Annual Report 2003

travel24.com

Holidays at your fingertips.

Contents

1. Summary of key data

		1. January - 31. December	
		2003	2002
		€ 000	€ 000
total transaction value		23,880	24,813
net sales		3,352	4,145
EBITDA		-1,479	-6,558
EBIT		-1,652	-7,081
consolidated net loss		-1,716	-6,980
net loss per share (in €)	basic	-0.16	-0.68
	diluted	-0.14	-0.68
operative cash flow		-3,083	-5,652
number of employees as per 31. December		79	78

2. Foreword by the Managing Board

Dear Business Friends, Clients, Shareholders and Employees,

the past year 2003 the tourist industry was once again put to a severe test: The Iraq war, worldwide fear of new terrorist attacks and the SARS lung epidemic inhibited travel enthusiasm in general. With its specified eTravel business model, however, Travel24.com AG has been able to secure a pre-eminent position in the market and profit from the positive trends in the online travel market in 2003.

The emission of a convertible bond and the issue of new shares enabled Travel24.com AG to increase liquidity and strengthen its capital base in the long term. For the most part, the newly injected capital will be invested in proven and profit-orientated marketing operations. Due to efficient online advertising strategies, in February 2004 the Company registered 560,000 visits to its Website, i.e. 60% more than in the same period of the previous year (350,000 visits). Analogous to the number of visitors, there was also a strong growth in online sales. At the end of the first quarter of 2004 the Company held bookings worth almost € 10 million.

The year-end results for 2003 were adversely affected by the valuation adjustment for the sale of the shareholding in the Netherlands subsidiary and the costs of the capital increase reduced profits accordingly. Nevertheless, with a total travel turnover of € 23.9 million, the overall result was improved to € -1.7 million (previous year losses: € -6.9 million). The company received an unqualified audit certificate for the first time since 2001. A total travel turnover in excess of € 40 million is anticipated for the current year.

By means of innovative modifications and simplifications a further improvement in the user-friendliness of the Website has been achieved. With only three clicks Travel24.com's "Holiday Finder" will now take the customer from the search mask to the final travel reservation, setting new standards in online travel booking. The intelligent search function not only seeks to satisfy individual travel wishes, e.g. sports and entertainments - it delivers a detailed and clearly laid out summary showing which hotel meets which criteria.

Advanced Internet technology combined with personal service. With this customer focus, Travel24.com has firmly established itself in the mind of the consumer as a major online brand. As an innovative leader, Travel24.com is also setting new standards in customer support. For example, with the recently launched free booking and service hotline. At 0800-Travel24 (0800-872 835 24) customers can obtain round-the-clock information, 7 days a week, on travel products offered in the Internet and take advantage of expert advice.

The foundation stone has been laid for a successful 2004 and again this year we will make every effort to sustain the confidence you have so far placed in us. We would be delighted to welcome you as a customer at our Website.

Yours

Marc Maslaton
CEO Travel24.com AG

Munich, March 2004

3. Report by the Supervisory Board

In the year under review the Supervisory Board has performed its duties as prescribed by law and the articles of association, and monitored the management of the Company. It has held ongoing discussions with the Managing Board on business development and the future strategic orientation of the Company. In the 2003 financial year there were four joint meetings. The main issues addressed at the meetings were the strategic orientation, the restructuring and the financing of the Group. No committees were formed by the Supervisory Board in the 2003 financial year. The Supervisory Board is satisfied that the Company's strategy adequately meets the challenges of the market and that it fulfils the prerequisites for achieving the planned corporate goals.

Between meetings, the Managing Board informed the Supervisory Board about special or urgent proposals and requested its approval as necessary. At regular intervals the Chairman of the Supervisory Board received memoranda on the current business situation and major business transactions.

Knut Wehner, Düsseldorf, resigned from the Supervisory Board on 14 October 2003 for private reasons. The Supervisory Board thanks Mr Wehner for his contribution to the work of the Board.

In conformance with the German Commercial Code the annual financial statements of Travel24.com AG were audited by Reiner Distel, *Wirtschaftsprüfer* (Certified Auditor), Rosenstraße 1, D-40479 Düsseldorf, according to the auditing standards of the German Institute of Certified Accountants (*IDW*). The consolidated financial statements of Travel24.com AG were audited by Reiner Distel, *Wirtschaftsprüfer* (Certified Auditor), Rosenstraße 1, D-40479 Düsseldorf, according to the auditing standards of the IDW as well as the International Standards of Auditing (ISA) and in compliance with the United States Generally Accepted Accounting Principles (US-GAAP). The audit did not lead to any objections.

Upon close examination of the annual financial statements, the consolidated financial statements and the respective management reports the Supervisory Board raised no objection. The auditor participated at this meeting. The Supervisory Board has approved the audit result submitted by the auditor and confirmed that it has no objections. The Company is a "small" corporation as defined in Art. 267 (1) *HGB* [German Commercial Code]. The Company is, however, obliged to conduct an audit, because in accordance with Art. 267 (3) HGB, it makes use of an organised exchange within the meaning of Art. 2 (5) of the *Wertpapierhandelsgesetz* [Securities Trading Act] by issuing securities as defined in Art. 2 (1) sentence 1 of the Securities Trading Act.

The Supervisory Board has recommended that the auditor for the 2004 financial year be elected by the General Meeting in line with the valid provisions on statutory audits. The Supervisory Board approves the annual financial statements and consolidated financial statements prepared by the Managing Board. The Supervisory Board and Managing Board agree that the net loss of € 1,715,758.10 of Travel24.com AG for the year ended 31 December 2003 as shown in the annual financial statements prepared according to German commercial law should be carried forward to new account. Subject to this condition, the annual financial statements are approved according to Art. 172 *AktG* [Stock Corporation Act].

The Supervisory Board would like to thank the Managing Board, the partners and all employees for the high degree of commitment they showed and the work they performed in the year just ended.

Bahlsen

March 2004

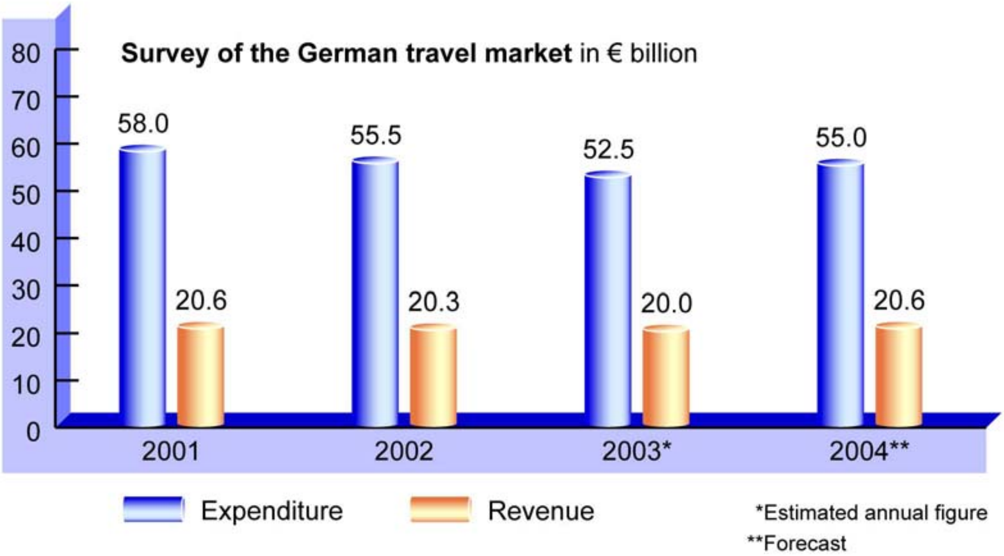
Andrea Maria Bahlsen
(Chairperson)

4. Travel24.com and its market

Travel market

After the setbacks of the previous year, the tourist industry had hoped for a reversal of the trend for 2003. Our hopes were not fulfilled. German tour operators were obliged to close the financial year with a 4.2% fall-off in sales.[1] There was a decline in the number of bookings, particularly at the beginning of the year, that was mainly attributable to anticipated tax increases and the high level of unemployment. In the spring the Iraq war, international terror threats and the SARS lung epidemic put a damper on the Germans' passion for travelling. In the summer, the record heat persuaded many Germans to change their plans at short notice and spend their vacation at home.

Not until September did travel reservations slowly start to recover. According to estimates of the Dresdner Bank, in 2003 the Germans spent a total of € 52.5 billion for foreign travel, or 5.5% less than in the previous year[2]



Source: Analysis of the Dresdner Bank: Travel Industry returns to the Growth Path, Structure and Perspectives for German Foreign Travel 2002/2004, p.1, January 2004.

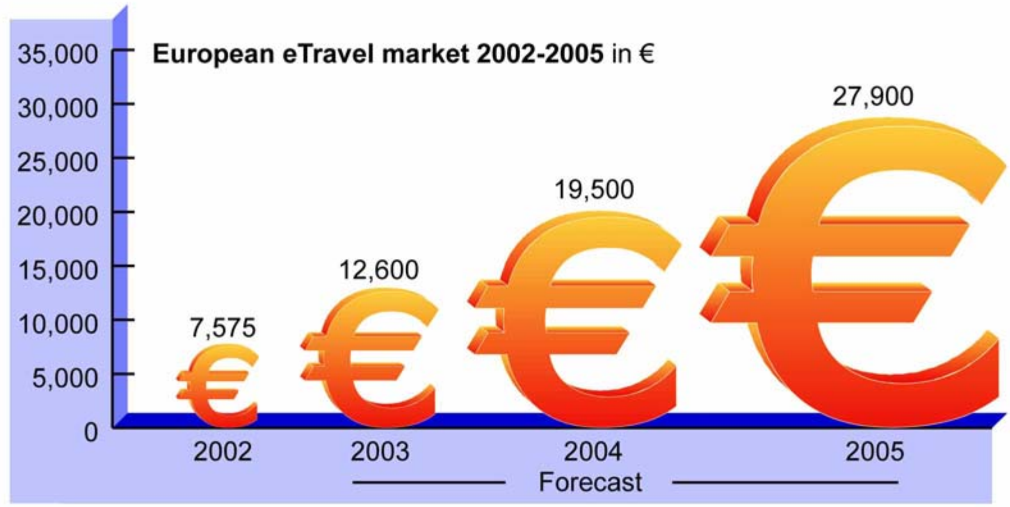
Despite the negative trend in 2003, according to a survey undertaken by the Association of German Travel Agents (*Deutscher Reisebüroverband, DRV)* most tour operators are looking with optimism into 2004 and anticipate a recovery in the market. The *DRV* is expecting a 3% to 5% growth in sales for organised travel in 2004. The Prognos Institute of Basle confirms this trend. Although only a moderate increase in expenditure on travel is anticipated for 2004, it forecasts an increase of 3.4% to 3.8% in the following year.

Even though the Germans today travel less expensively, for shorter periods and on a more spontaneous basis, in general their vacation behaviour has not changed: half of them spent their main vacation in the sunny Mediterranean[3] And that is unlikely to change in the next few years: The results of a survey by BAT Leisure Research Institute have shown that 40% of Germans are again planning to take a holiday in the Mediterranean[4].

[1] fvw dokumentation, Deutsche Reiseveranstalter 2003, December 2003
[2] Analysis of the Dresdner Bank, Travel Industry returns to the Growth Path, Structure and Perspectives of German Foreign Travel 2003/2004, January 2004.
[3] TdW Intermedia 2003/2004, September 2003
[4] BAT Freizeit-Forschungsinstitu (Leisure Research Institute), 20th German Tourism Analysis, January 2004

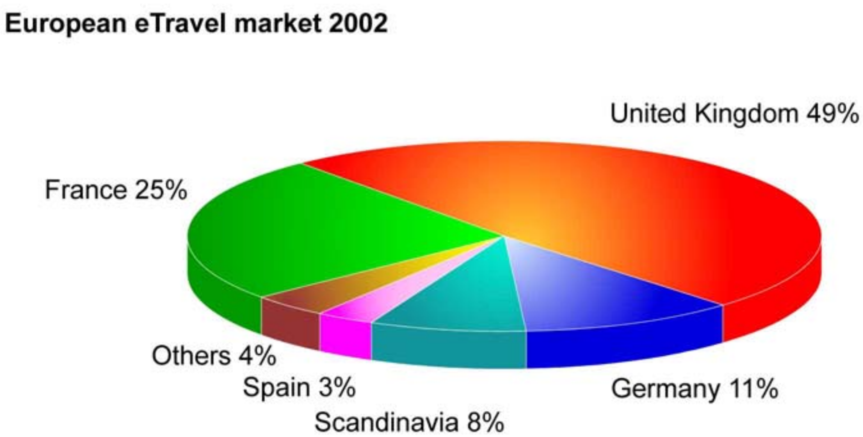
eTravel

In spite of the continued sluggish offline market, experts agree that eTravel is the growth market of the present and future. A study undertaken by PhoCus Wright Inc. indicates that the European eTravel market will grow to more than 3.5 times its present size by the year 2005[5].



Source: PhoCus Wright Inc., European Online Travel Marketplace, Vol. No. 5, July 2003

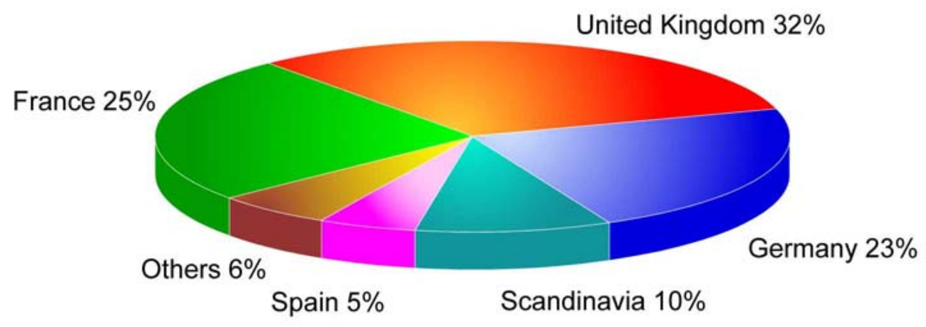
By analogy, development of the German market was likewise positive: Germany's share of the total European eTravel market is expected to grow from 11% in 2002 to 23% in 2005[6].



Source: PhoCus Wright Inc., European Online Travel Marketplace, Vol. No. 5, July 2003

[5] PhoCus Wright Inc., European Online Travel Marketplace, Vol. No. 5, July 2003
[6] PhoCus Wright Inc., European Online Travel Marketplace, Vol. No. 5, July 2003

European eTravel market, Forecast 2005



Source: PhoCus Wright Inc., European Online Travel Marketplace, Vol. No. 5, July 2003

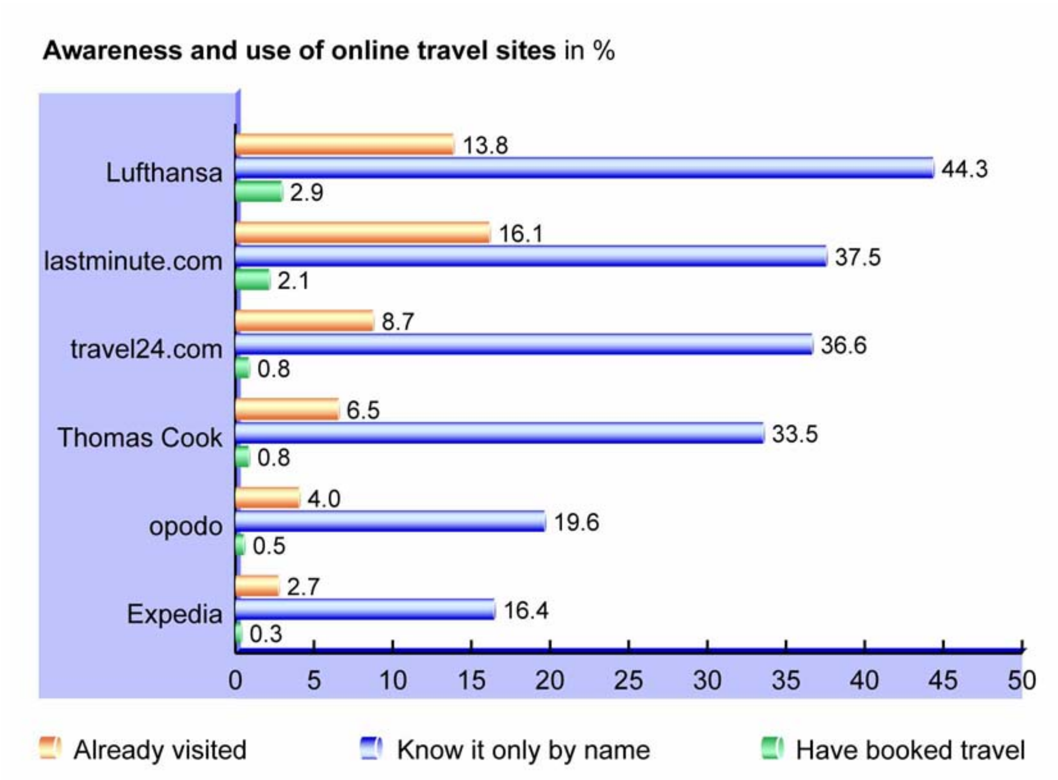
The continued growth of the German eTravel market was also confirmed by the Allensbach Computer and Technical Analysis ACTA 2003. In the latter, 'Travel bookings' ranked second in the top ten 'Internet sales and order' categories[7].

Considering the fact that meanwhile 58% of German adults have access to the Internet[8] and 61% of Germans are planning a vacation in 2004[9], there is still considerable potential for growth in online shopping in the travel sector. According to a survey by the *Arbeitsgemeinschaft @facts*, this year over a quarter of all Internet users with vacation plans intend to book their travel online. This corresponds to a figure of more than 6 million persons. Altogether, over 65% of Internet users are planning to take at least one vacation this year; 15% are planning two and 9% are planning three or more vacations.

Brand recognition

As in previous years, Travel24.com was again able to demonstrate its brand strength in 2003. In the *Communications Networks 7.0* study, Travel24.com ranked third in the sector "Awareness and use of online travel sites" in each of the response categories "Already visited", "Know it only by name" and "Made travel reservations" after Lufthansa's online portal and the British travel portal *lastminute.com*. This not only puts Travel24.com in the same league as Lufthansa - it means that it has surpassed a number of reputable travel operators such as *Thomas Cook*, *opodo* and *Expedia*[10].

[7] Institut für Demoskopie Allensbach (Institute for Demoscopy), Allensbach Computer and Telecommunications Analysis ACTA 2003, Development of the Internet as a Sales Channel, October 2003
[8] Forschungsgruppe Wahlen Online, Internet-Strukturdaten (Internet Structural Data), IV quarter 2003, January 2004
[9] F.U.R. Forschungsgemeinschaft Urlaub und Reisen e.V., Reiseanalyse (Travel Analysis) RA 2003, August 2003
[10] Communication Networks 7.0, Focus Market Analysis, The Market for Vacation and Business Travel, December 2003



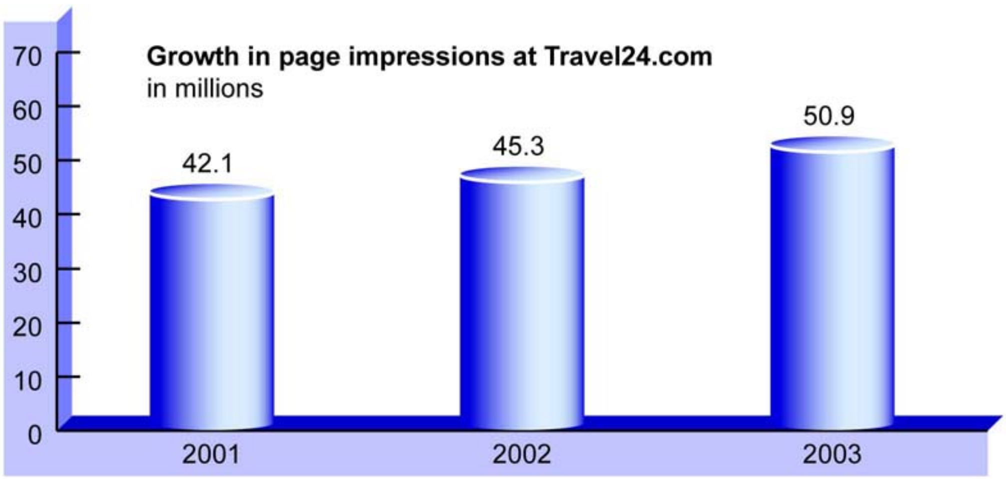
Source: Communication Networks 7.0, Focus Market Analysis, The Market for Vacation and Business Travel, December 2003

As a strong online brand with the high-interest product “travel”, Travel24.com proved to be a popular alliance partner for various promotions in the course of 2003. Together with well-known offline brands such as the beverage label *deit* (food retailer sales drives “Dream away and win”), Garant Schuh + Mode AG (shoe retailer’s promotion “We’ll send you on holiday”) as well as Leibniz, Minolta, Tom Tailor and Lenscare with the joint cross-marketing campaign “I’m packing my bags”, Travel24.com was able to generate 100 million contacts exclusively through travel sponsoring via classic media (radio, posters, print etc.) as well as PoS promotions (flyers, competition cards, dispensers, etc.). A new customer loyalty project with the popular travel magazine *Abenteuer und Reisen* was also initiated last year. As a “thank you” 8,500 selected telephone and online customers received a mini subscription of three issues. It is a successful project that is being continued in 2004 to further boost consumers’ appetite for travel and trips booked online.

Joint cross-marketing campaign "I'm packing my bags"

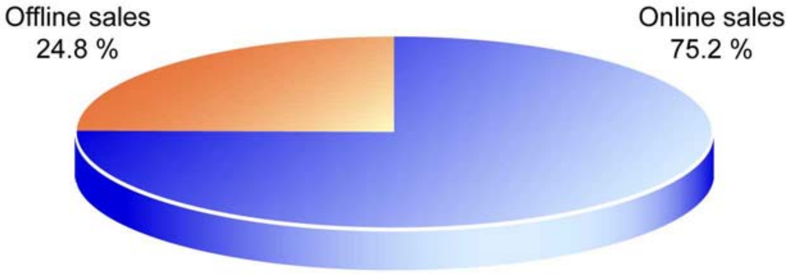
Journalists also think highly of Travel24.com as a well-established travel portal with high-quality products. Popular travel magazines rate the further development of the Internet presentation as positive and recommend the page www.travel24.com. The travel magazine *Reise & Preise*, for example, gave it an overall "good" and certified Travel24.com to be the "most clearly laid out page to be tested" (3/2003, p. 99ff). The travel magazine *Strand & Berge* also praised the "appealing appearance" of the site (4/2003, p. 104ff). In June Travel24.com supplied ten exclusive and bookable holidays to *Focus* magazine for its front page story "Holiday 2003 - Let's get away now".

In the online sector, profit-oriented marketing models were actively pursued, particularly search engine marketing. Efficient cost-per-click control boosted page impressions and resulted in a good conversion rate. Whereas one booking resulted from every 800 clicks in 2001, the ratio improved to one in 500 in 2002. In 2003 the rate was once again increased: there was one booking for every 300 clicks. On the strength of this measurable success, the path of profit-orientated marketing models is to be continued in the new year with an increased budget.

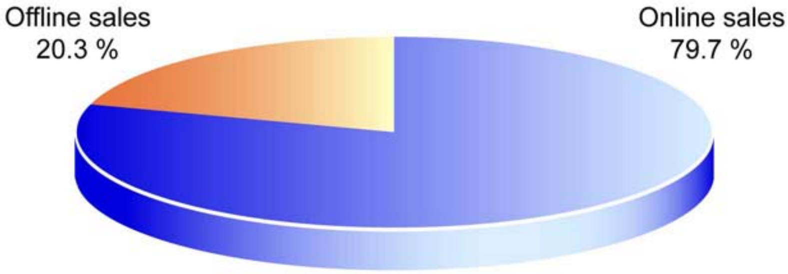


Concentration on the online market resulted in a further increase in Website-generated revenue. The latter stood at a encouraging € 19 million. However, the Group suffered a slight decline in sales in the remaining fixed-location travel agencies. The overall receding market for fixed-location travel agencies and the closure of the Travel24.com sales outlet at Munich Airport have had a negative effect. Against this background, the total sales revenue of € 23.9 million (3.8 less than in previous year) presents a satisfactory overall picture from the “Internet point of view”. Revenue from online travel bookings was 2% above the previous year - an increase in both relative and absolute terms.

Breakdown of Travel24.com Group sales 2002



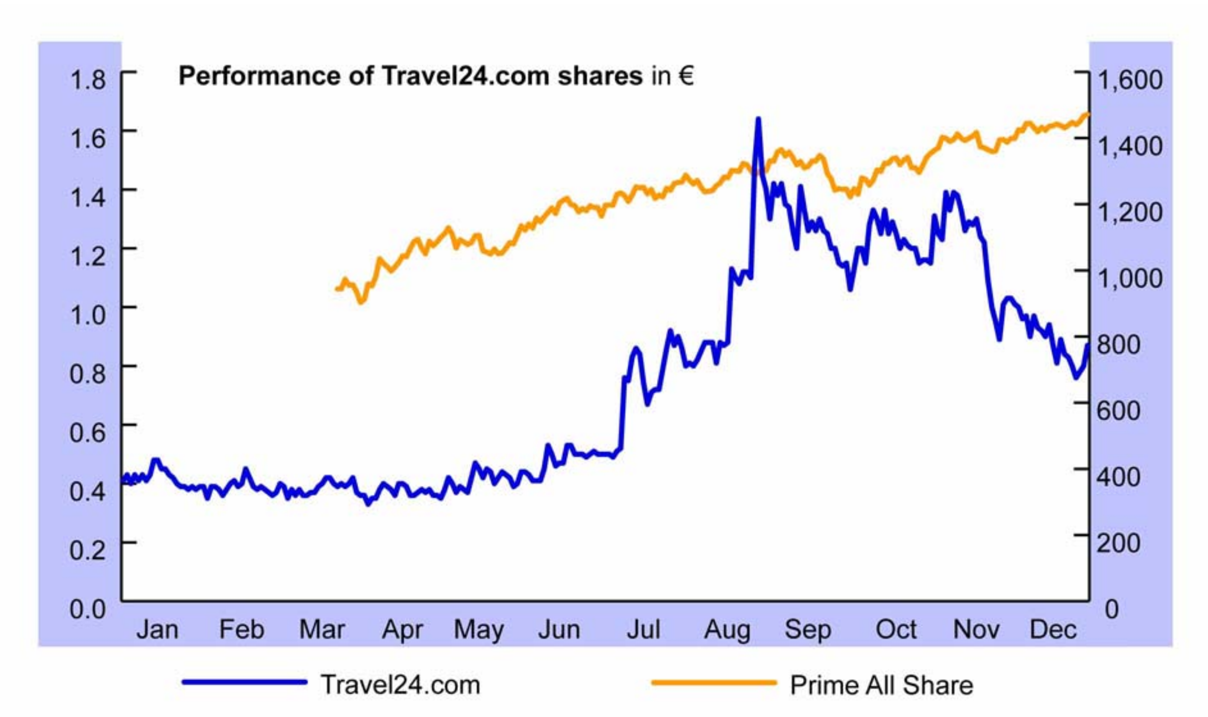
Breakdown of Travel24.com Group sales 2003



5. Investor Relations

Despite the poor state of the economy as a whole, in the 2003 financial year the shares of Travel24.com AG (Securities ID No. 748750) held firm on the capital market and the price has shown a strong upward trend. Upon discontinuation of share trading on the *Neuer Markt*, the Company's securities were admitted to the Prime Standard on 1 January 2003 after the exacting listing requirements, e.g. accounting to US-GAAP and increased standards of transparency, had easily been satisfied.

The Prime All Share Index grew from about 944 points in March 2003 to 1,471 points at the end of the year. In addition, Travel24.com AG shares performed above average. After starting at about € 0.40, the price more than quadrupled during the course of the year and following the announcement of second-quarter operating profits it reached a peak of € 1.64 in August. There has likewise been a strong increase in trading volume: on some days over 1.3 million Travel24.com shares were bought and sold.



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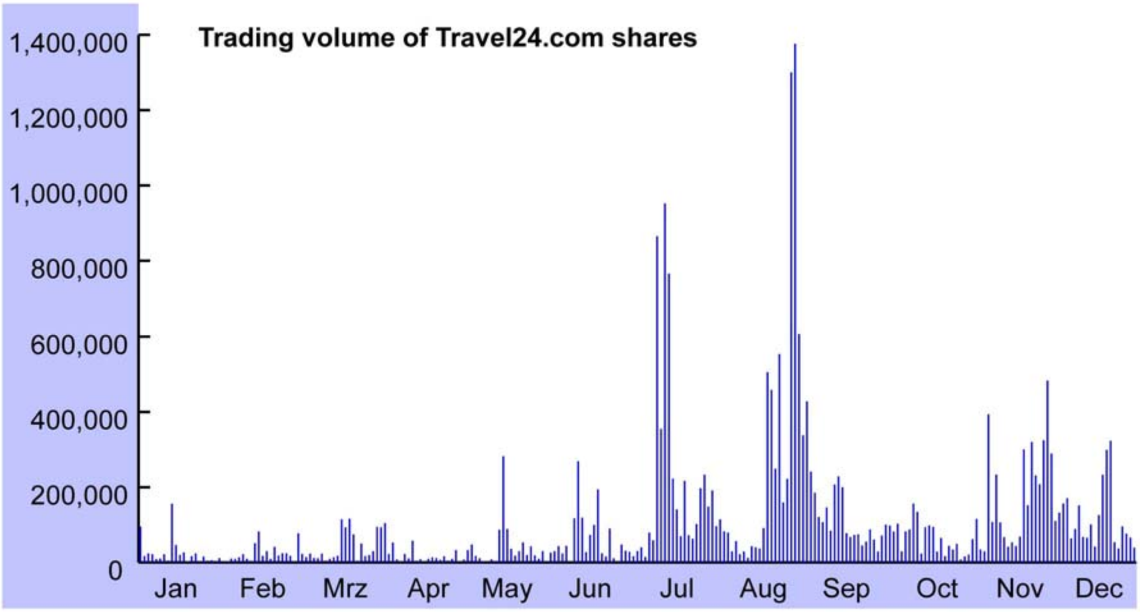


Following the satisfactory results of the first quarter of 2003, in July Travel24.com AG was able to issue a convertible bond (term 5 years, advance yield 12% p.a.). This had a positive effect on the share price and consequently on the volume of trading. Due to the above-average growth in online business in comparison to other sources of revenue and the lower operating expenses, in the second quarter of 2003 a net profit was reported from operating activities. This resulted in peaks in both the price and the trading volume of the Company's shares at the end of August.

At the Annual General Meeting of Travel24.com AG in Munich on 21 August 2003 this corporate success was acknowledged by the shareholders and particularly the representatives of the small shareholders. All items on the agenda were approved by a large majority, in some cases over 99%. The resolution on new Authorised Capital of € 5,236,303 was likewise carried by a large majority.

In the third quarter of 2003 the Company again posted a profit of about € 44,000. This had the effect of stimulating the share price and trading volume as well as stabilising the positive trend. In order to pursue the proposed growth strategy for customer acquisition, despite the adverse economic environment a capital increase was implemented with subscription rights. Two further capital increases in February and March 2004 were placed with private and institutional investors in Germany and abroad. Through partial utilisation of the Authorised Capital, by 31 March 2004 the Company had accrued about € 3.7 million in cash and cash equivalents. Among others, this was invested in an online marketing drive.

The issue of new shares raised the capital stock of Travel24.com AG to 13,750,000 shares, greatly improving the balance sheet position. The Managing Board is convinced that the measures introduced will secure long-term growth in sales revenue as well as the related corporate value.

6. Outlook

Independent studies have once again confirmed that Travel24.com has secured a strong position in the market as one of the best-known and most popular online travel brands. It is particularly gratifying to note that consumers in other European countries have since discovered the only independent German travel portal to be listed on the stock exchange.

With the presentation of the *Award of Excellence* by the Publicist Strategic Communication Group Europe Ltd. at the St James's Club in London in February 2004, Travel24.com also gained recognition beyond the frontiers of Germany. The British award is presented to medium-sized companies from all over Europe who have assumed brand leadership in their industry, established a sustained online brand value and provided an impetus with online marketing strategies.

The excellent situation in terms of online brand substance, online positioning and marketing efficiency, coupled with the highest level of user friendliness of the Website gives Travel24.com a pre-eminent and unique position with regard to service. Pursuing this strategy as an innovative leader, in March 2004 Travel24.com was the first Internet travel site to offer its customers a free 24-hour service hotline with expert advice on all aspects of travel. When selling the popular cheap airline tickets, Travel24.com keeps to the original price and abstains from charging a handling fee for online reservations.

In view of its enormous growth potential, Travel24.com AG is proving itself to be a worthy bearer of the *Award of Excellence*. Registering 547,000 and 560,000 visits in January and February respectively, Travel24.com is already 45% and 60% over the figures for the prior-year periods.

For the current year the Supervisory and Managing Boards have endorsed the approved growth strategy. An increase of over € 40 million in the value of travel bookings turnover is anticipated. This expectation has been confirmed by the increase in revenue to almost € 10 million in the first quarter of 2004.

7. Consolidated key figures

Group management report and management report of Travel24.com AG

as of 31 December 2003

1. General

Due to the focusing of the Company on its core business - a course initiated in 2001 and pursued in subsequent years - Travel24.com AG has been able to meet the challenges of yet another difficult year in the tourist industry. Besides the further expansion of travel retailing activities in the non-stationary environment, one of the major objectives in 2003 was to secure sufficient funds for Travel24.com AG in the long-term future. This was achieved on the one hand by the issue of convertible bonds by the Company in July 2003 and by the placement of additional equity capital initiated in December of the past financial year on the other.

2. Economic environment

2.1 The tourism market
Following the disastrous effects of the terrorist attacks of 2001 and 2002, the hopes of the tourist industry for a recovery in business were once again dampened in the first half-year 2003. Firstly, the continual discussion at the start of the year about an increase in the tax burden fostered a climate of caution and anti-consumption in a large section of the population. Secondly, the SARS lung epidemic and the Iraqi war had a negative impact on a large number of medium- and long-term goals in the first half of 2003. The long-awaited revival in the summer of last year was hesitant and below expectations, with the consequence that the sales forecasts of most service providers made at the start of the season had to be revised.

2.2 The online travel market
Regardless of the overall tourist environment, in 2003 there was a continued shift in the focus of retailing activities - as had already become evident in the previous year - towards Internet-aided marketing channels. Analogous to the initial situation at the beginning of the past financial year, leading opinion and market research institutes agree that the trend towards non-stationary travel retailing will continue to grow.

The trends of individual companies towards marketing their products and services by telephone or online - observed with scepticism in past years - have meanwhile become significant components of the industry. The classic example is the structural change that has taken place in air traffic, where the aggressively priced services provided by low-cost airlines have brought about an increase in travel frequency accompanied by a shortening of the stay at the destination. The workflows of neighbouring segments such as business travel have also been forced to adapt to the special marketing structure of these new companies.

3. The Group’s strategy

In the travel retailing segment Travel24.com AG sees the focus of its activities in two interlinked spheres. On the one hand this is the acquisition and continuous development of Internet-based booking modules that enable the consumer to select and purchase travel from a wide schedule of products and services. On the other hand it is the provision of a spectrum of information and products aligned to consumers’ needs that gives access to all standard information media. A distinction from the competitors is to be achieved by offering high-quality personal advice and services geared to individual customer segments.

4. Course of business

Course of business of Travel24.com AG and the Travel24 Group

4.1 Travel24.com AG
Adverse economic conditions influenced consumer behaviour and resulted in sales trends that were stagnant to regressive - particularly in the first half of the year. Activities registered at the Travel24.com AG Website were likewise affected by this situation. A slight reduction in the number of visitors to the travel portal www.travel24.com was offset by an increase in the number of page impressions to 50.9 million, over 12% more than the previous year, and a 25% increase in the average length of stay. Again in 2003 there was an increase in the number of bookings received via the Website and in the value of transactions completed via the portal.

On the balance sheet date Travel24.com AG had 16 persons on its payroll. The annual average was 16.5 full-time employees. This was equivalent to 10.2 full-time Company employees on the effective date, or an annual average of 11.1 (all figures excluding management). Whereas the number of employees remained more or less constant, personnel expenses were cut by 10% compared to the previous year.

In the past financial year 2003 the Company funded its activities for the main part by launching a convertible bond to the nominal amount of € 4.3 million and issuing 1,127,394 shares. Further new shares were issued in two consecutive tranches in February and March 2004. A total of 2,150,000 new bearer shares were placed. These share issues generated € 2,615,000 in funds for the Company in 2004.

The shortfall in the 2003 annual statement amounts to about € 2.5 million and is mainly attributable to the following factors:

Brand build-up / Marketing:	approx.€ 0.7m
Legal and consulting fees	approx.€ 0.5m
Interest expenses	approx.€ 0.3m
Operating expenses	approx.€ 1.0m

4.2 Subsidiaries of the Travel24 Group
Whereas the travel agencies at the Audi AG works at Ingolstadt and Neckarsulm were able to slightly increase their sales revenues compared to the previous year, the other stationary activities of Travel24 GmbH exhibited a downward trend. On account of the decline in customer frequency and resulting deficit, the counter at Munich Airport was closed down when the new terminal was opened.
The online travel retailing business shaped well and mid-year it was converted to a system landscape used throughout the Travel24 Group. This step has resulted in a group-wide standardisation of the administration process and a simplification of the work routines involved that has increased efficiency levels.
The Company concluded the 2003 financial year with a net income of € 115,666. The € 0.3m loss not covered by shareholder's equity is secured by a declaration of subordination by Travel24.com AG.

On account of the further increase in total revenue in 2003, accompanied by a 12% cut in personnel expenses and a reduction in other operating expenses by almost one-third compared to the previous year, Buchungsmaschine AG concluded the financial year for the first time with a surplus. Here again, the group-wide standardisation of the systems used resulted in more effective communications structures and continuous optimisation of workflows. The net income for the year ended 31 December 2003 amounted to € 145,223. The loss of € 2.8m not covered by shareholders' equity is for the most part secured by a declaration of subordination by Travel24.com AG. The residual amount is covered by the value of self-engineered software that was not capitalised.

xsnet Gesellschaft für multimediale Informationssysteme mbH and Tii Community GmbH, whose operations were discontinued as of 31 December 2002 and 31 December 2000 respectively, were sold to a foreign investor as per contract dated 29 December 2003.

In the last quarter of the past financial year the remaining 49% interest in the Netherlands Munckhof Business Travel B.V., Venlo, was sold to the managing majority shareholder. This step completes the process initiated in 2002 of refocusing the Travel24 Group on the German market.

4.3 The Travel24 Group
The shake-out of the group and shareholding structure that took place in 2003 ensures that all available resources can now be concentrated on the achievement of the Group’s strategic goals. For the first time both subsidiaries reported a total net income of almost € 0.3 million. Provided that the macro-economic and industry-specific conditions continue to improve, a further recovery of business activities can be anticipated.

The consolidated financial statements prepared according to US-GAAP show a net loss of € 1.7m for the year. This result is attributable solely to losses accruing to Travel24.com AG.

Liquid assets available to the Company increased by € 139,602 to € 1,061,475. Cash and cash equivalents from operating activities in 2003 amounted to € -3.1m (previous year: € -5.7m) whilst the cash inflow generated by the disposal of capital assets and financing activities totalled € 3.2m (previous year: € 0.1m). The slight improvement in Group liquidity is attributable to the convertible bond issued in July 2003 and the issue of new shares in December 2003.

5. Risk report

Although the inflow of bookings registered in the first months of the current financial year gives rise to hopes that Group sales will show a substantial increase over the previous year, it remains to be seen what effects the terrorist attacks of March 2004 will have on the travel behaviour of German target groups. Whereas in the previous years mainly tourist destinations were the target of fundamentalist activities, the most recent events have brought this form of threat to Europe on a hitherto unknown scale.

The competitive situation has intensified for the second year in succession. On the one hand in the face of a downward trend in sales and turnover volumes, many operators attempted to safeguard their own market shares by means of discounts. This also exerted pressure on the commissions earned by companies engaged in travel retailing. On the other hand, a growing number of market participants pushed their way into the online segment in the hope of profiting from the advantageous cost structures of the non-stationary business and - in the case of the service providers - from direct access to the consumer. A further challenge presented itself to travel agencies and portal operators when Lufthansa suspended its commission system and most other European airlines followed suit. Accordingly, from September 2004 onwards no reimbursement will be paid by the service providers for the sale of airline tickets, so that the agencies will have to define their own remuneration model to cover their efforts and expenses.

The growing attractiveness of Internet-based sales has also resulted in an increase in booking modules and system components commensurate with the number of vendors. Besides the reliability of the programs offered, the major consideration in this respect is the innovative capacity of the system houses with regard to their ability to anticipate and quickly respond to customer demand. The Company has acquired a firm position in the market by virtue of technical innovations and ongoing developments in the service sector. However, due to the fast pace of the industry this position can only be maintained if the Company continues to succeed in minimising disruptions and delays in in-house scheduling.

As of 31 December 2003 Travel24.com AG was involved in a total of four pending legal disputes. In two of the four pending legal proceedings Travel24.com AG is the party being sued (defendant's lawsuit), and in the other two proceedings it is the plaintiff (plaintiff's lawsuit). Adequate provision has been made to cover all risks ensuing from these disputes that are foreseeable from today's standpoint. Depending on the outcome of the legal proceedings, the possibility of a substantial burden on liquid assets cannot be precluded.

Both the convertible bond launched in the past financial year and the capital increase carried out in December 2003 contributed to a distinct improvement in the Company's liquid asset situation. Although the funds disclosed as of the balance sheet date do not cover the financing needs as per Travel24.com AG budget for the next few years, following the successful issue of a further two tranches of shares in February and March 2004 the management is confident that it will be able to place the remaining authorised capital approved at the shareholders' meeting in 2003 in the coming months. Under these circumstances we are assuming a positive continuation of business.

The € 0.6m excess of liabilities over assets that encumbered Travel24.com AG as of 31 December 2003 has been eliminated by the capital increases effected in February and March 2004.

6. Outlook

The leading market research institutes predict two- to three-digit growth rates for the Internet-based travel segment in the next few years. Backed by a continued high level of brand awareness and the necessary liquid assets, Travel24.com has set itself the goal of further expanding its hitherto constant market share by acquiring new customers and encouraging existing customers to remain loyal to the brand with appropriate service and holdover measures.

From the past we have learnt that the trust demonstrated by the customer, and thus the willingness to make reservations through Travel24.com, is reflected in the value of the advertised brand. In the interests of our customers and shareholders we wish to further enhance the values already generated and consolidate the Company's material assets that are orientated to customer benefits and service.

Munich, March 2004

Philip Kohler

Marc Maslaton

Consolidated financial statements 2003

Consolidated balance sheet as of 31 December 2003, figures according to US-GAAP

ASSETS	31. Dec. 2003 € 000	31. Dec. 2002 € 000
current assets		
cash and cash equivalents short-term investments / marketable securities	1,061	939
trade accounts receivable	95	424
prepaid expenses and other current assets	548	272
total current assets	**1,704**	**1,635**
non current assets		
property, plant and equipment	178	257
intangible assets	76	161
goodwill	609	609
investments accounted for by the equity method	0	617
notes receivable / loans	251	346
other assets	3	3
total non current assets	**1,117**	**1,993**
total assets	**2,821**	**3,628**

LIABILITIES and SHAREHOLDERS' EQUITY	31. Dec. 2003 € 000	31. Dec. 2002 € 000
current liabilities		
short-term debt and current portion of long-term debt	0	17
trade accounts payable	649	994
accrued expenses	1,265	2,748
other current liabilities	282	333
total current liabilities	**2,196**	**4,092**
non current liabilities		
long-term debt, less current portion	1,886	0
total non current liabilities	**1,886**	**0**
shareholders' equity		
share capital	11,600	10,473
additional paid-in capital	62,336	62,655
treasury stock	0	(356)
remuneration from share options	(303)	(58)
accumulated deficit	(74,894)	(73,178)
total shareholders' equity	**(1,261)**	**(464)**
total liabilities and shareholders' equity	**2,821**	**3,628**

Consolidated statement of income from 1 January to 31 December 2003, figures to US-GAAP

	1. January - 31. December 2003 € 000	2002 € 000
revenues	3,352	4,145
cost of revenues	(563)	(476)
gross Profit	**2,789**	**3,669**
operating expenses		
selling and marketing expenses	(3,093)	(4,402)
general and administrative expenses	(2,525)	(3,689)
amortisation of goodwill	0	(35)
depreciation of property, plant and equipment and of intangible assets	(173)	(489)
total operating expenses	**(5,791)**	**(8,615)**
operating loss	**(3,002)**	**(4,946)**
other income / expense		
interest income and expenses	(64)	104
expense from investments accounted for by the equity method	0	(33)
other income / expense	1,326	978
total other income / expense	**1,262**	**1,049**
result from ordinary activities before income tax and discontinued operations	**(1,740)**	**(3,897)**
income tax	0	(3)
extraordinary income / expenses	0	0
result from ordinary activities before discontinued operations	**(1,740)**	**(3,900)**
income / loss from discontinued operations	24	(3,080)
net loss	**(1,716)**	**(6,980)**

net loss per share (in € 000; except amounts per share and number of shares)	2003 basic	2003 diluted	2002 basic / diluted
weighted average shares outstanding	10,449,324	12,503,769	10,277,168
result from ordinary activities before discontinued operations	(1,740)	(1,740)	(3,900)
per share	(0.17)	(0.14)	(0.38)
income / loss from discontinued operations	24	24	(3,080)
per share	0.00	0.00	(0.30)
net loss	(1,716)	(1,716)	(6,980)
per share	(0.16)	(0.14)	(0.68)

Consolidated cash flow statement from 1 January to 31 December 2003

	1. January - 31. December	
	2003	**2002**
	€ 000	€ 000
1. cash flows from operating activities:		
net loss	(1,716)	(6,980)
adjustments for:		
- depreciation and amortization	253	1,385
- decrease / increase in provisions and accruals	(1,483)	289
- losses on the disposal of fixed assets	166	0
- change in net working capital	(514)	(356)
- non-cash items for capital expense and financing	211	10
net cash used in operating activities	**(3,083)**	**(5,652)**
2. cash flows from investing activities:		
- purchase of property, plant and equipment	(28)	(46)
- proceeds from sale of equipment	483	165
net cash provided by investing activities	**455**	**119**
3. cash flows from financing activities:		
- proceeds from issuance of share capital	881	0
- proceeds from short or long-term borrowings	1,886	0
net cash provided by financing activities	**2,767**	**0**
net increase / decrease in cash and cash equivalents	**139**	**(5,533)**
cash and cash equivalents at beginning of period	922	6,455
cash and cash equivalents at end of period	1,061	922
for information purposes: interest paid	11	161

note:
in this statement of cash flows, cash and cash equivalents are defined as "net available cash and cash equivalents", i. e. this item comprises the cash and cash equivalents carried on the balance sheet under current assets as well as the bank loans and overdrafts carried on the balance sheet under liabilities.

Consolidated development of shareholders' equity from 1 January to 31 December 2003

(in € 000, except for number of shares)

	number of shares issued	share capital: preference shares	share capital: ordinary shares	treasury stock	additional paid-in capital	remuneration from stock options	revaluation surplus	net loss	total
as of 31.12.2000	**9,600,000**	**0**	**9,600**	**-144**	**62,826**	**-105**	**78**	**-37,096**	**35,159**
capital increase against contribution in kind (from authorized capital II)	872,606		873						873
purchase / disposal of treasury stock				-1,239					-1,239
issue of stock options and partial deferred expenses for remuneration from stock options					151	-127			24
creditor compensation by way of shares									0
fair value valuation of securities							-78		-78
retroactive correction of capital contribution when acquiring subsidiaries against the provision of shares					595				595
net loss								-29,102	-29,102
as of 31.12.2001	**10,472,606**	**0**	**10,473**	**-1,383**	**63,572**	**-232**	**0**	**-66,198**	**6,232**
capital increase against contribution in kind (from authorized capital II)									0
purchase / disposal of treasury stock									0
issue of stock options and partial deferred expenses for remuneration from stock options					-164	174			10
creditor compensation by way of shares				1,027	-753				274
fair value valuation of securities									0
retroactive correction of capital contribution when acquiring subsidiaries against the provision of shares									0
net loss								-6,980	-6,980
as of 31.12.2002	**10,472,606**	**0**	**10,473**	**-356**	**62,655**	**-58**	**0**	**-73,178**	**-464**
capital increase for cash (from new authorised capital approved in 2003)	1,127,394		1,127						1,127
expenses for procurement of equity *					-247				-247
purchase / disposal of treasury stock				356	-356				0
issue of stock options and partial deferred expenses for remuneration from stock options					283	-245			39
creditor compensation by way of shares									0
fair value valuation of securities									0
retroactive correction of capital contribution when acquiring subsidiaries against the provision of shares									0
net loss								-1,716	-1,716
as of 31.12.2003	**11,600,000**	**0**	**11,600**	**0**	**62,336**	**-303**	**0**	**-74,894**	**-1,261**

* the expenses for equity procurement were offset to the full amount as a result of the accounting assumption that losses carried forward will not be used for fiscal purposes

Notes to the consolidated financial statements (US-GAAP)

as of 31 December 2003

1. Business purpose and group structure

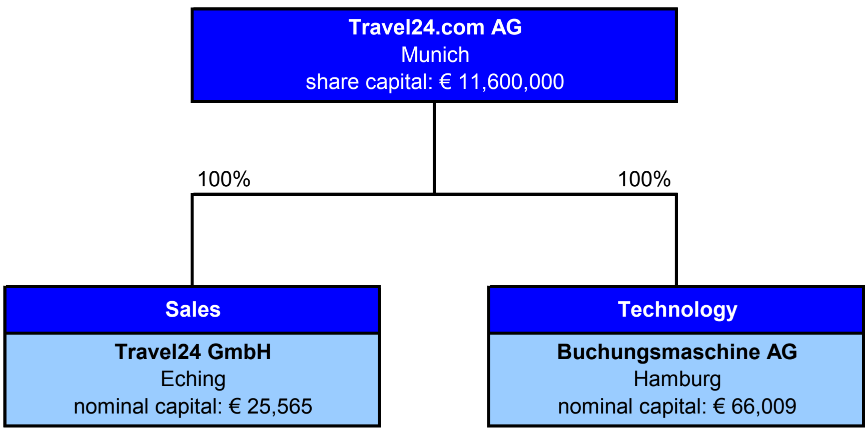
Travel24.com AG, Munich, was founded with the adoption of the articles of association on 22 February 1996 as Travel Systems AG and recorded in the commercial register at Munich Local Court on 27 February 1996. The Company name was changed to Travel24.com AG by shareholders' resolution on 14 February 2000 and the change was recorded in the commercial register on 24 February 2000. Since 15 March 2000 the shares in the Company have been listed on the *Neuer Markt* at the Deutsche Börse AG in Frankfurt am Main (since 1 January 2003: Prime Standard).

The business activities of Travel24.com AG - hereinafter referred to as the Company - and its subsidiaries extend to the organisation and marketing of travel services (business segment "Travel marketing & distribution") and the development and marketing of system components for online information and reservation systems (business segment "Travel technology").

The following subsidiaries are owned by the Company as of 31 December 2003:

	ownership share	subscribed capital	equity	net profit (loss) for the year	
		31.12.2003	31.12.2003	2003	2002
	%	€ 000	€ 000	€ 000	€ 000
Buchungsmaschine AG, Hamburg	100	66	-2,842	145	-782
Travel24 GmbH, Eching	100	26	-338	116	-11

As of the balance sheet date, the Group structure was as follows:



The above Group structure results from the following business transactions:

- With the agreements of 2 June 1998 / 21 August 1998 all shareholdings in Travel24 GmbH were purchased with a nominal value of DM 50,000. The business purpose of the Company is the operation of travel agencies, the organisation and retail sale of holidays as well as the associated services.

- With the stock contribution agreement from 16/17/18 August 2000 Travel24.com AG purchased a total of 73.003% of the shares (48,189 no-par-value common stock shares) in Buchungsmaschine AG, endowed with profit entitlement as of 1 January 2000 against the transfer of no-par-value bearer common stock shares in Travel24.com AG as well as a cash payment (settlement of fractions). The remaining 26.997% of the shares (17,820 non-par-value shares) were acquired by Travel24.com AG by exercising an option agreement of 16/17 August 2000, likewise against the transfer of no-par-value bearer shares in Travel24.com AG as well as a cash payment (settlement of fractions). The 872,606 shares in Travel24.com AG to be transferred were issued from the Authorised Capital II, with the exclusion of subscription rights on the part of the existing shareholders, at an issue price of € 1 per share. The Managing Board of Travel24.com AG has decided to increase the capital stock by € 872,606, from € 9,600,000 to € 10,472,606. The capital increase was recorded in the commercial register on 14 May 2001. The business purpose of Buchungsmaschine AG is the development, training and marketing of software and hardware, the creation of databases on tourist services for corporate and private business partners, the integration of reservation systems and IT systems for tourist companies, the processing of tourist services, the operation of online services and web hosting, as well as the sale of other services of all kinds.

- Under an agreement dated 11 June 1999 Travel24.com AG purchased all shareholdings in Tii Community GmbH. The Tii Community GmbH discontinued its business activities as of 31 December 2000 and was sold on 29 December 2003.

- xsnet Gesellschaft für Multimediale Informationssysteme mbH was purchased on 18 August 1999. The business purpose of xsnet Gesellschaft für multimediale Informationssysteme mbH is the development and marketing of multimedia data and programs of all types, e.g. audio, video, graphics, animation and databases for off- and online systems, as well as training and consultation, leasing and marketing of all types of hard- and software. The company discontinued its activities as of 31 December 2002 and was sold on 29 December 2003.

- On 3 June 2002 Aeroworld GmbH initiated insolvency proceedings at the Düsseldorf Local Court – one of the reasons being the impact of the terrorist attacks of 11 September 2001 on the travel industry. By ruling of the Düsseldorf District Court of 1 September 2002 insolvency proceedings were opened on the assets of Aeroworld GmbH. For this reason this company has not been included in the reporting entity since 2002.

- By virtue of the agreement of 13 July 2000 Travel24.com AG purchased a 95.25% shareholding in Munckhof Business Travel Venlo B.V. against the transfer of non-par-value shares in Travel24.com AG and a cash payment. Under the agreement dated 24 July 2002 Travel24.com AG reduced its equity stake to 49%. From this point onwards the Company's equity interest and its share of profits were calculated by the equity method. Under an agreement dated 31 December 2003 the remaining 49% shareholding in this company was sold to the managing majority shareholder.

2. Summary of essential accounting and valuation principles

2.1 Basis of the presentation

The consolidated financial statements of Travel24.com AG as of 31 December 2003 were prepared in accordance with United States Generally Accepted Accounting Principles (US-GAAP). The regulations that were valid on the balance-sheet date were applied.

The consolidated financial statements of the Company include the financial statements of Travel24.com AG and its subsidiaries as mentioned in Note 1. In accordance with US-GAAP all significant intercompany balances and transactions were eliminated on consolidation.

The consolidated financial statements have a discharging effect as defined in Art. 292a HGB (German Commercial Code).

2.2 Use of estimates
The preparation of the consolidated financial statements in compliance with generally accepted accounting principles requires that the management make certain estimates and assumptions that have an effect on the reporting of assets and liabilities, the disclosure of contingent liabilities and commitments as of the balance sheet date as well as earnings and expenses in the reporting period. Actual results may differ from these estimates.

2.3 Cash and cash equivalents
The Company regards all liquid funds with a term of three months or less than three months at the point in time of their acquisition as cash equivalents.

2.4 Fixed assets
Tangible assets are stated at their acquisition costs. Expenditures for significant renewals and improvements are capitalised. Repair and maintenance costs are charged to expense as incurred. Depreciation is computed using the straight-line method, based upon the useful lives of the assets as follows: Equipment and office furnishings three to eight years; software three to five years.

2.5 Long-term assets
Long-term assets, including goodwill and other intangible assets, are examined for loss of value if events or changes in circumstances indicate that the book value of an asset may no longer correspond to its actual value. If the sum of the expected future non-discounted cash flows is less than the book value of the asset, a loss is posted to the amount of the difference between the market value (based on the estimated discounted future cash flow) and the book value of the asset.

2.6 Business combinations and goodwill
Business combinations are disclosed according to the purchase method. Operating results are taken into account from the respective date of acquisition. In July 2001 the Financial Accounting Standards Board (FASB) adopted standard SFAS 142 which applies to goodwill and other intangible assets. In the 2002 financial year the Company examined all goodwill and completely wrote off the goodwill of xsnet Gesellschaft für multimediale Informationssysteme mbH to the total of € 35,252. The 2003 financial year did not give rise to any further adjustments in goodwill of holdings that remained within the reporting entity as of the balance sheet date.

2.7 Revenue recognition
Revenues from travel retailing (commissions) are posted at the start of travel. Previous to this, payments received from customers are posted as deposits under current liabilities without an effect on income. Deposits paid are posted as revenues in the month of start of travel.

2.8 Taxes on income and earnings (tax on earnings)
The Company discloses taxes on income and earnings in the balance sheet using the liability method. Using this method deferred taxes are recorded on the differences between the value carried on the balance sheet to German accounting provisions and the respective fiscal basis for calculating assets and liabilities; the taxes are recorded using the estimated rates of taxation for the years in which differences will be balanced out. The effects of a change in tax rates on deferred taxes are expensed in the result for the period in which the change takes place. Furthermore, the necessary valuation adjustments are performed so as to state deferred tax assets at the sum likely to be realised.

2.9 Employee participation program (stock-based compensation)
In the accounting of existing stock option plans the Company complies with Statement No. 123 of the Financial Accounting Standards Board (SFAS 123) including the corresponding interpretations. The latter requires that expenses for the issue of stock options be calculated as the fair value of options granted, expensed over the expected average term for each option programme.

2.10 Net earnings per share
Basic earnings/losses per share are calculated from the weighted average number of outstanding ordinary shares in the reporting period. The diluted earnings/loss per share are calculated on the basis of the weighted average number of outstanding ordinary shares in the reporting period and existing equity-related rights. The latter comprise stock options and stock subscription rights (taking into account the Company's own shares). The basic net loss per share for the 2002 financial year is the same as the diluted net loss per share, because all stock options issued to employees have been excluded from this calculation.

3. Liquid funds and securities

The reserves shown include current, fixed deposit and time deposit accounts at financial institutions and cash equivalents. A distinction is made between fixed deposits with terms of less than three months and those with terms of more than three months.

	31. December	
	2003	2002
	€ 000	€ 000
cash, cheques and bank balances	76	152
term deposits up to 3 months	985	736
total cash and cash equivalents	1,061	888
securities	0	0
term deposits over 3 months, as well as reserved deposits	0	51
total marketable securities	0	51
grand total	**1,061**	**939**

4. Prepaid expenses and other assets

Prepaid expenses and other current assets comprise the following:

	31. December	
	2003	2002
	€ 000	€ 000
Taxes:		
capital gains tax and surcharge (solidarity tax contribution)	3	29
sales tax	0	27
sub-total taxes	3	56
amount outstanding on convertible bond	313	0
advance payments for travel services	112	154
performance bonds and deposits	2	2
debit balances of accounts payable	5	0
other	113	60
sub-total other prepaid expenses & assets	545	216
grand total	**548**	**272**

5. Tangible fixed assets and investments

Tangible fixed assets and investments as of 31 December 2003 are shown in the movement schedule on the following page:

Travel24.com AG - Group

development of fixed assets in the 2003 financial year

	acquisition and production costs					depreciation and amortization					residual book values	
	1.1.2003	additions	disposals	transfers	31.12.2003	1.1.2003	additions	disposals	transfers	31.12.2003	31.12.2003	31.12.2002
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. intangible assets												
1. concessions, industrial property rights and similar rights and values	704	0	0	0	704	542	86	0	0	628	76	161
2. advance payments	1,112	0	1,112	0	0	1,112	0	1,112	0	0	0	0
	1,816	0	1,112	0	704	1,654	86	1,112	0	628	76	161
II. tangible assets												
other fixtures and fittings, tools and equipment	576	9	0	0	585	320	87	0	0	407	178	256
III financial assets												
1. investments	6,469	0	635	0	5,834	5,849	0	18	0	5,831	3	620
2. loans due from entities with which the Company is linked by virtue of participating interests	4,211	7	17	(113)	4,088	4,088	0	0	0	4,088	0	124
3. other loans	222	11	16	113	330	0	79	0	0	79	251	222
	10,902	18	668	0	10,252	9,937	79	18	0	9,998	254	966
	13,294	27	1,780	0	11,541	11,911	252	1,130	0	11,033	508	1,383

6. Goodwill

Goodwill comprises the following:

	goodwill	write-down	accumulated depreciation	net book values	
		2003	31.12.2003	31.12.2003	31.12.2002
	€ 000	€ 000	€ 000	€ 000	€ 000
Buchungsmaschine AG	6,256		5,756	500	500
Travel24 GmbH	271		162	109	109
total consolidated companies	**6,527**	**0**	**5,918**	**609**	**609**

7. Provisions

Accrued expenses/provisions at the balance sheet date comprise the following:

	31. December	
	2003	2002
	€ 000	€ 000
legal disputes	918	1,809
outstanding invoices	64	414
personnel expenses	70	116
auditing fees	55	102
rental charges	0	72
Supervisory Board remuneration	142	123
interest charges	0	91
other	16	21
grand total	**1,265**	**2,748**

8. Other liabilities

Other current liabilities comprise the following:

	31. December 2003 € 000	2002 € 000
sales tax	43	0
social security salaries & wages	103	118
credit balances in accounts receivable	35	0
advance payments received	68	195
other	33	20
grand total	**282**	**333**

9. Equity capital

9.1 Share capital
As of January 1, 2000 the share capital amounted to € 927,202.68 (DM 1,813,450.83) and comprised 663,723 no-par-value common stock shares.

Pursuant to the provisions of the *Aktiengesetz* [Stock Corporation Act] on capital increase from corporate funds (Art. 207 ff. *AktG*) a resolution was adopted at the ordinary general meeting on 14 February 2000 to increase the Company's current share capital by € 2,072,797.32 from the current € 927,202.68 to € 3,000,000.00 through the conversion of a partial sum of the capital reserve. In addition, the share capital was re-divided so that one common stock share represented an arithmetical portion of € 1 of the total share capital.

With the resolution from 14 February 2000 the share capital of the Company - after the recording of the capital increase from business funds and after the recording of the re-division of the shares - was increased by up to € 6,782,000, to € 9,782,000, against cash contributions through the issue of up to 4,200,000 new no-par-value registered shares and through the issue of up to 2,582,000 new no-par-value bearer shares. The issue price for each share was € 1. The total issue price of shares was therefore € 6,782,000.

Commerzbank Aktiengesellschaft was entitled to subscribe to the new shares. The bearer shares subscribed by Commerzbank Aktiengesellschaft were placed on the *Neuer Markt* in the course of an initial public offering and the issue proceeds transferred to the Company. The shares were issued at the price of € 29.

The resolutions adopted at the ordinary general meeting on 14 February 2000 were recorded in the commercial register at the Munich Local Court on 24 February 2000 and 8 March 2000. The 4,200,000 new registered shares were subscribed by the existing shareholders; all other subscription rights on the part of the shareholders were excluded. Bearer shares and registered shares are endowed with the same rights. € 4,200,000 of the total cash capital increase of up to € 6,782,000 was implemented and recorded in the commercial register at the Munich Local Court on 24 February 2000.

The recording of the capital increase of € 2,400,000 required for the IPO was made in the commercial register at the Munich Local Court on 8 March 2000.

The share capital as of 31 December 2000 was € 9,600,000. It was divided into 5.4 million no-par-value bearer shares and 4.2 million registered shares.

At the extraordinary general meeting on 12 December 2000 a resolution was adopted to transform the 4.2 million registered shares in the Company into bearer shares. The resolution on the transformation was entered in the commercial register at Munich Local Court on 6 February 2001.

With approval of the Supervisory Board dated 8/9 March 2001, on 29 December 2000 the Managing Board resolved to increase the Company's current share capital of € 9,600,000 by € 872,606 to a total of € 10,472,606 by issuing 872,606 new no-par-value bearer shares at € 1 per share. The new shares are endowed with full dividend rights as of 1 January 2000. The capital increase was recorded in the commercial register at the Munich Local Court on 14 May 2001. The new shares are admitted to trading at the stock exchange.

By resolution of the shareholders' meeting on 21 August 2003 the Managing Board was authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of € 5,236,303 through one or more issues of new no-par-value bearer shares against cash or non-cash contributions. Through the subsequent issue of 1,127,394 new no-par-value bearer shares in December 2003 at an issue price of € 1 each, the share capital increased to € 11,600,000. The new shares are endowed with full dividend rights as of 1 January 2003. The capital increase was recorded in the commercial register at the Munich Local Court on 15 December 2003. The new shares are admitted to trading at the stock exchange.

9.2 Authorised capital
On 9 July 1999 the Managing Board was authorised for the period through to 9 July 2004, subject to the consent of the Supervisory Board, to increase the share capital by € 340,861.25 by means of one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital I).

At the shareholders' meeting of 21 August 2003 the Authorised Capital II was rescinded with a view to the revised arrangements for Authorised Capital with effect from the date of recording the new Authorised Capital.

On 14 February 2000 the Managing Board was authorised for the period through to 13 February 2005, subject to the consent of the Supervisory Board, to increase the share capital by € 4,450,000 by means of one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital II). The authorised capital was exercised to the amount of € 872,606 within the scope of non-cash contribution of Buchungsmaschine AG.

At the shareholders' meeting of 21 August 2003 Authorised Capital II and Authorised Capital I (see above) were rescinded with a view to the revised arrangements for Authorised Capital with effect from the date of recording the new Authorised Capital.

Furthermore, at the extraordinary general meeting on 12 December 2000 the Managing Board was authorised for the period through to 12 December 2005, subject to the consent of the Supervisory Board, to increase the share capital of the Company by € 3,000,000 through one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital III). These resolutions have not yet been recorded in the commercial register.

For the creation of the new Authorised Capital, the Managing Board was authorised by resolution of the shareholders' meeting on 21 August 2003, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of € 5,236,303 (Authorised Capital) by no later than 20 August 2008 through one or more issues of new non-par-value bearer shares against cash or non-cash contributions. The Managing Board was furthermore authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders,

- in the case of capital increases against non-cash contributions companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares,
- if fractional amounts due to the subscription rights are to be balanced out,
- for capital increases against cash contribution are for restructuring purposes, or
- for capital increases are made against cash contribution, insofar as the issue price of the shares is not significantly below the Company's market price and the new shares issued to the exclusion of subscription rights do not exceed 10% of the share capital, neither at the time the authorisation takes effect, nor at the time of exercising. This figure must take into account shares that have been, or are to be issued, for the servicing of convertible bonds to the exclusion of subscription rights as well as Company shares that are to be resold to the exclusion of subscription rights.

Subject to the approval of the Supervisory Board, the Managing Board also decides on the content of the share rights in question and the other stipulations of the issue of shares. Subject to the approval of the Supervisory Board, the Managing Board may decide on a starting date for profit sharing that differs from that stipulated in Article 60. The Supervisory Board is authorised to amend the wording of the Articles of Association according to the implementation of the capital increase from the authorised capital. For this purpose Article 4 (4) of the Articles was revised. This shareholders' resolution was recorded in the commercial register on 15 December 2003. Taking into account the issue of 1,127,394 new bearer shares in December 2003 the Authorised Capital stood at € 4,108,909 as of 31 December 2003.

9.3 Contingent capital

9.3.1 Stock option programme
The Company's share capital has been increased subject to contingency by a nominal sum of € 299,999.97 (Contingent Capital). The increase in contingent capital was limited to the extent to which the holders of stock options exercise the option rights granted to them by the Company's Managing Board by virtue of the authorisation of the shareholders of 14 February 2000 with the consent of the Supervisory Board or issued by the same. Subscription rights (option rights) were offered to the staff, senior employees and management of the Company and its affiliates on the strength of the authorisation of the Company's shareholders of 14 February 2000. A total of 9,900 of these option rights have been issued. By resolution of the shareholders on 25 June 2001 the contingent capital was renamed Contingent Capital I and with the exception of € 20,000 it was withdrawn. All 9,900 options granted have been properly terminated.

By resolution of the shareholders on 25 June 2001 the Company's share capital was increased by a nominal sum of € 900,000 through a contingent capital increase (Contingent Capital II). The contingent capital increase is only conducted to the extent that the holders of stock options exercise the option rights which have been issued by the Company's Managing Board on the basis of the authorisation from the general meeting on 25 June 2001 with the consent of the Supervisory Board or have been issued by the Supervisory Board. On 30 July 2001 a total of 576,500 option rights was offered to the staff, senior employees and management of the Company and its affiliates on the basis of the authorisation from the Company's general meeting on 25 June 2001 following the appropriate resolutions of the Management and Supervisory Boards. 552,250 options have been accepted. By the conclusion of the 2001 financial year 196,000 options reverted to the Company and a further 230,500 were properly terminated. At the last count 30,000 options had been accepted in the past financial year and 12,750 terminated. In addition, a second tranche of 321,500 options was issued in August 2003, so that a total of 464,500 options are still outstanding on 31 December 2003.

9.3.2 Convertible bond
By resolution of the general meeting on 12 June 2002 the Company's share capital was nominally increased by € 4,300,000 subject to contingencies by issuing up to 4,300,000 new no-par-value bearer shares with dividend rights from the start of the financial year in which they are issued (Contingent Capital III). The Managing Board has been authorised, with the consent of the Supervisory Board, to float no-par-value bearer or registered convertible bonds valued at up to € 4,300,000 in one or more issues with a maximum term of five years and to grant the holders of the convertible bonds conversion privileges for up to 4,300,000 new shares in the Company, proportionately representing up to € 4,300,000 of the share capital, within the strict limitations of this resolution and in accordance with

the convertible bond conditions to be specified by the Managing Board with the consent of the Supervisory Board.

All shareholders have the right to subscribe. However, the Managing Board is authorised, subject to the approval of the Supervisory Board, to exclude the pre-emptive rights of shareholders to convertible bonds.

- provided the issue price is not substantially higher than the theoretical market value of the convertible bonds calculated according to generally accepted investment mathematical principles and the shares to be issued in satisfaction of the conversion privileges pursuant to Art. 186 para.3 (4) *AktG* do not exceed 10% of the share capital, either at the date they become effective or are exercised (the limitation to 10% of share capital is to include shares issued on existing authorised capital with the exclusion of pre-emptive rights, as well as the Company's own shares that are resold with the exclusion of pre-emptive rights).

- provided convertible bonds with conversion rights are subscribed for restructuring purposes by one or more investors for cash, or

- insofar as fractional amounts occur due to a subscription ratio.

Upon issue of the convertible bonds the holders will receive an irrevocable right to convert these to new shares in the Company, subject to the conditions set by the Managing Board with the consent of the Supervisory Board. The proportion of shares issued to share capital may not exceed the nominal value of the convertible loans. The conversion rate is calculated by dividing the nominal value of the convertible bonds by the conversion price, i.e. 1 : 1 (a new share in the Company may be exchanged for each € 1 nominal value of the convertible bonds). Subject to the convertible bond conditions, the conversion privilege may be exercised at any time during the entire term. The conversion price is € 1 per share, less the nominal value of the bond issue.

The convertible bond was placed on 8 July 2003 to a nominal amount of € 4,300,000. The Company launched a convertible bond pursuant to the convertible bond contract of 8 July 2003.

9.4 <u>Stock option plan 2000</u>
Under the stock option plan of 10 March 2000 options were granted to 54 employees for the purchase of 180 shares each at the IPO price of € 29 per share. This corresponds to 100% of the market value on the issuing day. The vesting period for these shares is two years for the first 40% of the option shares and a further year for each further 20% of the shares until after five years each employee's option shares become fully vested. All options must be exercised within seven years of the date on which the option was granted. Further regulations pertaining to this employee profit-sharing scheme (exercise periods, disposal rights, termination possibilities and taxation) are entrenched in the outline agreement governing the stock option program. None of these options were exercised. All options within this stock option plan were properly terminated.

9.5 <u>Stock option plan 2001</u>
Under the stock option plan of 30 July 2001, 552,250 shares in Travel24.com AG were issued to 305 employees at € 1.32 per share. This corresponds to 88% of the market value on the issuing day. The vesting period for these shares is two years for the first 40% of the options and a further year for each remaining 20% until all option shares become fully vested after five years. All options must be exercised within seven years of the date on which the option was granted. Further regulations pertaining to this employee participation scheme (exercise periods, disposal rights, termination possibilities and taxation) are entrenched in the outline agreement governing the stock option program. To date none of these options have been exercised. 143,000 options subject to the original regulations of 2001 were still in circulation as of 31 December 2003.

In August 2003 a further tranche of 321,500 options was issued under this stock option plan. The exercise price for this tranche is € 1.33 each, equivalent to 92% of the market value on the day of issue. The vesting period for these shares is two years for the first 40% of the options and a further year for each remaining 20% until all option shares become fully vested after five years. All options must be exercised within seven years of the date on which the option was granted. Further regulations pertaining to this employee participation scheme (exercise periods, disposal rights, termination possibilities and taxation) are entrenched in the outline agreement governing the stock option program. To date none of these options have been exercised.

9.6 Employee Participation Programme

The market values of the options granted in 2000 and 2001 were calculated at the point in time the commitments were made according to US-GAAP rules (SFAS No. 123, Accounting for Stock-Based Compensation) applying the Black-Scholes model. The assumptions made in this respect and the resulting market value are as follows:

		stock option plan 2001		stock option plan 2000
		issued 2003	issued 2001	
risk-free interest		5%	5%	5%
volatility		145.23%	50%	50%
estimated fluctuation		0%	0%	0%
mean expected term		2.91 years	3.4 years	3.7 years
market value per option		€ 0.97	€ 0.65575	€ 13.76
number of out-standing options per	**31. Dec. 2003**	**321,500**	**143,000**	**0**
	31. Dec. 2002	0	125,750	2,880
expense booked (in € 000)	**2003**	**36**	**32**	**-30**
	2002	0	6	5

The changes in the options from the stock option plans of the Company are as follows:

	2003 weighted average number of options issued	2003 Ø strike Price €	2002 weighted average number of options issued	2002 Ø strike Price €
as of 1. January	128,630	1.94	360,030	1.61
granted	351,500	1.33	0	-
exercised	0	-	0	-
terminated	-15,630	6.42	-231,400	1.43
as of 31. December	**464,500**	**1.33**	**128,630**	**1.94**

9.7 Treasury stock
The holdings of treasury stock at the beginning of the past financial year were completely sold in the second quarter of 2003. The reduction in holdings of treasury stock was continued as in the previous year until the item was closed.

No shareholder authorisation exists for the Company to purchase its own shares.

Own shares held by the Company reflect the following situation:

	number of shares	share price (average) €	acquisition costs € 000
purchases in 2000	42,422	3.40	144
purchases in 2001	354,300	3.64	1,288
payment of residual purchase price Munckhof Business Travel B. V.	-21,430	3.61 *	-77
shares reissued in 2002	-276,667	3.61 *	-999
sales in 2003	-98,625	3.61 *	-356
balance as of 31. December 2003	**0**	**0.00**	**0**

* Projection of the average price calculated since the last stock purchase for evaluating the disposal of own shares

10. Tax on earnings

Due to the uncertainty of realising deferred taxes, as a result of only limited past business activities, the lack of profitability to date and allowances for fluctuation in the annual results, deferred tax assets have been written down in full. For the same reasons only minimal earnings tax was incurred in the financial year.

11. Discontinued operations

xsnet Gesellschaft für multimediale Informationssysteme mbH and Tii Community GmbH, whose operations were discontinued as of 31 December 2002 and 31 December 2000 respectively, were sold to a foreign investor as per contract dated 29 December 2003. In the last quarter of the past financial year the remaining 49% interest in the Netherlands Munckhof Business Travel B.V., Venlo, was sold to the managing majority shareholder.

Overall, the disposal of companies and shareholdings had only a minimal effect on consolidated net income. They are shown separately in the profit and loss account for the 2003 financial year to the amount of € 24,000.

12. Segment information

The companies on the reporting entity of Travel24.com AG are active in various business areas. The individual segments achieved their revenues with the following activities:

a) Travel retail (Travel Marketing & Distribution)
b) Development and operation of system components for web-based information and reservation systems (Travel Technology)

The business activities of the Travel24 Group cover the following business areas and services and are conducted by the following companies:

Business segment	Company
a) Travel marketing & distribution	**Travel24.com AG**, Munich
Travel retail	**Travel24 GmbH**, Eching
b) Travel technology	**Buchungsmaschine AG**, Hamburg

Development and operation of system components for web-based information and reservation systems

Segment information by business division:

segment presentation for 2003	Travel Marketing & Distribution	Travel Technology	Eliminations	Travel24-Group	discontinued operations	Group (incl. disc. operations)
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
revenues - trade	1,782	1,570		3,352	0	3,352
- intersegment		2	-2	0		0
total revenues	1,782	1,572	-2	3,352	0	3,352
operating result	-2,143	145	259	-1,740	24	-1,716
assets	5,569	297	-3,048	2,818	3	2,821
depreciation	110	64	0	173	0	173

segment presentation for 2002	Travel Marketing & Distribution	Travel Technology	Eliminations	Travel24-Group	discontinued operations	Group (incl. disc. operations)
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
revenues - trade	2,593	1,552		4,145	4,742	8,887
- intersegment	1,089	530	-1,619	0		0
total revenues	3,682	2,082	-1,619	4,145	4,742	8,887
operating result	-7,040	-1,245	4,388	-3,897	-3,080	-6,977
assets	9,063	917	-8,549	1,431	2,197	3,628
depreciation	223	301	0	524		524

13. Earnings per share

Basic earnings/losses per share are calculated from the weighted average number of outstanding ordinary shares in the reporting period. The diluted earnings/loss per share are calculated on the basis of the weighted average number of outstanding ordinary shares in the reporting period and existing equity-related rights. The latter comprise stock options and stock subscription rights (taking into account the Company's own shares). The basic net loss per share for the 2002 financial year is the same as the diluted net loss per share, because all stock options issued to employees have been excluded from this calculation.

The ratios for the earnings per share are determined as follows:

net loss per share (in € 000; except amounts per share and number of shares)	2003 basic	2003 diluted	2002 basic / diluted
weighted average shares outstanding	10,449,324	12,503,769	10,277,168
result from ordinary activities before discontinued operations	(1,740)	(1,740)	(3,900)
per share	(0.17)	(0.14)	(0.38)
income / loss from discontinued operations	24	24	(3,080)
per share	0.00	0.00	(0.30)
net loss	(1,716)	(1,716)	(6,980)
per share	(0.16)	(0.14)	(0.68)

14. Contingent liabilities and other financial obligations

As of 31 December 2003 the following obligations existed:

	2004 € 000	2005 € 000	2006 € 000	2007 € 000	2008 € 000
office rent	201	178	128	124	124
car leases	25	16	16	16	16
services / consulting fees	219	130	124	120	120
licenses / software systems	98	68	68	68	68
grand total	**543**	**392**	**336**	**328**	**328**

15. Declaration in compliance with the German Corporate Governance Code

The Managing and Supervisory Boards of Travel24.com AG declare according to Art. 161 *AktG* that the recommendations of the “Government Commission on the German Corporate Governance Code” as announced by the Federal Ministry of Justice on 4 July 2003 in the official section of the electronic Federal Gazette in its version dated 21 May 2003 have been complied with, or provide details of which recommendations have or will not be complied with.

This declaration has been made permanently accessible online to shareholders on the homepage of Travel24.com AG at www.travel24.com and will be renewed on an annual basis.

16. Litigation

As of 31 December 2003 Travel24.com AG was involved in a total of four pending legal disputes. In two of the four pending legal proceedings Travel24.com AG is the party being sued (defendant’s lawsuit), and in the other two proceedings it is the plaintiff (plaintiff’s lawsuit). Adequate provision has been made to cover all risks ensuing from these disputes that are foreseeable from today’s standpoint. Depending on the outcome of the legal proceedings, the possibility of a substantial burden on liquid assets cannot be precluded.

Munich, March 2004

P. Kohler

Philip Kohler | Marc Maslaton

Differences between US-GAAP and HGB

1. General

The consolidated financial statements of Travel24.com AG (hereinafter referred to as "the Company" or "Travel24") as of 31 December 2003 were prepared in accordance with Art. 292a of the German Commercial Code [*HGB]* in line with US generally accepted accounting principles ("US-GAAP") and in accordance with German Accounting Standard No. 1 (DRS 1) of the German Accounting Standard Committee [*Deutscher Standardisierungsrat,* German Standardisation Committee, DSCR e.V.] as discharging consolidated financial statements.

The provisions of *HGB* and the German Stock Corporation Act [*AktG*] differ in a number of key aspects from US-GAAP. The essential differences that could be relevant for the net worth, financial position and earnings of the Company are described below:

Under HGB all balance sheet and income statement items have to be portrayed in the form and sequence laid down in Arts. 266, 275 *HGB*. Under US-GAAP a different grouping is required and the sequence of balance sheet items begins with the short-term items.

Under US-GAAP the short-term portions of long-term receivables and liabilities are shown in a separate balance sheet item. The portion due within one year is treated as short-term.

In contrast to *HGB* financial statements, software purchased for internal use is not treated as an intangible fixed asset, but as tools and equipment. The manufacturing costs of self-developed software may be capitalised under US-GAAP and depreciated over the usual service life. Under *HGB* self-developed software in fixed assets may not be capitalised. Since 1999 the Company has taken all engineering costs for self-developed software into consideration as expenses under US-GAAP.

2. Deferred taxes on loss carryforwards

Under *HGB* deferred tax claims arising from tax loss carryforwards may not be shown on the balance sheet, as the anticipated future tax savings are deemed not to have been realised. Under US-GAAP such future tax reduction claims must be capitalised. Their valuation is based on whether they are more likely to be taken advantage of within the use of loss carryforwards. The Company has adjusted the value of the capitalised tax loss carryforwards in full as of 31 December 2003, as it is not certain whether they will be realised.

3. Stock options for employee participation

Under US-GAAP remuneration to employees in the form of equity capital participation (stock-based compensation) must be shown on the balance sheet in two forms. Under the one method the market value of the employee participation is determined and stated as an expense over the period of the vested rights of the stock options or other equity capital instrument. Alternatively, only the difference between the exercise price of an option and the market price of the underlying instrument at the time the option was granted may be shown as an expense over the period of vested rights. If using this method, the impact on the annual result calculated by the first method must be shown as a pro forma figure in the annual financial statements. The Company has elected to use the first method. Under current legislation the right of choice of stock option plan is to be eliminated from 2005 onwards in favour of the first alternative. Under the accounting rules currently in force, pursuant to *HGB* there would be no expenses to be posted on the income statement.

4. Expenses for the initial public offering

According to US-GAAP the costs for placement of shares on the stock exchange should not influence the year-end results. They should be offset against capital reserves. Under *HGB* these costs are extraordinary expenses.

5. Acquisitions

The capital consolidation with company mergers under US-GAAP uses the "purchase method". By this method, the assets and liabilities of the purchased company are re-valued at the point in time of the company merger. Any possible difference between the re-valued assets and liabilities ("net assets") and the purchase price is disclosed as goodwill. Profits or losses on the part of the purchased company are taken into consideration from the point in time of the company merger.

Under *HGB*, company mergers are also implemented using the purchase method. Under certain conditions, profits and losses of the purchased company may be taken into consideration retroactively.

Audit opinion

I have audited the consolidated financial statements prepared by Travel24.com AG, Munich, comprising the balance sheet, statement of income, statement of changes in shareholders' equity, statement of cash flows and notes for the financial year from 1 January to 31 December 2003. The preparation and the content of the consolidated financial statements are the responsibility of the Company's Managing Board. It is my task, on the basis of my audit, to express an opinion on whether the consolidated financial statements comply with US Generally Accepted Accounting Principles (US-GAAP).

I have conducted my audit of the consolidated financial statements in accordance with German accounting rules and in compliance with the generally accepted auditing principles laid down by the *Institut der Wirtschaftsprüfer* [IDW, German Institute of Auditors]. Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit also includes an assessment of the applied accounting principles and significant estimates and judgements made by the legal representatives as well as an appraisal of the overall presentation of the consolidated financial statements. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the consolidated financial statements present a true and fair view of the net worth, financial position, earnings and cash flows of the Group for the financial year in compliance with US-GAAP.

My audit, which also covers the consolidated management report prepared by the Managing Board for the financial year from 1 January to 31 December 2003, did not lead to any objections. In my opinion, the management report presents a general and fundamentally accurate picture of the Company's financial and business situation and accurately portrays the risks inherent in future developments.

Furthermore, I confirm that the consolidated financial statements and the consolidated management report for the financial year from 1 January to 31 December 2003 fulfil the prerequisites to discharge the Company from the preparation of consolidated financial statements and a consolidated management report under German law.

Without prejudice to this opinion I would like to point out that the excess of liabilities over assets shown in the accounts for the year ending 31 December 2003 was eliminated by the increases in share capital of Travel24.com AG effected in 2004. Furthermore, I refer to Section 5 (Risk Report) of the management report. The latter states that the existing funds are insufficient to cover the financing needs for the next few years and therefore a further increase in capital is proposed.

Düsseldorf, 29 March 2004

Reiner Distel
Wirtschaftsprüfer (German Public Auditor)

Annual financial statements of Travel24.com AG

Balance sheet of Travel24.com AG as of 31. December 2003

ASSETS

	31.12.2003 € 000	31.12.2002 € 000
A. fixed assets		
I. intangible assets		
concessions, industrial property rights and similar rights and values	59	126
II. property, plant and equipment		
other fixtures and fittings, tools and equipment	30	43
III. financial assets		
1. shares in affiliated companies	610	779
2. investments	0	721
3. loans due from entities with which the Company is linked by virtue of participating interests	0	124
4. other loans	251	222
	950	2,015
B. current assets		
I. accounts receivable and other asstes		
1. trade accounts receivable	4	17
2. accounts receivable due from affiliated companies	391	428
3. other assets	430	107
	825	552
II. investments		
treasury stock	0	42
III. cash in hand, bank balances and cheques	910	762
	1,735	1,356
C. prepaid expenses	2,540	232
D. balance of the accumulated deficit not covered by shareholders' equity	636	0
	5,861	3,603

LIABILITIES and SHAREHOLDERS' EQUITY

	31.12.2003 € 000	31.12.2002 € 000
A. shareholders' equity		
I. share capital	11,600	10,473
II. additional paid-in capital	70,390	70,390
III. revenue reserves reserve for treasury stock	0	42
IV. accumulated deficit, portion covered by shareholders' equity total accumulated deficit T€ 82,625	-81,990	-80,162
	0	743
B. provisions		
other provisions	1,105	2,178
C. liabilities		
1. bond loans - thereof convertible T€ 4,300	4,300	0
2. liabilities due to banks	0	14
3. trade accounts payable	368	579
4. accounts payable due to affiliated companies	0	26
5. other liabilities - thereof from taxes T€ 52 (prior year T€ 28) - thereof from social security T€ 14 (prior year T€ 15)	88	63
	4,756	682
	5,861	3,603

Income statement of Travel24.com AG from 1 January to 31 December 2003

	2003 € 000	2002 € 000
1. revenues	60	1,013
2. other operating income	1,232	1,162
3. personnel expenses		
a) wages and salaries	-854	-960
b) social security and pension costs	-147	-157
4. depreciation and amortization	-80	-155
5. other operating expenses	-2,062	-7,790
6. income from other investments and financial assets	18	17
7. other interest and similar income thereof from affiliated companies T€ 0 (prior year T€ 285)	102	525
8. depreciation of financial assets and short-term investments / marketable securities	-262	-646
9. interest and similar expenses	-265	-116
10. result from ordinary activities	-2,258	-7,107
11. extraordinary expenses	-247	0
12. income tax	0	-3
13. net loss for the year	-2,505	-7,110
14. loss carryforward	-80,162	-73,381
15. transfer from reserve for treasury stock	42	329
16. accumulated deficit	-82,625	-80,162

Notes to the annual financial statements of Travel24.com AG

for the financial year from 1 January 2003 to 31 December 2003

1. General comments

Travel24.com AG, Munich - hereinafter also referred to as “Company” - was founded with the adoption of the articles of association on 22 February 1996 and recorded in the commercial register at Munich District Court on 27 February 1996. Since 15 March 2000 the shares in the Company have been listed on the *Neuer Markt* at the *Deutsche Börse AG* in Frankfurt am Main (since 1 January 2003: Prime Standard).

The corporate purpose of Travel24.com AG is tour operating and retailing of travel services, in particular through the use of state-of-the-art communication media, e.g. call centres and online services. Furthermore, the Company develops and operates system components for online information and reservation systems.

The annual financial statements of the Company as of 31 December 2003 were prepared in compliance with the accounting rules set forth in the *Handelsgesetzbuch* [German Commercial Code, HGB] and the supplementary provisions of the *Aktiengesetz* [Stock Corporation Act, AktG]. The income statement has been prepared in accordance with the type of expenditure format.

Travel24.com AG is a “small” stock corporation as defined in Art. 267 Section 1 *HGB*. The Company is, however, obliged to conduct an audit because, in accordance with Art. 267 Section 3 *HGB*, it avails itself of an organised market as defined in Art. 2 Section 5 of the *Wertpapierhandelsgesetz* [Securities Trading Act] by issuing securities as defined in Art. 2 Section 1 (1) of the Securities Trading Act.

As the parent company, the Company prepares consolidated financial statements with a discharging effect, as defined in Art. 292a *HGB*, in compliance with the United States Generally Accepted Accounting Principles (US-GAAP).

2. Selected accounting and valuation principles

Purchased intangible fixed assets are stated at cost minus scheduled depreciation. Scheduled depreciation is calculated by the straight-line method on the basis of a useful life of three to five years.

Tangible assets are stated at acquisition or production costs minus scheduled depreciation. Scheduled depreciation is calculated by the straight-line method on the basis of a useful life of three to ten years. Low-value assets with a purchase price of up to € 410 are written off in full in the year of acquisition.

Financial assets are stated at the lower of cost or market value. Permanent devaluations are taken into account through unscheduled depreciation.

Accounts receivable and other assets are disclosed at their nominal value. Immediate valuation adjustments are made on doubtful receivables associated with discernible risks and unrecoverable receivables are written off. The principle of lower of cost or market has been applied.

Liquid funds are stated at their nominal value.

The subscribed capital corresponds to the nominal sum of € 11,600,000 laid down in the articles of association and recorded in the commercial register.

The other provisions are formed for all discernible risks and uncertain liabilities to the required amount in accordance with the principle of reasonable commercial prudence.

Liabilities are stated at the repayment sum. Insofar as the current values exceed the re-payment sums, the liabilities are stated at the higher current value.

3. Comments on the balance sheet

3.1 Fixed assets
The fixed-asset movement schedule based on the acquisition and production costs of the assets is shown below:

	acquisition and production costs					depreciation and amortization					residual book values	
	1.1.2003	additions	disposals	transfers	31.12.2003	1.1.2003	additions	disposals	transfers	31.12.2003	31.12.2003	31.12.2002
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. intangible assets												
1. concessions, industrial property rights and similar rights and values	321	0	0	0	321	195	67	0	0	262	59	126
2. advance payments	1,112	0	1,112	0	0	1,112	0	1,112	0	0	0	0
	1,433	0	1,112	0	321	1,307	67	1,112	0	262	59	126
II. tangible assets												
other fixtures and fittings, tools and equipment	61	0	0	0	61	18	13	0	0	31	30	43
III. financial assets												
1. shares in affiliated companies	9,641	0	264	0	9,377	8,862	169	264	0	8,767	610	779
2. investments	6,714	0	883	0	5,831	5,993	0	162	0	5,831	0	721
3. loans due from entities with which the Company is linked by virtue of participating interests	4,211	7	17	-113	4,088	4,088	0	0	0	4,088	0	124
4. other loans	222	11	16	113	330	0	79	0	0	79	251	222
	20,788	18	1,180	0	19,626	18,943	248	426	0	18,765	861	1,846
	22,282	18	2,292	0	20,008	20,268	328	1,538	0	19,058	950	2,015

3.2 Financial assets
The following explanations are provided of changes:

Non-scheduled depreciation of € 169,000 was calculated on the book value of participations of Travel24 GmbH pursuant to Art. 253 para. 2.3 *HGB*.

xsnet Gesellschaft für multimediale Informationssysteme mbH and Tii Community GmbH, whose operations were discontinued as of 31 December 2002 and 31 December 2000 respectively, were sold to a foreign investor as per contract dated 29 December 2003.

When the remaining 49% was sold to Munckhof Business Travel B.V., Venlo / Netherlands the loan granted to this company in 2001 was reclassified under "Other loans" (previous year: reported under balance sheet item "Loans to companies with which the Company is linked by virtue of participating interests").

Details of shareholdings as of 31 December 2003 pursuant to Art. 285 No. 11 *HGB*:

	Shareholding ratio %	Equity capital 31.12.2003 € 000	Net profit (loss) Deficit 2003 € 000
Travel24 GmbH, Eching	100%	(338)	116
Buchungsmaschine AG, Hamburg	100%	(2. 842)	145
Aeroworld GmbH, Düsseldorf*	100%	(1.149)	1.922

* Due to the initiation of insolvency proceedings no annual financial statements were prepared for the 2002 and 2003 financial years. Figures for equity capital and net results for the year relate to the 2001 financial year.

3.3 Accounts receivable, other assets and prepaid expenses
All accounts receivable and other assets have a residual term of less than one year. Prepaid expenses include € 2,333,000 as a differential between the redemption value of the convertible bond and the agreed sum of payments. This differential is being amortised over the term of the convertible bond.

3.4 Shareholders' equity
3.4.1 Share capital
As of 1 January 2000 the share capital amounted to € 927,202.68 and comprised 663,723 no-par-value bearer shares.

Pursuant to the provisions of the *Aktiengesetz* [Stock Corporation Act] on capital increase from corporate funds (Art. 207 ff. *AktG*) a resolution was adopted at the ordinary general meeting on 14 February 2000 to increase the Company's current share capital by € 2,072,797.32 from the current € 927,202.68 to € 3,000,000.00 through the conversion of a partial sum of the capital reserve. In addition, the share capital was re-divided so that one common stock share represented an arithmetical portion of € 1 of the total share capital.

With the resolution from 14 February 2000 the share capital of the Company - upon recording the capital increase from corporate funds and the re-division of the shares - was increased by up to € 6,782,000, to € 9,782,000 against cash contributions through the issue of up to 4,200,000 new no-par-value registered shares and up to 2,582,000 new no-par-value bearer shares. The issue price for each share was € 1. The total issue price of shares was therefore € 6,782,000.

Commerzbank Aktiengesellschaft was entitled to subscribe to the new shares. The bearer shares subscribed by Commerzbank Aktiengesellschaft were placed on the *Neuer Markt* in the course of an initial public offering and the issue proceeds transferred to the Company. The shares were issued at the price of € 29.

The resolutions adopted at the ordinary general meeting on 14 February 2000 were recorded in the commercial register at the Munich Local Court on 24 February 2000 and 8 March 2000. The 4,200,000 new registered shares were subscribed by the existing shareholders; all other subscription rights on the part of the shareholders were excluded. Bearer shares and registered shares are endowed with the same rights. € 4,200,000 of the total cash capital increase of up to € 6,782,000 was implemented and recorded in the commercial register at the Munich Local Court on 24 February 2000.

The recording of the capital increase of € 2,400,000 required for the IPO was made in the commercial register at the Munich District Court on 8 March 2000.

The share capital as of 31 December 2000 was € 9,600,000. It was divided into 5.4 million no-par-value bearer shares and 4.2 million registered shares.

At the extraordinary general meeting on 12 December 2000 a resolution was adopted to transform the 4.2 million registered shares in the Company into bearer shares. The resolution on the transformation was entered in the commercial register at Munich Local Court on 6 February 2001.

In accordance with the share transfer agreement of 16/17 August 2000, the shareholders of Buchungsmaschine AG transferred their shares in Buchungsmaschine AG based in Norderstedt for 637,002 no-par-value bearer shares in Travel24.com AG and a cash payment of DM 4,672,000.00 to the Company. The shares must be issued from Authorised Capital II in accordance with Art. 2 Section 3 of the share transfer agreement. In accordance with the option right agreement from 16/17 August 2000 other shareholders in Buchungsmaschine AG offered Travel24.com AG the contribution of their shares in Buchungsmaschine AG, which is based in Norderstedt, against the granting of 235,604 no-par-value shares in Travel24.com AG and a cash payment of DM 1,728,000. The offer was accepted in a regular manner and within the given time. The shares must likewise be issued from Authorised Capital II in compliance with Art. 3 Section 3 of the option right agreement. With approval of the Supervisory Board dated 8/9 March 2001 the Managing Board therefore resolved on 29 December 2000 to increase the Company's share capital of € 9,600,000 by € 872,606 to € 10,472,606 by issuing 872,606 new no-par-value bearer shares to the value of € 1 per share. The new shares are endowed with full dividend rights as of 1 January 2000. The remaining Authorised Capital II, originally € 4,450,000, amounts to € 3,577,394 after the capital increase. The statutory subscription right of the shareholders was excluded. The implementation of the non-cash capital increase was entered in the commercial register of Munich Local Court on 14 May 2001. The new shares are admitted to trading at the stock exchange.

By resolution of the shareholders' meeting on 21 August 2003 the Managing Board was authorised, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of € 5,236,303 through one or more issues of new no-par-value bearer shares against cash or non-cash contributions. Through the subsequent issue of 1,127,394 new no-par-value bearer shares in December 2003 at an issue price of € 1 each, the share capital increased to € 11,600,000. The new shares are endowed with full dividend rights as of 1 January 2003. The capital increase was recorded in the commercial register at the Munich Local Court on 15 December 2003. The new shares are admitted to trading at the stock exchange.

3.4.2 Authorised capital

On 9 July 1999 the Managing Board was authorised for the period through to 9 July 2004, subject to the consent of the Supervisory Board, to increase the share capital by € 340,861.25 by means of one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital I).

At the shareholders' meeting of 21 August 2003 the Authorised Capital II was rescinded with a view to the revised arrangements for authorised capital with effect from the date of recording the new authorised capital.

On 14 February 2000 the Managing Board was authorised for the period through to 13 February 2005, subject to the consent of the Supervisory Board, to increase the share capital by € 4,450,000 by means of one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital II). The authorised capital to the amount of € 872,606 was exercised within the framework of the non-cash contribution of Buchungsmaschine AG.

By shareholders' resolution of 12 June 2002 the Authorised Capital II was opened in such a way that the exclusion of the subscription rights is also permissible in the event of a capital increase for a cash contribution in the following cases:

- capital increases against cash contribution for restructuring purposes, or

- capital increases are made against cash contribution, insofar as the issue price of the shares is not significantly below the Company's market price and the new shares issued to the exclusion of subscription rights do not exceed 10% of the share capital, neither at the time the authorisation takes effect, nor at the time of exercising. This figure must take into account shares that have been, or are to be issued, for the servicing of convertible bonds to the exclusion of subscription rights as well as Company shares that are to be resold to the exclusion of subscription rights.

At the shareholders' meeting of 21 August 2003 Authorised Capital II and Authorised Capital I (see above) were rescinded with a view to the revised arrangements for Authorised Capital with effect from the date of recording the new Authorised Capital.

Furthermore, at the extraordinary general meeting on 12 December 2000 the Managing Board was authorised for the period through to 12 December 2005, subject to the consent of the Supervisory Board, to increase the share capital of the Company by € 3,000,000 through one or more issues of new no-par-value bearer shares against cash contributions or contributions in kind (Authorised Capital III). These resolutions have not yet been recorded in the commercial register.

For the creation of the new Authorised Capital, the Managing Board was authorised by resolution of the shareholders' meeting on 21 August 2003, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of € 5,236,303 (Authorised Capital) by no later than 20 August 2008 through one or more issues of new non-par-value bearer shares against cash or non-cash contributions. The Managing Board was furthermore authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders,

- in the case of capital increases against non-cash contributions companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares, if
- fractional amounts due to the subscription rights are to be balanced out,
- capital increases against cash contribution are for restructuring purposes, or
- capital increases are made against cash contribution, insofar as the issue price of the shares is not significantly below the Company's market price and the new shares issued to the exclusion of subscription rights do not exceed 10% of the share capital, neither at the time the authorisation takes effect, nor at the time of exercising. This figure must take into account shares that have been, or are to be issued, for the servicing of convertible bonds to the exclusion of subscription rights as well as Company shares that are to be resold to the exclusion of subscription rights.

Subject to the approval of the Supervisory Board, the Managing Board also decides on the content of the share rights in question and the other stipulations of the issue of shares. Subject to the approval of the Supervisory Board, the Managing Board may decide on a starting date for profit sharing that differs from that stipulated in Article 60. The Supervisory Board is authorised to amend the wording of the Articles of Association according to the implementation of the capital increase from the authorised capital. For this purpose Article 4 (4) of the Articles was revised. This shareholders' resolution was recorded in the commercial register on 15 December 2003. Taking into account the issue of 1,127,394 new bearer shares in December 2003 the Authorised Capital stood at € 4,108,909 as of 31 December 2003.

3.4.3 Contingent Capital (stock option programme and convertible bond)

3.4.3.1 Stock option programme

The Company's share capital has been increased subject to contingency by a nominal sum of € 299,999.97 (Contingent Capital). The increase in contingent capital was limited to the extent to which the holders of stock options exercise the option rights granted to them by the Company's Managing Board by virtue of the authorisation of the shareholders of 14 February 2000 with the consent of the Supervisory Board or issued by the same. Subscription rights (option rights) were offered to the staff, senior employees and management of the Company and its affiliates on the strength of the authorisation of the Company's shareholders of 14 February 2000. A total of 9,900 of these option rights have been issued. By resolution of the shareholders on 25 June 2001 the contingent capital was renamed Contingent Capital I and with the exception of € 20,000 it was withdrawn. All 9,900 options granted have been properly terminated.

By resolution of the shareholders on 25 June 2001 the Company's share capital was increased by a nominal sum of € 900,000 through a contingent capital increase (Contingent Capital II). The contingent capital increase is only conducted to the extent that the holders of stock options exercise the option rights which have been issued by the Company's Managing Board on the basis of the authorisation from the general meeting on 25 June 2001 with the consent of the Supervisory Board or have been issued by the Supervisory Board. On 30 July 2001 a total of 576,500 option rights was offered to the staff, senior employees and management of the Company and its affiliates on the basis of the authorisation from the Company's general meeting on 25 June 2001 following the appropriate resolutions of the Management and Supervisory Boards. 552,250 options have been accepted. By the conclusion of the 2001 financial year 196,000 options reverted to the Company and a further 230,500 were properly terminated. At the last count 30,000 options had been accepted in the past financial year and 12,750 terminated. In addition, a second tranche of 321,500 options was issued in August 2003, so that a total of 464,500 options are still outstanding on 31 December 2003.

3.4.3.2 Convertible bond

By resolution of the general meeting on 12 June 2002 the Company's share capital was nominally increased by € 4,300,000 subject to contingencies by issuing up to 4,300,000 new no-par-value bearer shares with dividend rights from the start of the financial year in which they are issued (Contingent Capital III). The Managing Board has been authorised, with the consent of the Supervisory Board, to float no-par-value bearer or registered convertible bonds valued at up to € 4,300,000 in one or more issues with a maximum term of five years and to grant the holders of the convertible bonds conversion privileges for up to 4,300,000 new shares in the Company, proportionately representing up to € 4,300,000 of the share capital, within the strict limitations of this resolution and in accordance with the convertible bond conditions to be specified by the Managing Board with the consent of the Supervisory Board.

All shareholders have the right to subscribe. However, the Managing Board is authorised, subject to the approval of the Supervisory Board, to exclude the pre-emptive rights of shareholders to convertible bonds.

- if the issue price is not substantially higher than the theoretical market value of the convertible bonds calculated according to generally accepted investment mathematical principles and the shares to be issued in satisfaction of the conversion privileges pursuant to Art. 186 para.3 (4) AktG do not exceed 10% of the share capital, either at the date they become effective or are exercised (the limitation to 10% of share capital is to include shares issued on existing authorised capital with the exclusion of pre-emptive rights, as well as the Company's own shares that are resold with the exclusion of pre-emptive rights).

- provided convertible bonds with conversion rights are subscribed for restructuring purposes by one or more investors for cash, or

- insofar as fractional amounts occur due to a subscription ratio.

Upon issue of the convertible bonds the holders will receive an irrevocable right to convert these to new shares in the Company, subject to the conditions set by the Managing Board with the consent of the Supervisory Board. The proportion of shares issued to share capital may not exceed the nominal value of the convertible loans. The conversion rate is calculated by dividing the nominal value of the convertible bonds by the conversion price, i.e. 1 : 1 (a new share in the Company may be exchanged for each € 1 nominal value of the convertible bonds). Subject to the convertible bond conditions, the conversion privilege may be exercised at any time during the entire term. The conversion price is € 1 per share, less the nominal value of the bond issue.

The convertible bond was placed on 8 July 2003 to a nominal amount of € 4,300,000. The Company launched a convertible bond pursuant to the convertible bond contract of 8 July 2003.

3.4.4 Capital reserves

Capital reserves as of 31 December 2003 remained unchanged compared to the previous year at € 70,389,616. Capital reserves are the difference between the higher issue amounts and the amounts of nominal basic capital increase in conjunction with the capital increases approved in the past. The most substantial issuing premium (€ 67,200,000) results from the issue of a total of 2.4 million bearer shares in the 2000 financial year which were placed in the course of an initial public offering on the *Neuer Markt*.

3.4.5 Revenue reserve (reserve for own shares)

The sales of the Company's own shares as of 31 December 2003 were as follows:

date	sale / purchase	number of shares	percentage of share capital	share price	purchase price
			%	€	€
28.12.2000	purchase	18,972	0.20	3.48	66,022.56
28.12.2000	purchase	20,000	0.21	3.27	65,400.00
28.12.2000	purchase	3,450	0.04	3.71	12,799.50
02.01.2001	purchase	16,255	0.17	3.82	62,094.10
02.01.2001	purchase	9,500	0.10	4.31	40,945.00
03.01.2001	purchase	15,973	0.17	4.25	67,885.25
04.01.2001	purchase	500	0.01	5.16	2,580.00
04.01.2001	purchase	3,200	0.03	5.48	17,536.00
05.01.2001	purchase	5,000	0.05	5.07	25,350.00
05.01.2001	purchase	15,000	0.16	5.01	75,150.00
10.01.2001	purchase	12,000	0.13	4.21	50,460.00
15.01.2001	purchase	5,000	0.05	4.20	21,000.00
15.01.2001	purchase	10,000	0.10	4.19	41,900.00
16.01.2001	purchase	2,000	0.02	4.20	8,400.00
24.01.2001	purchase	1,600	0.02	6.26	10,013.95
30.01.2001	purchase	6,000	0.06	7.02	42,142.80
01.02.2001	purchase	4,000	0.04	7.02	28,095.20
05.02.2001	purchase	3,000	0.03	6.62	19,860.00
06.02.2001	purchase	4,000	0.04	6.34	25,360.00
12.02.2001	purchase	8,000	0.08	5.99	47,920.00
13.02.2001	purchase	8,000	0.08	5.91	47,280.00
14.02.2001	purchase	11,000	0.11	5.79	63,690.00
16.02.2001	purchase	2,300	0.02	5.40	12,420.00
19.02.2001	purchase	15,000	0.16	5.12	76,800.00
20.02.2001	purchase	10,000	0.10	4.73	47,300.00
29.03.2001	purchase	27,600	0.29	3.04	83,904.00
02.04.2001	purchase	22,400	0.23	3.06	68,544.00
03.04.2001	purchase	10,000	0.10	2.60	26,000.00
03.04.2001	purchase	20,000	0.21	2.53	50,600.00
06.04.2001	purchase	10,000	0.10	2.19	21,920.00
12.04.2001	purchase	50,000	0.52	1.94	96,789.50
17.04.2001	purchase	5,865	0.06	2.05	12,000.49
27.04.2001	purchase	7,200	0.08	2.44	17,568.00
30.04.2001	purchase	500	0.01	2.50	1,250.00
03.05.2001	purchase	1,000	0.01	2.30	2,300.00
04.05.2001	purchase	5,000	0.05	2.55	12,750.00
07.05.2001	purchase	4,500	0.05	2.45	11,025.00
10.05.2001	purchase	5,000	0.05	2.35	11,750.00
11.05.2001	purchase	7,320	0.08	2.30	16,836.00
15.05.2001	purchase	3,000	0.03	2.05	6,150.00
29.06.2001	purchase	1,987	0.02	2.00	3,974.00
05.07.2001	purchase	5,600	0.05	1.88	10,528.00
23.07.2001	sale	-21,430	0.20		
30.04.2002	sale	-70,000	0.67		
30.04.2002	sale	-170,000	1.62		
31.07.2002	sale	-36,667	0.35		
15.06.2003	sale	-98,625	0.94		
		0	**0.00**		**1,432,293.35**

All 98,625 shares held by the Company at the beginning of the year were sold during the course of 2003. No further shares were purchased in the reporting period. The reserve for own shares posted under "Revenue reserves" was liquidated.
No shareholder authorisation currently exists for the Company to purchase its own shares.

3.5 Provisions
The development and composition of other provisions as of 31 December 2003 can be seen in the following statement of provisions:

	01.01.2003	consumption	dissolution	addition	31.12.2003
	€ 000	€ 000	€ 000	€ 000	€ 000
legal and consulting fees	50	30	15	35	40
holiday entitlement, bonuses, compensation payments	21	21	0	24	24
outstanding invoices	111	65	46	14	14
Supervisory Board remuneration	123	35	16	70	142
legal disputes	1,772	125	796	28	879
others	101	2	99	6	6
	2,178	278	972	177	1,105

3.6 Liabilities
All liabilities – with the exception of debenture loans (see 3.4.3.2 Convertible bond) – have a residual term of up to one year. The convertible bond has a residual term of under 5 years to 8 July 2008.

4. Comments on the income statement

4.1 Sales revenues
The € 60,000 shown here relate to advertising income from the Website of Travel24.com AG.

4.2 Other operating income
Essentially, other operating income of € 1,232,000 consists of liquidated reserves (€ 972,000), income from cooperations and commissions (€ 163,000), rental income (€ 58,000) and payments received for already written-down debts and adjustments of individual valuation allowances (€ 38,000).

4.3 Other operating expenses
The total of € 2,062,000 for other operating expenses includes legal and consulting fees (€ 594,000), valuation adjustments on accounts receivable (€ 431,000), marketing expenses (€ 350,000), Internet licences and services as well as communications expenses (€ 235,000).

4.4 Depreciation on financial assets and short-term investments / marketable securities
Of the € 262,000 disclosed under this item € 169,000 were attributable to an adjustment of the book value of participations of Travel24 GmbH.

5. Other disclosures

5.1 Contingent liabilities, other risks and long-term obligations
As of 31 December 2003 Travel24.com AG had submitted declarations of subordination for the following companies:

beneficiaries	€ 000
Buchungsmaschine AG	2,654
Travel24 GmbH	420
	3,074

The obligations ensuing from rent agreements, service/consulting agreements and leasing agreements are as follows:

	total	2004	2005	2006	2007	2008
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
leasing and rental agreements	506	141	131	82	76	76
service / consulting agreements	477	149	85	84	80	80
	983	291	216	166	155	155

For lease agreements and contract fulfilment purposes a guarantee of € 117,365 was furnished by Commerzbank AG in favour of TravelSafe / Gerling Konzern Allgemeine Versicherungs AG and Dr. Bauer Grundstücksverwaltung GmbH. The guarantee is deposited on fixed-term accounts for Travel24.com AG at Commerzbank AG. In addition, a fixed-term deposit of € 192,000 in favour of Travel24 GmbH was signed over to the IATA.

5.2 Average number of employees during the financial year
On the balance sheet date Travel24.com AG had 16 persons on its payroll. The annual average was 16.5 full-time employees. This was equivalent to 10.2 full-time Company employees on the effective date, or an annual average of 11.1 (all figures excluding management).

5.3 Declaration concerning the German Corporate Governance Code
The Managing and Supervisory Boards of Travel24.com AG declare according to Art. 161 AktG that the recommendations of the "Government Commission on the German Corporate Governance Code" as announced by the Federal Ministry of Justice on 4 July 2003 in the official section of the electronic Federal Gazette in its version dated 21 May 2003 have been complied with, or provide details of which recommendations have or will not be complied with.

This declaration has been made permanently accessible online to shareholders on the homepage of Travel24.com AG at www.travel24.com and will be renewed on an annual basis.

5.4 Executive bodies of the Company
In the 2003 financial year the members of the **Managing Board** of the Company were:

- Marc Maslaton, Merchant Munich (Chairman)
- Philip Kohler Merchant Starnberg

Total remuneration to Board members of Travel24.com AG for regular emoluments, non-cash benefits and other compensation in the 2003 financial year amounted to € 396,646. Marc Maslaton was at the same time Managing Director of Buchungsmaschine AG; Philip Kohler held a directorship at Buchungsmaschine AG.

Pursuant to Art. 95 [*AktG*] (in conjunction with Art. 8 of the articles of association) the Company has a Supervisory Board consisting of six members.

The members of the Supervisory Board are:

▪ Andrea Maria Bahlsen	Lawyer	Klosters, Switzerland	(Chairperson)
▪ Joachim Semrau	Merchant	Munich	(Deputy Chairman)
▪ Christofor Henn	Merchant	Palma de Mallorca, Spain	
▪ Dr Armin Reiners	Lawyer	Munich	
▪ Hans Joachim Richter	Merchant	Lausanne, Switzerland	
▪ Knut Wehner	Merchant	Düsseldorf	(until 14 October 2003)

Hans Joachim Richter holds further positions at Heberlein AG and Kinowelt AG. Christofor Henn holds further positions at Grubargés Inversión Hotelera S.A. and Barceló Crestline Corp. In addition, Dr. Armin Reiners holds a further position at AVA Aktiengesellschaft für Vermögensplanung und Anlagemanagement.

Expenses of € 67,250 were incurred for the Supervisory Board of Travel24.com AG in the reporting year.

As of the balance sheet date 31 December 2003 the shares and options held by members of the Managing and Supervisory Boards under the employee participation program were as follows:

	shares	stock options
Managing Board		
Marc Maslaton	477,520	160,000
Philip Kohler	10,000	90,000
Supervisory Board		
Andrea Maria Bahlsen	23,823	
Joachim Semrau	0	
Christofor Henn	135,074	
Dr. Armin Reiners	0 [1]	
Hans-Joachim Richter	0	

[1] Dr Armin Reiners holds 3,448 shares as trustee.

Munich, March 2004

Philip Kohler

Marc Maslaton

Audit opinion

I have audited the annual financial statements of Travel24.com AG, as well as the accounting and management report of the Company, for the financial year from 1 January to 31 December 2003. The accounting and preparation of the annual financial statements and management report in accordance with German commercial provisions and the supplementary regulations of the articles of association are the responsibility of the legal representatives of the Company. It is my task, on the basis of my audit, to give an opinion on the annual financial statements, the accounting and the management report.

I have conducted my audit of the annual financial statements to Art. 317 of HGB and in compliance with the generally accepted auditing principles in Germany adopted by *Institut der Wirtschaftsprüfer (IDW)*. In keeping with the above, the audit is to be planned and conducted in accordance with the generally accepted accounting principles in such a manner that any inaccuracies and infringements conveyed by the annual financial statements and by the management report which may have a significant impact on the presentation of a true and fair view of the company's net worth, financial position, and earnings may be recognised with a due and reasonable degree of reliability. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. In the course of the audit the efficacy of the internal controlling system as well as vouchers to support the disclosures in the annual financial statements and management report have been examined primarily on the basis of random samples. The audit covers an evaluation of the applied accounting principles and the essential estimates made by the legal representatives, as well as an appraisal of the overall presentation of the annual financial statements and the management report. I believe that my audit provides a reasonable basis for my opinion.

My audit did not lead to any objections.

In my opinion, the financial statements present fairly, in all material respects and in compliance with generally accepted accounting principles, a true and fair view of the net worth, financial position and earnings of the Company. The management report gives an accurate summary of the position of the Company and accurately presents the risks from future developments.

Without prejudice to this opinion I would like to point out that the excess of liabilities over assets shown in the accounts for the year ending 31 December 2003 was eliminated by the increases in share capital of Travel24.com AG effected in 2004. Furthermore, I refer to Section 5 (Risk Report) of the management report. The latter states that the existing funds are insufficient to cover the financing needs for the next few years and therefore a further increase in capital is proposed.

Düsseldorf, 29 March 2004

Reiner Distel
Wirtschaftsprüfer (German Public Auditor)

8. Press comments in 2003

6 January 2003
“The best addresses in the Internet: Fly to far-off places at rock-bottom prices – www.travel24.com – whether it’s 13 days in Cuba or a weekend in the snow: this is the place to look for travel bargains. Flights and package deals are included. Extras: route planners, travel info, weather and school holiday schedules to help you plan.”

8 January 2003
”Go easy on your holiday savings! Attention budget-conscious vacationers. You can save a lot at the holiday planning stage. Budget airlines are to be found, e.g. at www.travel24.com together with hotels and rental cars – why not try it?”

16 January 2003
“Budget airlines are two-a-penny nowadays. So it’s not all that easy to keep track of which airlines fly to which destinations. But help is forthcoming from the Travel24.com portal: On a map of Europe you can click on the desired departure airport – and Travel24.com will provide a list of all the destinations accessible from there at budget prices.

28 January 2003
“www.travel24.com is a goldmine for travel planning. Travel24.com gives the advantage of round-the-clock reservations.”

29 January 2003
“Bargain links www.travel24.com – Over 30 tour operators with a wide choice of scheduled flights.”

17 February 2003
“The best site for your holiday? In the Worldwide Web! Travel portals such as www.travel24.com issue interesting newsletters that regularly flutter into your personal e-mail account with the best bargains.”

6 March 2003
“The findings of a study by the Heilbronn Business School certify a high level of user friendliness to virtual travel agents. The pages cut a dash with their high information content, topicality and improved functionality.” 2nd place for Travel24.com.

11 April 2003
“Test airline tickets online – Travel24.com sets great score by service: If you wish, you can ask the company to call you back, thus saving phone charges.”

20 April 2003
“The latest trend: Vacation planning by the modular concept. Portals such as Travel24.com seek out the best deals from a database containing all available scheduled and charter flights.” Customers can then put together their ideal holiday package: hotel rooms, rental car, gourmet restaurants, sports event, wellness.”

8 May 2003
“Those who wish to organise their own itineraries will find just what they want at online travel portals. They can compare prices for air travel, hotels and rental cars and find the cheapest rates. The best address: www.travel24.com.”

15 May 2003
"Put together your own holiday. Fast, reliable – and at a bargain price: Travellers can configure their own personal dream vacation, piece by piece, via the Internet. Portals such as Travel24.com seek out the best deals from a database containing all available scheduled and charter flights – and find suitable hotels as well."

15 May 2003
"Surf tips for keen travellers: www.travel24.com – publicly quoted online travel agency: Airline tickets, rental cars, holiday homes, package and last-minute tours. New: cruises."

19 May 2003
"100 new Internet addresses: www.travel24.com – cruises and ferries also now bookable."

5 June 2003
"Large travel agency with strong package holiday segment. Attractive look, regularly updated deals, large choice, camping sites can be booked within Europe, rental cars anywhere in the world."

16 June 2003
"100 new Internet addresses: www.travel24.com – last-minute deals sent by e-mail."

18 June 2003
"A special feature of Travel24.com: You can also book cruises and wellness holidays. These are supplemented by weather reports and route planners."

4 July 2003
"www.travel24.de real last-minute bargains. Special: Cruises, wellness holidays and city hotels. Service: Weather reports and route planner."

14 July 2003
"Top marks. The most clearly laid out page to be tested, simple searching."

17 July 2003
"Verdict: Huge selection at this site. In addition, the prices are acceptable. And on top of that, detailed information is available on hotels."

1 August 2003
"Make sure the operator is reputable. One name to remember in the Internet is www.travel24.com."

21 August 2003
"It's what everybody dreams of: simply board a plane and take off for the beach. The travel portal Travel24.com makes this dream easier to fulfil. Besides last-minute holidays and package tours it is possible to book flights, hotels, rental cars and holiday apartments – and all this is much easier now following the re-launch of the site."

19 September 2003
"Strengths: attractive look, regularly updated deals, large choice, camping sites can be booked within Europe, rental cars anywhere in the world." Conclusion: Large travel agency with a focus on package holidays."

1 October 2003
"After the hunger years, things are now looking up for online travel sites. Travel24.com has a well-known brand and outstanding technological know-how that is consolidated in its subsidiary Buchungsmaschine AG."

7 November 2003
"... Travel24.com: They've all focused on Internet marketing and can react flexibly to customers' requests – usually cheaper than the travel agent around the corner."

29 December 2003
"Online travel agencies such as Travel24.com pass on the operators' price advantages to the customer and frequently these services are accompanied by other benefits or country information."

9. Key corporate announcements 2003

09.01.2003	Sun, sea, beach - Travel24.com customers feel the attraction of Cuba
14.01.2003	Bad times? Good times!
28.03.2003	Online sales growing - online travel portal submits Annual Report 2002
08.04.2003	Ship ahoy with Travel24.com - cruises and ferries now available
22.05.2003	Let someone else look for last-minute deals
28.05.2003	Better overview - better offers - better numbers
14.07.2003	Ad hoc Notice: Travel24.com strengthens financial basis
22.07.2003	Legoland Family Special
21.08.2003	Ad hoc Notice: Travel24.com AG turns in profits from operating activities for the quarter
22.08.2003	Positive mood at the Annual general Meeting 2003
16.10.2003	Ad hoc Notice: Change in Supervisory Board of Travel24.com AG
18.11.2003	Ad hoc Notice: Positive results continued in third quarter 2003 - capital increase for accelerated growth
18.11.2003	Marketing drive for doubling sales 2004
17.12.2003	Ad hoc Notice: Travel24.com secures growth in 2004

10. Financial Calendar

30 March 2004	Balance sheet press conference and analysts' conference
1 June 2004	Publication of Three-Month Report 2004
31 August 2004	Publication of Half-Year Report 2004
30 November 2004	Publication of Nine-Month Report 2004

11. Imprint

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