

Interim Report for the First Half-Year 2004



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1. Summary of key data

		2nd quarter		1 January - 30 June	
		2004	2003	2004	2003
		€ 000	€ 000	€ 000	€ 000
Total transaction value	per booking date	5,416	5,986	13,710	12,413
	per travel date	6,261	5,920	9,866	10,172
Net sales		742	780	1,761	1,701
EBITDA		-617	51	-977	-477
EBIT		-652	8	-1,050	-570
Consolidated net loss / income		-1,294	16	-1,774	-557
Net loss per share (in €)	basic	-0.09	0.00	-0.14	-0.05
	diluted	-0.07	0.00	-0.10	-0.05
Operative cash flow		-650	-445	-2,861	-969
Number of employees as per 30 June excl. management board		73	72	73	72

2. Introduction

Dear Shareholders, Clients, Employees and Business Partners,

Bargain travel is not necessarily synonymous with Last Minute. This lesson had to be learnt by consumers in the summer of 2004. After being pampered with early booking discounts in the first few months of the year, many vacationers had hoped for even greater price reductions in the main season - and if the worst came to the worst, the balcony at home was an acceptable alternative.

But then their plans were thwarted by the continuous rain and later by the tour operators' airport policy. For their part, the latter had learnt their lesson the previous year and this time their calculations were more cautious. And it paid off: The ruinous price war did not occur this summer. Many would-be travellers remained without a ticket, particularly during the German peak holiday periods.

As the news magazine "Focus" ascertained in Issue 28 / 2004 from customers of Travel24.com and other travel retailers, in particular families are well advised to take advantage of early booking discounts instead of participating in the last-minute lottery.

This summer there was also a significant increase in the demand for last-minute travel at the Travel24.com site. Thanks to the new holiday hotel module, even in the high season we were able to offer alternatives to the fully-booked package tours with own travel arrangements. In addition, the toll-free reservations hotline proved to be a boon during this period. Following repeated "fully-booked" responses from the database, customers welcomed the opportunity to speak to travel professionals about suitable alternatives.

For the 2004 / 2005 travel season we see a distinct trend towards earlier booking. We are anticipating a busy autumn with interesting discount scales by tour operators for the months of August, September and October.

Travel24.com has established itself in the consciousness of the consumer as a major online brand. We are proud that despite cost cutting in Marketing our levels of awareness and affinity have remained at a high level over the past few years. The market is gradually starting to consolidate. As every survey conducted by a variety of magazines from "stern" to "Focus" has shown, 4 to 5 travel portals have set themselves apart from the market. The industry can count a maximum of seven "major" travel retailers. Travel24.com is still one of the front-runners, but the competition is gearing up for a pursuit with major advertising campaigns. I therefore consider the consolidation and expansion of our market share to be our priority goal in the near future.

Yours



Marc Maslaton
CEO Travel24.com AG

Munich, August 2004

3. Business performance

Travel retail

The core function of Travel24.com AG is the sale of holidays. As an independent travel retailer it offers a full selection of travel products and services: All renowned tour operators, scheduled flights, hotels, charter and last-minute holidays, cruises, car rentals, wellness and sports vacations, admission tickets and much more besides can be booked online, by telephone or personally in the travel agency. Interesting travel information such as country descriptions, weather and entry regulations round off the www.travel24.com Website.

In March 2004 Travel24.com became the first Internet travel site to replace its telephone hotline, previously available at an extra charge, with a free 0800 number. On 0800-Travel24 (0800 / 872 835 24) customers are able to book the travel products offered in the Internet by telephone - 7 days a week.

Internet

The relaunch of the Travel24.com AG Website in May 2004 was generally well accepted by customers. This was the main finding of a survey conducted by Travel24.com on the Website over a period of a month to determine customers' opinion of the new presentation. With its new design, in particular the homepage scored well in the evaluation. Emotionality of the overall Web presence and simplicity of use were likewise the object of praise. In the opinion of our customers, the new concept of E-(motional)-commerce was an all-round success.



The "Moving Images" project has been successfully integrated into the online presentation. With "Video World" since July 2004 over 2,000 videos on travel destinations worldwide can be retrieved from the Travel24.com site. It complements the Internet Travel TV, available since May 2004, with specific information on destinations and dream holidays that is available at any time. Since over 60% of our customers meanwhile have broadband Internet access, Travel24.com offers them full-screen video viewing and not only in "miniature cinema" format.



Internet hits

The traffic volume at www.travel24.com continues to grow extremely well. In the first half of 2004 the number of page impressions grew to almost 69.2 million, representing a 187% increase over the same period last year (45.1 million) and a 158% increase over the previous half-year (42.4 million). At almost 3.8 million the number of visits was almost 73% higher than that of the same period last year (1.6 million) and 88% higher than in the previous six months (1.8 million).

Brand awareness, affinity and willingness to book

Familiarity with the Travel24.com brand and brand affinity continue to increase. Despite repeated cuts in advertising expenses, the Travel24.com brand remains familiar and is highly rated. This was shown by the revered Travel Analysis 2004 by the Forschungsgemeinschaft Urlaub und Reisen e.V.¹ conducted on behalf of "stern" magazine. In the evaluation by the population as a whole the result was most pleasing: in both segments Travel24.com was a close runner-up to its competitor lastminute.com. 28.5% of Germans are familiar with Travel24.com and 12.1% have a positive attitude to the brand. In a survey of business travellers Travel24.com even led the field in both sectors. With

¹ F.U.R. Forschungsgemeinschaft Urlaub und Reisen e.V., Travel Analysis RA 2004, June 2004
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53.5% Travel24.com achieved an extremely high level of familiarity and received high marks for brand affinity from 23.8% of business travellers.

The travel analysis also showed that willingness to book is still at an encouragingly high level. According to the latter, 9.1% of Germans and 21.2% of the questioned business travellers were proposing to book through Travel24.com.

Internet travel portals: Brand harmony (figures in %)

BEKANNTHEIT		SYMPATHIE		BUCHUNGSBEREITSCHAFT		REISENDE*	
29,0	lastminute.com	13,2	lastminute.com	10,5	lastminute.com	1,9	lastminute.com
28,5	travel24.com	12,1	travel24.com	9,1	travel24.com	1,3	travel24.com
13,4	travelchannel.de	5,0	opodo.de	4,1	opodo.de	0,6	opodo.de
11,8	opodo.de	5,0	travelchannel.de	3,7	travelchannel.de	0,6	travelchannel.de
9,3	expedia.de	3,7	expedia.de	3,0	expedia.de	0,4	expedia.de
5,0	ebookers.de	1,4	ebookers.de	1,2	ebookers.de	0,3	ebookers.de
4,2	avigo.de	1,1	avigo.de	0,9	avigo.de	0,1	avigo.de
2,6	travelocity.de	0,6	travelocity.de	0,6	travelocity.de	0,1	travelocity.de
Geschäftsreisende (4,18 Mio. Personen, die mind. 1 Nacht geschäftlich in einem Hotel übernachtet haben)							
53,5	travel24.com	23,8	travel24.com	21,2	travel24.com	5,3	lastminute.com
52,8	lastminute.com	19,6	lastminute.com	17,8	lastminute.com	3,6	travel24.com
28,4	opodo.de	11,2	opodo.de	10,6	opodo.de	2,0	opodo.de
26,3	travelchannel.de	9,0	travelchannel.de	7,1	travelchannel.de	1,6	travelchannel.de
19,3	expedia.de	7,3	expedia.de	6,3	expedia.de	1,0	expedia.de
12,8	ebookers.de	3,6	ebookers.de	3,7	ebookers.de	1,0	ebookers.de
11,3	avigo.de	2,6	avigo.de	2,7	avigo.de	0,4	avigo.de
7,1	travelocity.de	2,0	travelocity.de	2,4	travelocity.de	0,2	travelocity.de

Source: F.U.R. Forschungsgemeinschaft Urlaub und Reisen e.V., Reiseanalyse (Travel Analysis) RA 2004, June 2004

The Travel Report shows that Travel24.com has been able to consolidate its leading position in all three categories - familiarity, brand affinity and willingness to book.

This is also frequently confirmed in the press. For example, 'com! Das Computer Magazin' (issue 7 / 2004) commented on the Travel24.com Website: "Publicly quoted company with innovative Website in bright royal blue" and adds it to its list of "Best travel links". In its issue 20 / 2004 the popular magazine 'SuperIllu' provides an overview of the "Best Internet Addresses" for travel bookings and in this connection it mentions, among others, www.travel24.com.

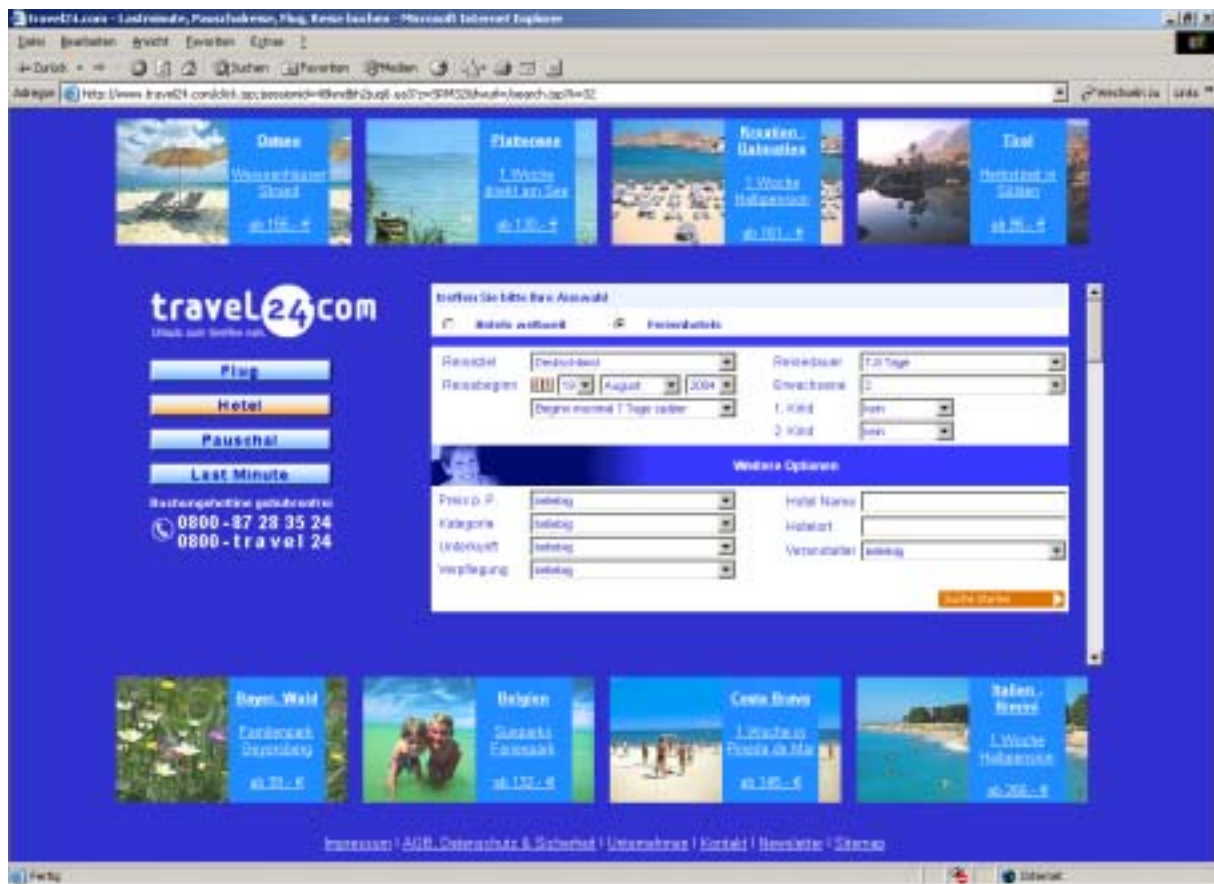
Its inclusion in a variety of tests shows that Travel24.com is a major player in the online travel market. The computer magazine 'PC Pr@xis', for instance, credited the Website with "simple navigation" and "good quality" (issue 8/2004). In its issue 9 / 2004 the magazine 'Computer Bild' assesses the Website to be "very clearly laid out" and "simple to navigate". In the overall evaluation Travel24.com received a "very good" or "good" in five of eight sectors.

Technology

The technical facilities of Travel24.com AG are provided primarily by its subsidiary Buchungsmaschine AG, Hamburg. The Internet travel company Buchungsmaschine AG also offers its systems to travel agencies, travel agency chains / cooperations and portals as a basis for commercially successful Web presentations. These are Internet and intranet-based products which enable the implementation of all the essential tourism services on the travel agents' homepages and the portals' Internet platforms.

Many travel agencies and Internet portals use Buchungsmaschine AG modules together with the associated technical know-how. The comprehensive customer care provided by the online service centre as a fulfilment partner is also used by many non-tourism Internet portals.

The most recent module is the holiday hotel module that was launched on Travel24.com in July 2004. This enables reservations to be made for European travel by car, hotel-only and the holiday apartments offered by tour operators 1-2-fly, ITS and Ameropa. The programmes and destinations of further tour operators are to be adopted before the end of the year.



Meanwhile, the holiday finder module for package deals, launched in the first quarter of 2004, has become well-established with users. A further online survey of Travel24.com customers was conducted in this respect. For the main part, it met with a positive response and the module was gradually optimised to accommodate our customers' wishes and suggestions for improvement.

Investor Relations

At this year's AGM in Munich the shareholders present were supportive of the management's course and the discharge of the Management and Supervisory Boards for the 2003 financial year was carried by a large majority. In addition, the shareholders approved capital increases of up to €6.875 million in the next five years. In accordance with the articles of association the Supervisory Board now consists of 6 members: Hans Joachim Richter has resigned from his post at the time of conclusion of the AGM 2004. Konstantin Graf von der Pahlen (marketing consultant, Munich) and Dr Matthias Schüppen (lawyer, Stuttgart) were newly appointed to the Supervisory Board.

At the AGM Travel24.com AG announced that it is striving for a listing on the AIM (Alternative Investment Market) at the London Stock Exchange (LSE) in order to access more long-term orientated investors for future capital increases. The benefits of a listing at AIM are, firstly, that the financial community at the LSE has a greater understanding of the Travel24.com business model due to the existing listings of e-bookers and lastminute.com. Secondly, many pension funds are active there, who are prohibited from investing outside the UK. What finally tipped the scales in favour of a listing in London was that due to tax regulations and deadlines British investors have a primary interest in holding their shares in the long term. Negotiations are currently taking place with potential partners in London. With the given prerequisites, an initial placement on the AIM could take place at the end of this year.

4. Business results

Turnover

According to expectations - not least due to the Easter and Whitsun holidays and the summer holidays that had already begun in some Federal states - payments for bookings taken during the first quarter were not finalised until the end of the current reporting period. The inflow of bookings in the second quarter was slightly below the volume for the same period last year, and as of 30 June 2004 the total transaction volume of € 13.7 million in travel bookings (by date of booking) was € 1.3 million (+10.5%) higher than last year.

The below-expectations volume of bookings received in the second quarter can be attributed to the relaunch of the Travel24.com AG Website and the accompanying phase of consumer familiarisation with the fundamental changes to the Internet presentation, as well as the numerous programmatic changes brought about by the revamped Website.

Net Result

The deficit during the reporting period was significantly influenced by the financial burden resulting from legal disputes. Over € 0.4 million resulted from a single lawsuit concerning software contacts negotiated in 1999 and 2000. Although adequate provisions had been made for this purpose – based on the judgement by the court of the first instance - in May 2004 these had to be increased upon pronouncement of judgement following an appeal. In addition, the net result was burdened by a further € 0.1 million resulting from a out-of-court settlement concerning Buchungsmaschine AG.

Consequently, although the operating loss of € -1.1 million in the current reporting period - calculated in compliance with IAS / IFRS accounting rules - reflected a slight improvement of € 0.2 million (16%) over the same period last year, at EBIT (€ -1.1 million) and EBITDA levels (€ -1.0 million) losses remained € -0.5 million below the respective figures for the previous year in each case.

Liquid assets

As of 30 June 2004 the Group's liquid assets stood at € 0.6 million. This figure does not yet include a further € 1.3 million in other assets which the company has instructed to be transferred back to liquid assets.

Investments

There were no notable investments requiring capitalisation in the first six months of the current business year.

Personnel

As of 30 June 2004 the Travel24.com Group employed 73 staff; this corresponds to 57.2 full-time employees as of the cut-off date for the quarter (all figures excluding board members).

5. Outlook

One consequence of the high level of utilisation of the search engines is that the marketing activities of Travel24.com are being increasingly focused on this section.

Compared to the previous year, in the first half year of 2004 the diverse possibilities of optimisation (keyword advertising, index optimisation, domain management, traffic routing etc.) were not only covered, but also considerably expanded.

For example, after representing close on 6.5% of total marketing expenses in the first half-year 2003, in the first half-year 2004 the portion of expenses for search engine marketing increased to over 50%. And it paid off: Visits to the Travel24.com Website mushroomed: in the first half of 2004 they showed an increase of almost 73% over the same period last year. Compared to the second half of 2003 the increase was as much as 88%.

The Travel24.com Website is demand-oriented and appealing. This claim was substantiated by a current market survey by the "stern" news magazine. The tested travel portals lastminute.com, travelchannel, expedia, opodo, ebookers, avigo, travelocity und travel24.com are the largest online travel portals and command the majority of the market.

The continued growth potential in the online travel market has its origins in the growing overall demand as well as in shifts in sales revenue between the smaller travel Websites that are to an increasing extent disappearing from the market or being incorporated into the larger travel portals.

Travel24.com AG cannot elude this current trend in the tourist industry. The average amount spent on travel is decreasing, as consumers are becoming increasingly cost-conscious in view of the poor state of the economy. The redesigned Website generated a substantially higher volume of bookings. At 30,205 the number of bookings in the first half of 2004 was more than double (+109%) that of the same period last year. Sales revenue (receipt of bookings) in the first half of 2004 stood at € 13.7 million, representing an below-average increase of 10.5% over the same period last year (€ 12.4 million). For the main part this was attributable to the substantial decrease in the average booking value. For this reason we are working continually to optimise www.travel24.com for our customers.

An "increased market share" is the declared goal of all travel portals and with the exception of Travel24.com AG the four best-known brokers have already launched major advertising campaigns. For this reason Travel24.com AG must also expand its marketing activities to enable it to remain a "major player" in the lucrative online travel market now and in the future. The capital increase approved at the Annual General Meeting in 2004 has laid the foundation for this.

6. Interim consolidated financial statements as of 30 June 2004

Consolidated balance sheet as of 30 June 2004,
figures according to IAS / IFRS

ASSETS	30 June 2004 IAS / IFRS € 000	31 Dec. 2003 US-GAAP € 000	31 Dec. 2003 pro forma IAS / IFRS € 000
Current assets			
Cash and cash equivalents short-term investments / marketable securities	647	1,061	1,061
Trade accounts receivable	67	95	95
Prepaid expenses and other current assets	2,712	548	548
Total current assets	3,426	1,705	1,705
Non current assets			
Property, plant and equipment	209	254	254
Goodwill	608	608	608
Notes receivable / loans	212	251	251
Other assets	3	3	3
Total non current assets	1,032	1,117	1,117
Total assets	4,458	2,821	2,821

LIABILITIES and SHAREHOLDERS' EQUITY	30 June 2004 IAS / IFRS € 000	31 Dec. 2003 US-GAAP € 000	31 Dec. 2003 pro forma IAS / IFRS € 000
Current liabilities			
Short-term debt and current portion of long-term debt	0	0	0
Trade accounts payable	992	649	778
Accrued expenses	1,484	1,265	1,265
Other current liabilities	466	282	282
Total current liabilities	2,942	2,195	2,325
Non current liabilities			
Long-term debt, less current portion	2,058	1,886	1,886
Total non current liabilities	2,058	1,886	1,886
Shareholders' equity			
Share capital	13,750	11,600	11,600
Additional paid-in capital	62,607	62,336	62,336
Remuneration from share options	-231	-303	-303
Accumulated deficit	-76,668	-74,894	-75,023
Total shareholders' equity	-543	-1,261	-1,390
Total liabilities and shareholders' equity	4,458	2,821	2,821

**Consolidated income statement from 1 January to 30 June,
figures according to IAS / IFRS**

	2nd quarter		1 January - 30 June	
	2004 € 000	2003 € 000	2004 € 000	2003 € 000
Revenues	742	780	1,761	1,701
Cost of revenues	-168	-97	-304	-202
Gross profit	574	683	1,457	1,500
Operating expenses				
Selling and marketing expenses	-831	-672	-1,494	-1,479
General and administrative expenses	-357	-571	-1,040	-1,294
Depreciation of property, plant and equipment and of intangible assets	-35	-43	-73	-92
Total operating expenses	-1,222	-1,287	-2,607	-2,865
Operating loss	-648	-604	-1,149	-1,365
Other income / expense				
Interest income and expenses	-56	8	-138	11
Other income / expense	33	612	136	931
Total other income / expense	-23	620	-2	942
Result from ordinary activities before income tax and discontinued operations	-671	16	-1,151	-424
Income tax	0	-0	0	2
Extraordinary income / expenses	-586	0	-586	0
Result from ordinary activities before discontinued operations	-1,257	16	-1,737	-422
Income / loss from discontinued operations	-37	0	-37	-135
Net loss / income	-1,294	16	-1,774	-557

Net loss per share (in € 000; except amounts per share and number of shares)	2nd quarter			1 January - 30 June		
	2004		2003	2004		2003
	basic	diluted	basic / diluted	basic	diluted	basic / diluted
Weighted average shares outstanding	13,750,000	18,050,000	10,390,419	12,966,111	17,266,111	10,382,200
Result from ordinary activities before discontinued operations per share	-1,257 -0.09	-1,257 -0.07	16 0.00	-1,737 -0.13	-1,737 -0.10	-422 -0.04
Income / loss from discontinued operations per share	-37 0.00	-37 0.00	0 0.00	-37 0.00	-37 0.00	-135 -0.01
Net loss / income per share	-1,294 -0.09	-1,294 -0.07	16 0.00	-1,774 -0.14	-1,774 -0.10	-557 -0.05

Consolidated cash flow statement from 1 January to 30 June

	1 January - 30 June	
	2004 € 000	2003 € 000
1. Cash flows from operating activities:		
Net loss	-1,774	-557
Adjustments for:		
- depreciation and amortization	73	92
- increase / decrease in provisions and accruals	219	-708
- losses on the disposal of fixed assets	0	0
- change in net working capital	-1,608	204
- non-cash items for capital expense and financing	229	0
Net cash used in operating activities	-2,861	-969
2. Cash flows from investing activities:		
- purchase of property, plant and equipment	-28	-6
- proceeds from sale of equipment	1	1
- other additions / disposals of investments	39	6
Net cash provided by / used in investing activities	12	1
3. Cash flows from financing activities:		
- proceeds from issuance of share capital	2,434	0
- proceeds from short or long-term borrowings	0	805
Net cash provided by financing activities	2,434	805
Net decrease in cash and cash equivalents	-414	-163
Cash and cash equivalents at beginning of period	1,061	922
Cash and cash equivalents at end of period	647	759
Net decrease in cash and cash equivalents	-414	-163

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 statement of changes in shareholders' equity from 1 January to 30 June

in € 000, with the exception of figures per share

	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 Dec. 2002	10,472,606	0	10,473	-356	62,655	-58	0	-73,178	-464
Capital increase for cash (authorised capital approved in 2003)									0
Expenses for procurement of equity									0
Purchase / disposal of treasury stock				356	-356				0
Issue of stock options and partial deferred expenses for remuneration from stock options									0
Net loss								-557	-557
as of 30 June 2003	10,472,606	0	10,473	0	62,299	-58	0	-73,735	-1,021
as of 31 Dec. 2003 (based on US-GAAP financials)	11,600,000	0	11,600	0	62,336	-303	0	-74,894	-1,261
Capital increase for cash (authorised capital approved in 2003)	2,150,000		2,150		465				2,615
Expenses for procurement of equity					-181				-181
Purchase / disposal of treasury stock									0
Issue of stock options and partial deferred expenses for remuneration from stock options					-14	71			57
Net loss								-1,774	-1,774
as of 30 June 2004	13,750,000	0	13,750	0	62,607	-231	0	-76,668	-543
* 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									
as of 31 Dec. 2003 (based on IAS / IFRS financials)	11,600,000	0	11,600	0	62,336	-303	0	-75,023	-1,390
Capital increase for cash (authorised capital approved in 2003)	2,150,000		2,150		465				2,615
Expenses for procurement of equity					-181				-181
Purchase / disposal of treasury stock									0
Issue of stock options and partial deferred expenses for remuneration from stock options					-14	71			57
Net loss								-1,774	-1,774
as of 30 June 2004	13,750,000	0	13,750	0	62,607	-231	0	-76,797	-672
* 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									

7. Conversion to IAS / IFRS accounting as of 1 January 2004

General

The consolidated financial statements of Travel24.com AG (hereinafter referred to as “the Company”) for the year ending 31 December 2003 were prepared as discharging consolidated financial statements 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.).

Pursuant to an EU directive passed in 2002, from 2005 onwards the consolidated financial statements of companies listed on a regulated market must be prepared in conformance with International Accounting Standards / International Financial Reporting Standards (IAS / IFRS), unless the consolidated balance sheet was previously prepared according to US-GAAP. The deadline for conversion is the end of 2007. Particulars and queries regarding the conversion of accounting methods to IAS / IFRS from 2005/2007 onwards were hitherto regulated by SIC 8 of the Standing Interpretations Committee (SIC) of the International Accounting Standards Board (IASB, until April 2001 IASC).

On 19 June 2003 the IASB approved Standard IFRS 1 (“First time Adoption of International Financial Reporting Standards”). IFRS 1 is due to replace SIC 8 from 1 January 2004 onwards. The application of IFRS 1 is mandatory if the first IFRS accounts are to be prepared for reporting periods starting on or after 1 January 2004.

The first IFRS accounts are thus to be prepared as if the company had always applied the IFRS rules. This means that when the IFRS rules are applied from 2004 onwards, the accounting figures for 2003 must be determined according to IFRS and an initial IFRS balance sheet prepared as of 1 January 2004.

The Company had completed the changeover of accounting methods from US-GAAP to IFRS as of 31 December 2004 / 1 January 2004. The Company’s express and unqualified declaration with regard to compliance with IFRS is in hand.

The conversion to the different accounting method has had an impact on the Company’s net worth, financial position, earnings and cash flow (cf. percentage of completion method).

Summary of differences between IAS / IFRS and US-GAAP

General comments

The IFRS balance sheet may be structured either by diminishing liquidity as with US-GAAP or increasing liquidity as with HGB. In contrast to US-GAAP, IAS / IFRS does not prescribe a minimum content.

According to US-GAAP a clear distinction must be made between short-term (current) and long-term (non-current) assets and liabilities. IFRS requires neither a subdivision into current and non-current assets, nor a continuous classification according to increasing or decreasing liquidity or corporate ties.

According to the IAS framework, the income statement consists only of expenditure and earnings. The net disclosure of peripheral and fortuitous events as gains and losses according to US-GAAP is not proposed. The disposal of capital assets or reimbursement of expenses are exceptions.

Neither US-GAAP nor IAS / IFRS propose a classification for income statements: however, US-GAAP prescribes the cost of sales method and IAS / IFRS gives an option. The Company will continue to prepare its income statements in the cost of sales format.

Deferred taxes on loss carryforwards

Deferred tax assets resulting from tax loss carryforwards must be recognised as assets in the balance sheet according to US-GAAP and IAS / IFRS if the loss carryforwards are likely to be realisable. The Company has adjusted the value of the capitalised tax loss carryforwards in full as of 31 December 2000, as it is not certain whether they will be realised.

Stock options for employee participation

Under US-GAAP, remuneration to employees in the form of equity capital participation (stock-based compensation) is to be stated on the balance sheet in two forms. Under the one method the market value of the employee participation is determined and stated as expenses over the period of the vested rights of the stock options or another equity capital instrument.

Alternatively, only the difference between the exercise price of an option and the market price of the underlying instrument at the point in time the option was granted may be stated as an expense over the period of the vested rights. When 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.

With the IFRS 2 Standard Share-based payment of 18 February 2004 the IASB has for the first time issued a guideline intended to regulate the accounting and valuation of share-based compensation elements. Under this method, all share options issued to employees must be recognised as an expense in the income statement. US-GAAP and IAS / IFRS rules are likewise almost identical in respect of the notes.

Expenses for the initial public offering

Under US-GAAP and IAS / IFRS the costs in connection with the issue of shares on the stock exchange are to be treated as a reduction in the premium from the issue of shares.

“Percentage of Completion” method

In the percentage of completion method (PoC method) the anticipated proceeds are tied to the stage of completion during the period of construction. This presumes that a reliable estimate can be made of the progress and attributable costs, and that enforceable rights ensue from the contract. According to IAS 18 the PoC method can also be used for service business within the scope of IAS / IFRS accounting. According to US-GAAP the PoC method plays a subordinate role.

For the first time, the Company has made a year-on-year comparison of revenues by the percentage of completion method. Compared to US-GAAP accounting hitherto this resulted in differences in earnings and in the statements of cash flow and development of shareholders' equity.

Summary of differences between IAS / IFRS and HGB

General comments

In IAS / IFRS accounting the information function is the overriding goal. The emphasis is placed on the principle of fair representation. By contrast, the priority set by the HGB is the protection of creditors. This is guaranteed by the accounting principle of prudence.

IAS / IFRS exhibits no explicit codification of the true and fair view principle as the general standard pursuant to Art. 264 (2) HGB. IAS / IFRS and HGB provide differing interpretations of the terms "assets" and "liabilities".

In contrast to the HGB's imparity principle, within the scope of the accruals concept the IAS / IFR method includes not only profits that have already been realised, but also those considered realisable with a fair degree of certainty, e.g. in conjunction with the accounting of long-term manufacturing orders (cf. percentage of completion method).

In some cases the allocation of expenses not related to operational purpose according to IFRS principles requires the capitalisation of expenses until the respective profits have been realised. Under HGB rules these expenses, such as development expenses, must not be treated as assets, but as periodic expenditure.

The statutory duty of disclosure under IAS / IFRS rules is more comprehensive than under HGB rules. Besides the balance sheet, income statement and notes the annual financial statements under IFRS must also include a cash flow statement and the development of shareholders' equity. In the case of publicly traded shares the earnings/loss per share – if applicable, also the diluted earnings/loss per share – must be disclosed at the end of the income statement, which is almost identical to that according to US-GAAP.

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. For preparation according to IAS / IFRS: see above.

Stock options for employee participation

Under the balance sheet regulations currently in force, in accordance with HGB there are no expenses to be posted on the income statement. Under IFRS 2, as already explained, stock options for employee participation must be posted as personnel expenses.

Expenses for the initial public offering

In contrast to IAS / IFRS, under HGB these costs are extraordinary expenses.

Percentage of completion (PoC) method

In contrast to IAS / IFRS the PoC method is unknown to HGB. The latter uses the completed contract method. Under the latter, the costs incurred are carried as assets until the time of completion. Profits are not posted until the time of completion or rendering of a service. Both methods produce the same overall results. However, the PoC method discloses net income on an accrual basis, whereas the completed contract method allocates total net income to the last period.

8. Notes to the interim financial statements

Reporting entity

Consolidated companies

Travel24 GmbH, Eching
Buchungsmaschine AG, Hamburg

Interest held

100%
100%

Notes to the balance sheet

The balance sheet total of € 4.5 million as of 30 June 2004 represented an increase of € 1.6 million over the figure of 31 December 2003.

This increase is mainly attributable to the capital increase against cash contribution carried out in February and March 2004. The 2,150,000 new shares issued by the Company in this connection resulted in a corresponding growth in subscribed capital. After deduction of the expenses of € 0.2 million for equity procurement, the issuing premium totalling € 0.5 million was transferred to capital reserves.

Deferred taxes were not taken into account. As a result of the accounting assumption that loss carryforwards will not be used for fiscal purposes, the expenses for equity procurement were offset to the full amount of the gross sum. Thus there was no reduction in the apportionable taxes on income.

The long-term liabilities of almost € 2.1 million shown in the balance sheet reflect solely the cash value of the convertible bond placed in 2003 as determined on the respective cut-off date, allowing for accumulated interest.

The increase of about € 0.7 million in other current liabilities in the reporting period compared to the figure of 31 December 2003 is attributable to the legal disputes mentioned under "Business results" as well as to accruals and deferrals related to the accounting changeover on 1 January 2004.

Segment reporting

Segment presentation per 30 June 2004	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24- Group € 000
Revenues - trade	1,607	155	0	1,761
- intersegment	28	0	-28	0
Total revenues	1,635	155	-28	1,761
Operating result	-1,165	-172	186	-1,151
Assets	7,032	195	-2,769	4,458
Depreciation	50	23	0	73

Segment presentation per 30 June 2003	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24- Group € 000
Revenues - trade	1,454	247	0	1,701
- intersegment	4	0	-4	0
Total revenues	1,458	247	-4	1,701
Operating result	-353	-71	0	-424
Assets	3,801	361	-354	3,808
Depreciation	71	21	0	92

Cash flow from operating activities

In the first six months of the current financial year cash flow from operating activities amounted to € 2.9 million. Almost € 1.6 million of this amount was attributable to the change in working capital and an increase in accruals and deferrals as well as other current assets.

In the first three months of the current financial year € 2.2 million in cash and cash equivalents was invested in operating activities; in the second quarter a further € 0.7 million was invested.

Cash flow from investing activities

Investing activities in the reporting period had no significant effect on Group liquidity.

Cash flow from financing activities

The proceeds of new equity injections are shown netted out under this item, i.e. expenses directly related to the raising of equity capital are subtracted from the proceeds of placement including issuing premiums.

9. Securities held by the Managing and Supervisory Boards

	<u>Shares</u>	<u>Options</u>
Managing Board		
Marc Maslaton	427,520	160,000
Philip Kohler	10,000	90,000
Supervisory Board		
Andrea Bahlse	23,823	
Joachim Semrau	0	
Cristofor Henn	70,192	
Dr. Armin Reiners	0 ¹	
Hans-Joachim Richter	0	

¹ Dr Reiners holds 3,448 shares as trustee.

As of 30 June 2004 the Company had issued a total of 430,000 stock options. Of these, as may be seen above, 250,000 options are held by members of the Company's executive bodies, the remaining 180,000 options are held by employees and senior management at Travel24.com AG as well as at the fully-consolidated subsidiaries Travel24 GmbH and Buchungsmaschine AG.

10. Press comments and news

14 June 2004

"Travel24.com: *Fern(seh)reisen*: Internet travel retailer Travel24.com is now offering Internet TV ("Fern(seh)reisen") at its Website: over 1500 videos are available on travel destinations all over the world. Windows Media Player is need to view these. The site features plenty of holiday information appropriate to the travel themes and, of course, each holiday can be booked online. "Travel24.com" invites you to travel the world with Internet TV. First take a look - then decide where you want to go."



03 June 2004

"Munich-based Internet travel agent Travel24.com has started broadcasting: A choice of 1500 videos is available 24 hours a day on its homepage."



06 May 2004

"TeleTalk Hotline Test: Provide the best advisory service and you'll have the edge with the customer: Test winner Travel24.com ... only the Travel24.com Internet travel agent is open around the clock."



07 April 2004

"Today Travel24.com is out of the wood ... following a series of capital measures, liquidity problems are a thing of the past ... The company made a promising start to the new year. Total travel sales revenue in January and February was about two-thirds higher than last year."



24.06.2004	Travel24.com: Consolation prize for Germany
22.06.2004	Travel24.com consolidates its position as a leading brand in the online travel market.
27.05.2004	NEW: Internet TV at Travel24.com
24.05.2004	More attractive visuals: Travel24.com AG launches new homepage and live Internet TV
17.05.2004	Travel24.com AG has the best call centre of all online travel retailers
03.05.2004	No journeys to the land of surprises at Travel24.com

11. Financial Calendar

31 August 2004	Publication of Half-Year Report 2004
30 November 2004	Publication of Nine-Month Report 2004

12. Imprint

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