraq conflict and SARS. Nevertheless, international arrivals were also up by a healthy 9 percent in comparison with the figures for the first eight months of 2002. In Europe the upward trend can be described as moderate, although the 6 percent increase there is also an above average figure for growth.

In feratel's core markets Austria, Germany and Switzerland, however, the trend is still only slightly positive. In Austria the number of bednights for the 2004 calendar year to date (January to October 2004) remained unchanged in the period-to-period comparison. The number of international visitor bednights increased slightly, with a corresponding decrease in domestic bednights.

In Germany there was a clear increase in the number of bednights sold to international tourists in August and September, but this was accompanied by a decrease in bednights for domestic visitors. In total both August and September 2004 were down in terms of bednights in comparison with the same months of the previous year.

A similar situation with regard to bednights is also reported for Switzerland. There was an increase in the number of bednights spent by international tourists in the second quarter of the 2004 calendar year, while domestic demand remained unchanged. The result is a slight increase in total, thus confirming the reversal in the trend observed in the previous quarter.

Expectations for the remaining months of 2004 are for a slight slowdown in the upward trend. The state of the domestic and international economies, developments in prices and exchange rates, and also the quality of the product and marketing measures will be the main factors affecting future developments.

PERFORMANCE IN THE FIRST HALF OF THE YEAR

In the first half of financial 2004/05, developments at feratel were in line with expectations. We are happy to be able to report that key earnings ratios were up in the period-to-period comparison in keeping with the company's objectives.

At EUR 5.6 (after 5.8) million, consolidated sales remained stable in the first half of 2004/05 in the period-to-period comparison. Consolidated EBITDA improved significantly from minus TEUR 545.5 in the first half of the previous year to minus TEUR 173.7 in the first half of 2004/05. Consolidated EBIT also showed a marked improvement from minus EUR 1.5 million in the first half of the previous year to minus EUR 1 million.



In the Telecommunications Division sales are always concentrated in the second half of the financial year, whereas overheads are distributed equally over the whole year. For that reason budgeted income for the division is always significantly lower for the first half of the year, with higher figures for the second half to compensate the situation and generate a positive year-end result.



For reasons of economy and practicability, the financial statements for the first half of 2004/05 have been drawn up pursuant to the provisions of the Austrian Commercial Code (HGB).

TELECOMMUNICATIONS DIVISION

In the first half of 2004/05, sales in the Telecommunications Division totaled EUR 1.8 million compared with EUR 2.1 million in the first half of the previous year. EBITDA stood at minus TEUR 534.9 (after minus TEUR 403.2).

In July 2004 transmission of feratel weather cams was introduced by the Dutch television station TROS-NED 2, the country's biggest family broadcasting company, whose programs also reach audiences in Belgium and Luxembourg. In the period under report a new camera location was established in the Netherlands, in Grou. This means feratel now has six camera locations in the Netherlands, namely Drachten, IJmuiden aan Zee, Sluis, Utrecht, Vlissingen and Grou.

Two new cameras were also installed in Bavaria, in Bad Staffelstein and Mittenwald.

In the period under report the Telecommunications Division found a new sales partner to develop the French market.

INFORMATION AND RESERVATION SYSTEMS DIVISION (IRS)

The IRS Division reports sales of EUR 2.8 million in the first half of 2004/05 compared with EUR 2.9 million in the first half of the previous year. EBITDA increased from TEUR 281.1 to TEUR 618.9.

Val di Fassa, the biggest tourism region in the Trentino, was recently recruited to the customer base for feratel's Deskline® information and reservation system. In Italy feratel has further consolidated its market position with Deskline®. In Val di Fassa, some 300 businesses with a total of about 16,000 beds are now integrated in the Deskline® information and reservation system. As of this winter season, the region's eight tourist offices will be working with the new system.

In addition to Val di Fassa, feratel's customers in Italy include Camerota, Cogne, Courmayeur, Villeneuve, Livignio and Tarvisio.

Following the Kitzbühel, Skiwelt Wilder Kaiser and Pillerseetal regions, the Holiday Region of St. Johann in Tirol (St. Johann, Oberndorf, Kirchdorf and Erpfendorf) is a further tourism region in the Tyrolean Unterland that has decided to invest in feratel's Deskline® information and reservation system. Among other things this will guarantee Internet access to tourism businesses in the whole region.

As of 1 January 2005 the resorts of Kufstein, Ebbs, Niederndorf and Niederndorferberg, Erl, Thierseetal, Langkampfen, Schwoich and Bad Häring are merging to form a single region called Ferienland Kufstein. For the technical infrastructure needed to ensure that the merger works from the start, Ferienland Kufstein has decided to employ feratel's Deskline® information and reservation system.

Additional information terminals were installed in the period under report in Neukirchen and Dölsach, and a further two terminals were supplied to Sofia.

For the Sitour company, feratel has developed new LED displays for optimum ski area information services. 39 of these new displays are being delivered up to Christmas 2004, with such famous wintersports resorts as St. Anton,

Fiss, Sölden and Dachstein West among the first users.

In October 2004 a new feratel development team was established in Bulgaria. They are currently working on a software solution for a visitor orientation module for Munich.

MEDIA DIVISION

Sales in the Media Division increased from TEUR 825.4 in the first half of 2003/04 to EUR 1.0 million in the first half of 2004/05. EBITDA improved to minus TEUR 257.7 after minus TEUR 423.3 in the period-to-period comparison.

Transmission time sales for TW1 remain buoyant. In the last few years TW1 has continually increased its range.

feratel has been able to occupy a new market niche with sales of NetPad as a portable wireless Internet betting terminal. Following feratel's decision to terminate the agreement with its original partner, a new and competent partner for the gambling sector has been found in the form of Certbet GmbH of Salzburg.

FOURTH ANNUAL GENERAL MEETING

At this year's Annual General Meeting of the shareholders of feratel media technologies AG on 25 October 2004 it was decided to pay out a dividend of 6 eurocents for the 2003/04 financial year.

At the AGM, Article 2 of the company's articles of association (Object of the Company's Business) was amended to include the item "business of a travel agency". This amendment to the articles of association relates to the development of an additional division for Incoming Tourism.

OUTLOOK

Following our successful entry into the Benelux market with Telecommunications in the last few months, we are expecting further positive developments here in the months to come. That also applies to IRS. In France, too, we are confident that a number of specific projects will generate earnings in the next few months.

In the case of Information and Reservation Systems we anticipate a continuation of our stable business position, with additional positive effects possible from international projects.

In the legal action taken against feratel media technologies GmbH / Deutschland over the sum of EUR 290,000 plus interest, the appeal court has ruled in favor of the plaintiff. This sum has to be provided for as an expenditure in the 3rd quarter of 2004/2005.

Assuming a reasonable operating environment in terms of the general economic and international political situation, we are working on the assumption that the next two quarters will produce further improvements in sales and results.

Innsbruck, December 2004



This quarterly balance sheet was drawn up pursuant to the provisions of the Austrian Commercial Code (HGB).

CONSOLIDATED BALANCE SHEET AT 31 OCTOBER 2004

with comparative figures at 30 April 2004

in thousand Euro

according to Austrian Commercial Code (HGB)

31.10.2004

30.04.2004

TEUR

TEUR

ASSETS

Non current assets

Intangible assets	210.4	276.5
goodwill	0.0	0.0
Property, plant and equipment	4,673.8	4,931.3
shares of associated companies	60.0	60.0
Financial assets	72.9	72.9
	5,017.1	5,340.7
Deferred tax assets	0.0	0.0
Non current receivables	0.0	0.0

Current assets and prepayments

Inventories	720.4	697.4
Trade receivables	3,226.8	2,998.1
Receivables from affiliated companies	82.5	126.0
Other receivables and assets	1,023.2	2,393.9
Liquid funds	4,476.9	5,414.3
Prepaid expenses	247.5	447.8
	9,777.3	12,077.5
	14,794.4	17,418.2

LIABILITIES

Shareholders' equity

Nominal share capital	6,517.1	6,517.1
Reserves	4,166.1	4,160.6
Minority interest	2.1	2.1
Net profit/loss for the period including retained earnings	-1,041.2	387.2
	9,644.1	11,067.0

Long-term liabilities

Accruals for severance	474.2	454.8
Other long-term accruals	103.1	72.4
Other long-term liabilities	0.0	0.0
	577.3	527.2

Deferred tax liabilities

	0.0	0.0
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Short-term liabilities accruals and deferred income

Short-term financial liabilities	0.0	0.0
Trade liabilities	784.8	1,410.3
Liabilities to affiliated companies	2.0	9.9
Tax accruals	39.2	40.1
Other short-term accruals	1,528.0	1,404.7
Other short-term liabilities	583.6	641.1
Deferred income	1,635.4	2,317.9
	4,573.0	5,824.0
	14,794.4	17,418.2

CONSOLIDATED INCOME STATEMENT

with figures of the comparable period
of the financial year 2003/04 in thousand Euro
according to Austrian Commercial Code

	1st +2nd quarter 04/05 01.05. 2004 - 31.10. 2004 TEUR	1st +2nd quarter 03/04 01.05. 2003 - 31.10. 2003 TEUR
Sales	5,645.0	5,755.8
Own work capitalized	206.5	144.1
Other income from operations	249.8	172.2
Operating efficiency	6,101.3	6,072.1
Cost of materials and purchased services	-1,813.6	-1,690.1
Personnel expenses	-2,647.7	-2,875.5
Depreciation and amortization	-822.8	-921.0
Depreciation of goodwill	0.0	0.0
Other operating expenses	-1,813.7	-2,052.0
Profit/loss from operations (EBIT)	-996.5	-1,466.5
Financial result	7.5	24.7
Profit/loss from ordinary activities (EBT)	-989.0	-1,441.8
Taxes on corporate income and business profits	-42.9	-34.8
Minority interest in net profit/loss for the period	0.0	-1.2
Net profit/loss for the period	-1,031.9	-1,477.8
Profit/loss from operations before depreciation and amortization (EBITDA)	-173.7	-545.5
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	-0.16	-0.23
Headcount at balance sheet date, on a full time working basis	97	95

CONSOLIDATED CASH FLOW STATEMENT

with comparative figures of the comparable period
of the financial year 2003/04 in thousand Euro
according to Austrian Commercial code

	1st +2nd quarter 04/05 TEUR	1st +2nd 03/04 TEUR
Profit/loss from operations (EBIT)	-996.5	-1,466.5
Operating cash flow before working capital changes (from profit/loss)	-167.7	-552.9
Cash flow from operating activities	-5.8	-776.7
Net operating cash flow	-41.2	-786.6
Cash flow from investment activities	-505.2	-613.9
Cash flow from financing activities	-391.0	1,508.1
Closing net funds	4,476.9	8,347.4

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

with comparative figures of the comparable period
of the financial year 2003/04 in thousand Euro

	Nom. Share capital TEUR	Net profit/ loss including retained earnings, reserves and minority interest TEUR	Shareholders' equity (total) TEUR
Balance at 30 April 2003	6,517.1	4,640.8	11,157.9
Net profit/loss for the period		-1,477.8	-1,477.8
Minority interest in net profit/loss for the period		1.2	1.2
Dividend payment		-391.0	-391.0
Translation gains and losses		-1.9	-1.9
Balance at 31 October 2003	6,517.1	2,771.3	9,288.4
Balance at 30 April 2004	6,517.1	4,549.8	11,067.0
Net profit/loss for the period		-1,031.9	-1,031.9
Dividend payment		-391.0	-391.0
Balance at 31 October 2004	6,517.1	3,126.9	9,644.1

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