Shareholders' Letter

3rd Quarter 2005/2006

feratel
window to the world

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 three quarters of 2005/2006 (1.5.05 to 31.1.06)

Record year for tourism in 2005 with pronounced growth in core markets
Outstanding third quarter with a result from ordinary activities of EUR 1.2 million (after EUR 1 million in the previous year)
12 % increase in sales compared with the first three quarters of the previous year
All key ratios significantly improved in the first nine months

General market situation

2005 was a record year for tourism. With an increase of 5.5 %, the total for international arrivals passed the 800 million mark for the first time ever. That was in continuation of the upward trend observed in 2004 – in spite of terrorist attacks and natural catastrophes. From 2002 to 2005 alone, arrivals increased by about 100 million. For the 2006 tourism year, the World Tourism Organization is predicting further growth of 4-5 %.

The tourism industry in Europe grew by a moderate 4 %. With arrivals already at a very high level, namely over 400 million, that constitutes an increase of 18 million. West, Central and Eastern Europe achieved respectable growth rates of between 2 and 4 %. Growth was strongest in Central and Eastern Europe and the Baltic states (Estonia, Latvia and Lithuania), while the best results in West Europe came from Germany and Switzerland.

The 2005 tourism year in our core markets Austria, Germany and Switzerland

With 29.3 million arrivals, Austria established a new record in 2005. Domestic and international arrivals each contributed about 3 % to this positive development. The reasons for this further increase in demand include a rise in the number of visitors from the Netherlands and the UK as key source countries, and the boom in city tourism (+3.6 %).

The figures for Switzerland were also good in 2005, with a 2.7 % increase in bednights. Demand from abroad was particularly buoyant, with bednights 6.8 % up on 2003 (the last year for which comparable data are available). The main contributions to this development came from Switzerland's classic source markets, i.e. the UK, Germany, USA, France and Italy. With 44.4 %, domestic visitors accounted for the lion's share of the Swiss bednight total.

In Germany there were two driving forces behind growth on the tourism market. One was the boom in city tourism. According to the German Federal Statistics Office, cities with more than 100,000 inhabitants were the big winners with a 6.3 % increase in bednights. Bednights from international arrivals were also well up on the previous year (by 3.6 percent).

The company's performance

Positive developments in the first half of the year were followed by an outstanding third quarter. From the beginning of November 2005 to the end of January 2006, consolidated sales increased to EUR 6.2 million compared with EUR 5.2 million in financial 2004/2005. For the first nine months of financial 2005/2006, consolidated sales thus rose by about 12 % to EUR 12.1 million after EUR 10.8 million in the same period of the previous year.

The result from ordinary activities for the third quarter increased from EUR 1 million in 2004/2005 to EUR 1.2 million this year. Consolidated EBIT improved in the third quarter from TEUR 907.8 to EUR 1.2 million, and EBITDA from EUR 1.3 million to EUR 1.6 million. The result from ordinary activities for the first three quarters of the current financial year was TEUR 161.3 compared with minus TEUR 34.6 in the previous year. Consolidated EBIT also improved from minus TEUR 153.1 to TEUR 69.5. EBITDA for the first nine months came to EUR 1.4 million after EUR 1.1 million in the same period of the previous year.

Following a first half of the year that was significantly weaker in accordance with expectations (because sales in Telecommunications are always concentrated in the third and fourth quarters while the overheads are evenly distributed over the year – an effect that is reinforced by sales from the company's incoming activities, where the focus is currently on the winter tourism market), feratel can thus report an extremely positive third quarter as predicted.

Telecommunications Division

The Telecommunications Division reports an increase in sales to EUR 3.2 million in the third quarter of 2005/2006 compared with EUR 2.8 million in the period-to-period comparison. EBITDA came to EUR 1.5 million after 1.2 million in the previous year. In the first nine months of the business year consolidated sales totaled EUR 5.7 million (after EUR 4.7 million). EBITDA was up from TEUR 671.8 in the previous year to EUR 1.2 million.

With the destinations Werfenweng (Ö), Bad Reichenhall (D) and Bad Ragaz (CH), three new agreements were signed for feratel panorama cams in the period under report.

A new record total of 7.3 million page impressions was certified by the official Austrian web analysis organization for December 2005. That was followed by 1.05 million unique clients in January, thus taking us past the one million mark.

After more than ten years of continuous development, the system used for our cam activities, with its various software and hardware components, has been re-engineered and replaced by a new application that will in future provide the basis for a video encoding process with still higher levels of compression.

Information and Reservation Systems Division (IRS)

For the third quarter, the Information and Reservation Systems Division reports sales totaling EUR 2.3 million (after EUR 1.7 million in the third quarter of the previous year). EBITDA came to TEUR 345.5 compared with minus TEUR 30.5 in the third quarter of the previous year. In the first three quarters, consolidated sales increased from EUR 4.4 million to EUR 5.0 million. EBITDA improved from TEUR 544.5 to TEUR 764.1.

Right on time for the two big tourism industry fairs in Vienna and Berlin (ATB and ITB), the IRS Division had three new highlights to offer with the relaunch of the Internet applications for Eurosoft® and Deskline®, integration of the CheckEffekt benchmarking tool and development of an online offers assistant.

The Eurosoft® web application has been revamped and went online in English in March. The IRS developers are also working at full speed on the relaunch of our Deskline® Internet applications. As of early summer, they will be available not only in a new look but also with a wealth of new functions and features.

Following integration of our CheckEffekt statistics and benchmarking tool, feratel customers can now not only access the relevant web statistics but also analyze the efficiency of their websites. The unique tourism data pool also permits comparisons to be made with similar destinations at the regional, national and international levels.

The new offers assistant enables hoteliers to create professional e-mail offers using data from the enquiry pool. The system provides intelligent integration of the hotels' master data including photos, copy, room types etc., so that offers can be generated and mailed in HTML format with just a few clicks of the mouse.

In co-operation with the Basle Tourist Office, IRS is currently working on the development of a new group tool, which will enable group travel enquiries including social program requirements to be processed quickly and easily via Deskline®.

In the period under report feratel won the contract to supply 16 information terminals to the Salzkammergut region, the biggest single order for information terminals ever received. Terminals were also delivered to Europasportregion Zell am See, Gerlos and Rauris.

In January, at the initiative of the national tourism association and the local hoteliers' association, two new information terminals were installed in Switzerland, in Weggis and Vitznau, so as to offer arrivals the convenience of a 24-hour accommodation service.

In Italy two information terminals in Malcesine and Bormio were replaced with new systems.

Media Division

In the third quarter, sales in the Media Division came to TEUR 697.0 after TEUR 707.9 in the previous year. EBITDA stood at minus TEUR 207.3 in the third quarter of 2005/2006 compared with TEUR 104.4 in the third quarter of 2004/2005. For the first nine months, divisional sales totaled EUR 1.5 million compared with EUR 1.7 million, while EBITDA for the first three quarters came to minus TEUR 601.4 compared with minus TEUR 159.2 for the same period of the previous year.

In the last few months the EventSoftware department has been involved in a number of projects. Following the season opener in Sölden, accreditation for visitors and journalists was handled for numerous World Cup ski races in Austria. The EventSoftware department was also behind the smooth running of a big BMW presentation in Seefeld, an event organized by Österreichische Post AG, and admission procedures at Austria's biggest tourism trade show in Vienna (ATB). Currently the department is preparing for University Championships involving 29 events worldwide – from Mongolia to Nigeria.

In the field of content marketing, a number of new platforms were recruited. In addition to the panorama cams, Deskline® booking data were also integrated into the www.tirol.com website. feratel cams were incorporated in the websites at www.boardernews.com, www.snowtrex.de, www.news.at and www.snowboarden.de. At www.austria-tourism.at, a meta-search feature was installed in collaboration with other Austrian providers of information and reservation systems. This means that all Austrian IRS customers are now accessible with search and reservation functionality via the official platform of the Austrian National Tourist Board.

Incoming business continues to develop well. feratel has plans for a stronger focus on visitors from China, and a start has been made with the production of a 60-minute travel documentary for transmission this summer on several Chinese TV channels with a total audience of some 400 million viewers.

Outlook

In view of current developments and today's positive business environment, feratel remains committed to the goal of further improvements in terms of results and increased sales for financial 2005/2006 as a whole.

The record year enjoyed by the tourism industry in 2005 is reflected in increased capital spending activities on the part of tourism organizations in feratel's core markets. The growing need for information in tourism and the complexity of today's tourism products and services will continue to drive the spread of modern information technologies in the tourism industry in 2006.

Innsbruck, January 2006

Consolidated balance sheet at 31 January 2006

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

	31.1.2006 TEUR	30.4.2005 TEUR
Assets		
Non current assets		
Intangible assets	370,2	185,0
Goodwill	0,0	0,0
Property, plant and equipment	4.162,9	4.420,1
Shares of associated companies	0,0	102,2
Financial assets	381,9	402,3
	4.915,0	**5.109,6**
Deferred tax assets	**432,8**	**412,1**
Non current receivables	**0,0**	**0,0**
Current assets and prepayments		
Inventories	686,3	546,4
Trade receivables	3.476,2	2.626,9
Receivables from affiliated companies	34,7	33,9
Other receivables and assets	349,0	587,5
Liquid funds	8.882,6	7.778,4
Prepaid expenses	401,7	338,5
	13.830,5	**11.911,6**
	19.178,3	**17.433,3**
Liabilities		
Shareholders' equity		
Nominal share capital	6.517,1	6.517,1
Reserves	4.145,8	4.162,1
Minority interest	104,1	2,1
Net profit / loss for the period including retained earnings	521,1	902,1
	11.288,1	**11.583,4**
Long-term liabilities		
Accruals for severance	485,4	563,7
Other long-term accruals	124,5	113,5
Other long-term liabilities	0,0	0,0
	609,9	**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	1.327,9	933,0
Liabilities to affiliated companies	0,0	0,0
Tax accruals	76,1	50,0
Other short-term accruals	1.117,3	1.379,6
Other short-term liabilities	833,0	565,4
Deferred income	3.926,0	2.244,7
	7.280,3	**5.172,7**
	19.178,3	**17.433,3**

Consolidated income statement

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

	1st-3rd quarter 05/06 TEUR	1st-3rd quarter 04/05 TEUR
Sales	12.142,3	10.836,2
Own work capitalized	252,5	310,6
Other income from operations	146,6	1.241,1
Operating efficiency	**12.541,4**	**12.387,9**
Cost of materials and purchased services	-4.012,3	-3.549,5
Personnel expenses	-4.047,9	-4.063,3
Depreciation and amortization of non current assets	-1.284,8	-1.210,3
Depreciation of current assets	-9,2	0,0
Depreciation of goodwill	0,0	0,0
Other operating expenses	-3.117,7	-3.717,9
Profit/loss from operations (EBIT)	**69,5**	**-153,1**
Financial result	**91,8**	**118,5**
Profit/loss from ordinary activities (EBT)	**161,3**	**-34,6**
Taxes on corporate income and business profits	-54,1	-31,5
Minority interest in net profit/loss of the period	-32,0	0,0
Net profit/loss for the period	**75,2**	**-66,1**
Profit/loss from operations before depreciation and amortization (EBITDA)	**1.363,5**	**1.057,2**
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	**0,01**	**-0,01**
Headcount at balance sheet date, on a full time working basis	**91**	**95**

Consolidated cash flow statement

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

	1st-3rd quarter 05/06 TEUR	1st-3rd quarter 04/05 TEUR
Profit/loss from operations (EBIT)	**69,5**	**-153,1**
Operating cash flow before working capital changes (from profit/loss)	**1.359,8**	**1.063,4**
Cash flow from operating activities	**2.559,2**	**2.399,4**
Net operating cash flow	**2.602,4**	**2.405,8**
Cash flow from investment activities	**-1.096,8**	**-819,8**
Cash flow from financing activities	**-401,4**	**-385,6**
Opening net funds	7.778,4	5.414,3
Net change in cash and cash equivalents	1.104,2	1.200,4
Closing net funds	**8.882,6**	**6.614,7**

Consolidated statement of changes in shareholders' equity

from 30 April 2005 to 31 January 2006 with figures of the comparable period of the previous year 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		-66,1	-66,1
Dividend payment		-391,0	-391,0
Translation gains and losses		1,2	1,2
Balance at 31 January 2005	**6.517,1**	**4.587,1**	**11.104,2**
	TEUR	TEUR	TEUR
Balance at 30 April 2005	**6.517,1**	**5.066,3**	**11.583,4**
Net profit/loss for the period		75,2	75,2
Dividend payment		-456,2	-456,2
minority interest in equity from initial consolidation		70,4	70,4
Minority interest in net profit/loss of the period		32,0	32,0
Translation gains and losses		-16,7	-16,7
Balance at 31 January 2006	**6.517,1**	**4.771,0**	**11.288,1**

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