

Nine-Month Report 2004



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1. Summary of Key Data

		3rd Quarter		1. Jan. - 30. Sep.	
		2004	2003	2004	2003
		€ 000	€ 000	€ 000	€ 000
total transaction value	per booking date	5,903	5,835	19,613	18,247
	per travel date	8,493	7,904	18,358	18,076
net sales		641	805	2,402	2,506
EBITDA		-1,180	-35	-2,158	-513
EBIT		-1,207	-78	-2,257	-648
consolidated net loss / income		-1,507	-160	-3,281	-716
net loss per share (in €)	basic	-0.11	-0.02	-0.25	-0.07
	diluted	-0.08	-0.01	-0.19	-0.06
operative cash flow		-228	-1,217	-3,088	-2,186
number of employees as per 30. Sep. excl. management board		73	81	73	81

2. Introduction

Dear Shareholders, Clients, Employees and Business Partners,

A survey conducted by the Association of Internet Travel Retailers (Verband Internet Reisevertrieb = VIR) as part of the Autumn Travel Analysis (HeRa) of the Holiday and Travel Research Group (Forschungsgemeinschaft Urlaub und Reisen, FUR) revealed: When making travel arrangements, the customer does not wish to forego personal service and insists on a competent contact person to help with putting together the individual travel elements.

This is where the newly-formed Association of Internet Travel Retailers (VIR) comes into play: Selective measures for increased transparency and quality in travel resources are aimed at promoting an atmosphere of trust and dispelling possible doubts with regard to the Internet as a medium. VIR sees its scope of action particularly in consumer protection and data security issues in the field of online travel booking.

Travel24.com is proud to be one of the founding members of VIR alongside Expedia.de, ebookers.de, lastminute.com and opodo.de. The VIR sees itself as a mouthpiece for the Internet tourist industry. In addition to quality control of the range of products and services, the main tasks of the association are the dissemination of the latest technical developments, current studies and the ongoing development of safety standards in the Internet. We intend to devote ourselves to these tasks.

Best wishes to you and your families for a Happy Christmas and a prosperous and successful New Year 2005.

Yours



Marc Maslaton
CEO Travel24.com AG

Munich, November 2004

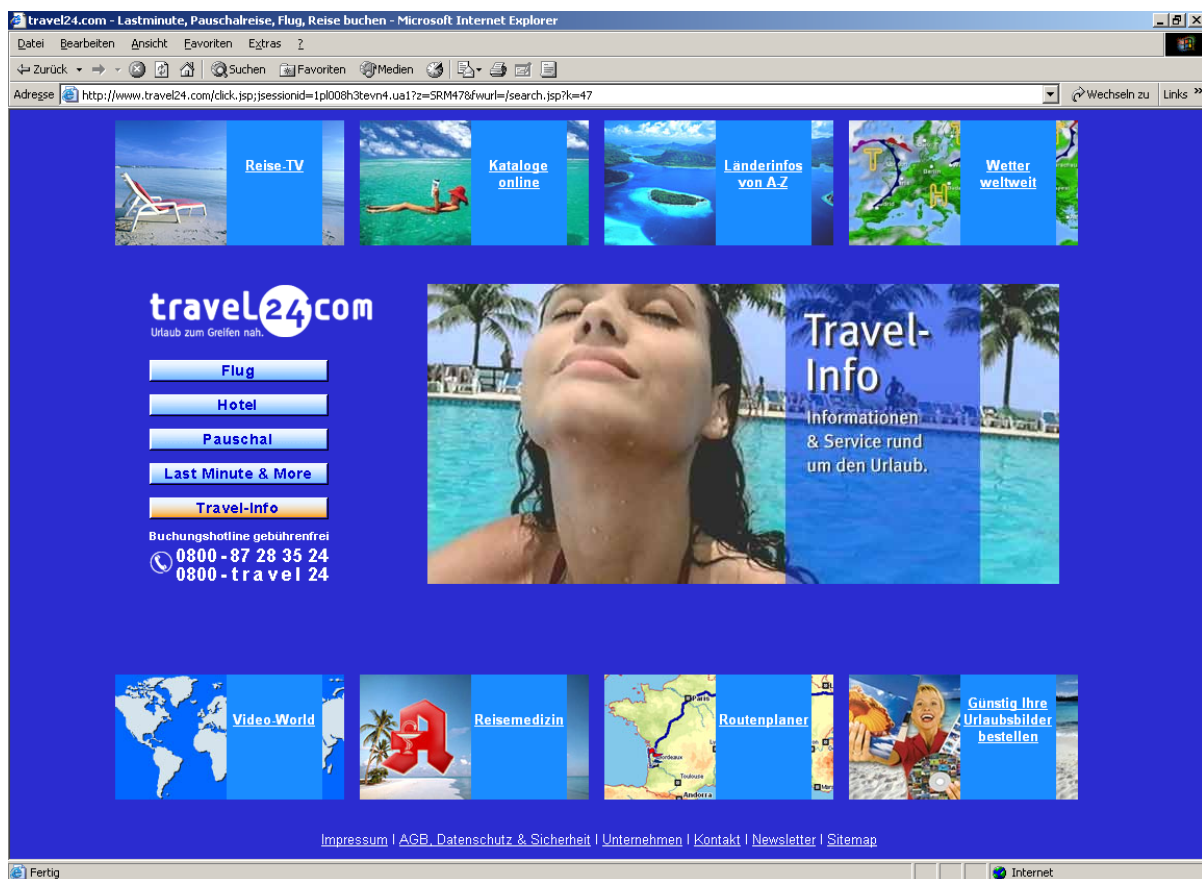
3. Business Performance

Travel Retail

The core function of Travel24.com AG is the retailing of holidays. Its range of products and services covers all the major tour operators as well as over 50,000 hotels and more than 750 scheduled airlines, charter and low-cost carriers. Added to this are up to 12 million last-minute offers, travel by car, wellness and sport specials and supplementary offers such as rental cars, insurance etc. All travel services can be booked simply and easily on the Website www.travel24.com or by telephone at the toll-free reservations hotline 0800-travel24 (0800-87283524).

Website

The relaunch of the Travel24.com homepage in May 2004 was extremely successful; the Website has met with widespread approval. In August the site was upgraded with a new Travel Info segment. Here the Travel24.com AG Website offers comprehensive information on the subject of travel and vacations. Reports on faraway countries, dream worlds, Internet Travel TV, videos on destinations, online catalogues, weather information and much more at the company's Website create a new world of travel and experience. Travel24.com is thus able to satisfy the wishes of many customers for information on a broad front.



Marketing

An extremely successful cooperation with the popular magazine 'abenteuer&reisen' has been running now for more than a year. Each quarter Travel24.com presents 5,000 of its customers with a mini subscription for three issues as a "thank you" to awaken the urge to travel - and, of course, make online reservations. In this way Travel24.com also maintains a presence as an off-line brand.

The gift voucher promotion launched in 2004 is meanwhile being carried out on a broad basis. Travel24.com offers a cash bonus of up to € 100 to the customers of selected partners if they make their travel reservations online. Meanwhile cooperations exist with reputable partners such as Amazon.de, Pixum AG, Lycos Europe GmbH and com! computer magazine.

The gift voucher promotion is based on an exclusive cooperation with AUDI mynet, the online portal for AUDI employees. Within this worldwide distribution network the employees of the major concern can search for their dream vacation using a personal log-in and book it at Travel24.com with a cash bonus of up to € 100. The gift voucher promotion has been very well received by all partners of Travel24.com. Further activities of this kind are now planned.

Two major online alliances were formed with prominent partners Volkswagen AG and Lycos Europe GmbH in the third quarter. Travel services available in the "Mobile Services" segment of the Volkswagen AG Website can be booked using the technology of Travel24.com subsidiary Buchungsmaschine AG. The two newly developed booking modules for package tours and last-minute travel are integrated here. Volkswagen has opted for an XML interface which leaves the outward appearance of the VW Website unchanged.

Volkswagen Mobile Services - Microsoft Internet Explorer

Adresse: http://mobileservices.volkswagen.de/0_mobilizer/0_index/?serviceid=rality

Mobile Services
DIE ZUKUNFT IST MOBIL.

Pauschalreisen

1. Suchen 2. Wählen 3. Verfügbarkeit prüfen 4. Buchen

Ihr Reiseziel:

Abflug: Frankfurt
Reiseziel: Spanien
Preis p.P.: keine
Hotelkategorie: 3 Sterne
Hinflug: 3 Dez. 04
Zimmertyp: keine
max. 6 Tage
Verpflegung: keine
Reisedauer: 14 Tage
Veranstalter: beliebig
Reisende: 2 Erwachsene
Hotelname:
Kinder: 1. keine 2. keine 3. keine 4. keine
Hotelort:

Ihre ganz persönlichen Wünsche:

Sportangebot: 1. keine 2. keine 3. keine
Hotelausstattung: 1. keine 2. keine 3. keine
☐ Nur Clubanlage ☐ Kinderfreundlich ☐ Strandnähe
☐ Wellness u. Beauty ☐ Nur All Inclusive

Suchen

Volkswagen Login

Benutzername:
Passwort:

☐ Jetzt registrieren
☐ Ihr Vorteil

Fragen & Antworten

Guided Tour
WAP
Fragen zu Mobile Services
Nutzungsbedingungen

Newsletter

Mehr Informationen
Nach vielstündiger:
Mobile Services
Newsletter

Mehr von Volkswagen

Volkswagen Home
Konfigurator
Showroom
Volkswagen Zubehör
Euromobil

powered by
travel24.com

Letzte Aktualisierung
05-Nov-04

[Volkswagen.de](#) [Login](#) [Kontakt](#) [Sitemap](#) [Rechtliches](#) [Anbieterkennzeichnung](#) [Hilfe](#)

Internet

Internet Travel TV, presented by Travel24.com AG, has been retrievable via the online portal www.lycos.de since October this year. In addition to extensive information on destinations and hotels, Travel24.com enables Lycos users to make direct online reservations appropriate to the respective programme. The reservations are processed via the pages of Travel24.com.

The screenshot shows the Lycos website interface in Microsoft Internet Explorer. The browser window title is "Lycos - reise - Microsoft Internet Explorer". The address bar shows "http://www.lycos.de/life/reise/tv/index.html#". The page features a navigation bar with links like "Home", "Freunde finden", "@home", "Gesundheit", "Leben & Liebe", "Love@Lycos", and "Reise". The main content area is titled "reise" and includes a video player for "lycos reise tv" showing a beach scene. To the left of the video player are several sidebar menus: "Suchen & Buchen" (with links like Winter-Special, Lastminute, Flüge, etc.), "Kurztrips" (with links like Städtereisen, Mitfahrzentrale, etc.), "Urlaubsziele" (with links like Hotel-Check, Reise TV, etc.), "Reiseplaner" (with links like Routenplaner, Übersetzungen, etc.), and "Reiseratgeber" (with links like Reiserecht, Gesund Reisen, etc.). To the right of the video player are "Link Tipps" (with links like Unterkünfte, Last Minute, etc.), "Werbung" (with links like Frühbucher Tunesien, etc.), "Lycos Partner" (with links like Wollen Sie auch endlich zu ZWEIT sein?, etc.), and another "Werbung" section. At the bottom of the page, there is a footer with links like "Lycos Europe", "Jobs@Lycos", "Werben", "Sitemap", "Newsletter", "Seite anmelden", "Produktindex", "AGBs", "Datenschutz", and "Impressum". The page also includes a "powered by travel24.com" logo and a "DSL" logo.

In addition, thanks to the newly developed XML interface Travel24.com was able to enter into a further alliance with the product search engine Kelkoo. In the "Travel" segment to be found on the latter's site wellness vacations can be compared using the vacation package module of Buchungsmaschine AG and reservations made directly through Travel24.com.

Travel24.com is also involved in competition sponsoring in the form of a promotion for a new men's perfume launched by the clothing company Tom Taylor. This includes a prize drawing for a holiday donated by Travel24.com. In return, Travel24.com appears in a prominent position on advertising posters and flyers.

Investments in the area of search engine marketing were cut back in the third quarter of 2004. Paid keywords will not be activated this year. Activities are being limited to search engine indices. Travel24.com is working together in this respect with an agency which is professionally optimising the pages for the individual search engines.

Internet hits

The traffic volume at www.travel24.com continues to grow extremely well. In the first nine months of 2004 the number of page impressions (109.4 million) rose by more than 186% or 71.2 million compared to the same period in the previous year. The number of visits increased by 79% or 2.3 million over the corresponding period last year and stood at 5.2 million.

Technology

The technical facilities used by 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 homepages of travel agents and portals.

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.

Currently the technical department of Buchungsmaschine AG is working on a combination module which searches for package and last-minute vacations within the same search query. In addition, the technology permits the integration of the two segments package and last-minute vacations to be integrated separately - as independent modules - on any desired Website, as can be seen on the present Website of Volkswagen AG. It is scheduled to go online at www.travel24.com in November 2004.

A further success of the technical department at Buchungsmaschine AG is the new development of an XML interface. This opens the doors for further beneficial cooperations, as they enable Travel24.com AG to respond with even greater depth to the individual requirements of alliance partners.

Investor Relations

The shareholders of Travel24.com AG were awarded an unexpected “dividend” this year: Together with the invitation to the AGM in July 2004 each of the Company’s shareholders received a bonus in the form of a travel coupon. This voucher was good for a discount of up to € 100 on online travel reservations made with Travel24.com AG no later than 31 October 2004. The promotion proved to be very popular with our shareholders.

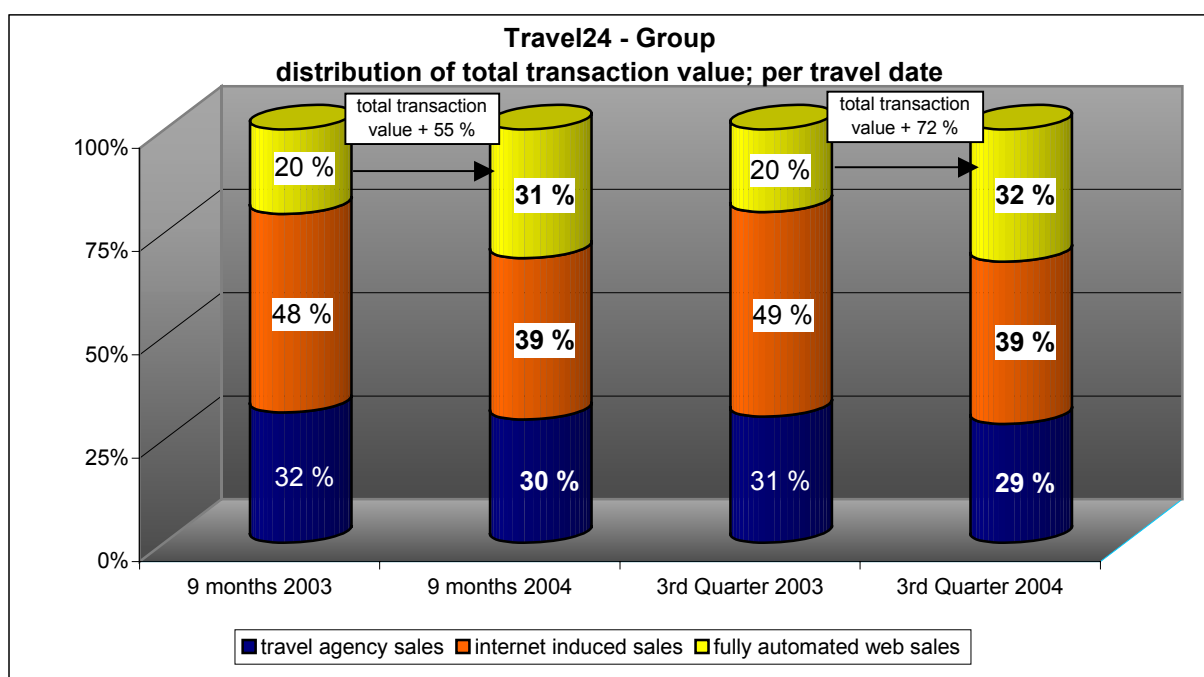
At this year’s AGM in Munich the shareholders present were supportive of the management’s course and voted by a large majority to discharge the Management and Supervisory Boards for the 2003 financial year. In addition, the shareholders approved capital increases of up to € 6.875 million in the next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

The authors of an article in the November issue of “Der Aktionär” magazine predict a bright future for Travel24.com shares. Since Germany has the highest growth rate in the travel market of any European country, we are working on the assumption that its good market position will enable Travel24.com AG to acquire an even greater share of the market. Since the analysts of the Munich research house CdC rated the Company’s shares as “speculative buys”, we are assuming an upside target of € 1.70.

4. Business Results

Turnover

The below-expectation order intake reported in the half-year report was more or less balanced out in the course of the third quarter after the relaunch of our Website was well received by our customers. Orders received in the past quarter totalled € 5.9 million - slightly above the figure for the same period in the previous year. About 80% of orders are meanwhile accounted for by fully automatic Web bookings and Internet-induced procedures. This trend is also recognisable in sales by travel date, which amounted to € 8.5 million in the months July to September 2004. Since the beginning of the year this index has reached € 18.4 million and is thus 7.5% above the figure for the comparable period of the previous year.



With the goal of increasing efficiency in telephone customer service and order processing in the long-term, in August the decision was made to concentrate all call centre activities at a single site. At the same time the stationary sales activities at Eching near Munich were discontinued. These steps are due to be completed in the fourth quarter of the current financial year. Although a short-term impact on total transaction value cannot be discounted, an improved earnings situation can be anticipated in the medium term.

Net result

After the shortfall in the first six months was to a considerable extent attributable to litigation (see Half-Year Report of Travel24.com AG), the quarterly results in hand take into account the formation of further provisions of € 0.2 million for contingent risks from the legal dispute between Buchungsmaschine AG and a former shareholder of this company. The subject of the current litigation is a consulting agreement negotiated after the founding of Buchungsmaschine in 1999, the performance of the agreed services and the proper cancellation of the contract. For the first nine months of the current financial year the drain on profits due to pending and completed legal proceedings thus amounted to € 0.8 million.

At € -1.2 million the operating loss for the reporting period is mainly attributable to increased selling and marketing costs (€ 1.1 million in the third quarter 2004). The operating loss of € -2.4 million for the first nine months of the current financial year is € 0.2 million (9.2%) lower than that of the previous year.

The interest expenses shown in the consolidated income statement resulted primarily from the interest on the convertible bond placed in the previous year which did not affect liquidity.

The net loss for the period under review amounts to € -1.5 million and € -3.3 million for the first three quarters of 2004. In comparison to the previous year, 2003 was marked by other revenues from the reversal of provisions.

Liquid assets

As of 30 September 2004 the consolidated balance sheet discloses cash and cash equivalent to the amount of € 0.4 million. In comparison to the position on 30 June 2004 this is a reduction of almost € 0.2 million; the latter do not include a further € 0.6 million in other assets which the Company had instructed to be returned to cash and cash equivalents.

Investing activities

Investment effected to the sum of € 38,847 was mainly for the upgrading of existing hardware in order to cope with increased traffic at the Travel24.com Website. Investment volumes to date are covered by the repayment of loans to almost the same amount.

Personnel

As of 30 September 2004 the Travel24.com Group employed 73 staff; this corresponds to 57.6 full-time employees as of the cut-off date for the quarter (all figures excluding board members).

5. Outlook

Travel24.com has used the past months to make itself more attractive for alliance partners. The XML interface newly developed by Buchungsmaschine AG provides numerous opportunities for cooperation with interesting partners. One example of this is the global concern Volkswagen AG, which has likewise integrated newly developed modules for package and last-minute holidays into its Websites. Or Lycos, one of the largest online portals, which is extending its selection with Travel24.com Travel TV and online booking facilities for the appropriate holidays. Both examples are evidence that Travel24.com AG products are groundbreaking.

In 2004 we have invested heavily in marketing activities and thereby achieved a considerable increase in online sales (by 50% in the first three quarters of 2004). From this point of view the marketing investments have certainly born fruit. However, further investments will be required to ensure long-term growth with an extended customer base. To ensure this, the Managing Board will propose strategic measures to the Supervisory Board.

Interim Consolidated Financial Statements as of 30 September 2004

Consolidated balance sheet as of 30.9.2004, figures according to IAS/ IFRS

ASSETS	30. Sep. 04 IAS / IFRS € 000	31. Dec. 2003 US-GAAP € 000	31. Dec. 2003 pro forma IAS / IFRS € 000
current assets			
cash and cash equivalents	407	1,061	1,061
short-term investments / marketable securities			
trade accounts receivable	180	95	95
prepaid expenses and other current assets	1,666	548	548
total current assets	2,254	1,705	1,705
non current assets			
property, plant and equipment	193	254	254
goodwill	608	608	608
notes receivable / loans	213	251	251
other assets	3	3	3
total non current assets	1,018	1,117	1,117
total assets	3,272	2,821	2,821

LIABILITIES and SHAREHOLDERS' EQUITY	30. Sep. 04 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	1,285	649	778
accrued expenses	1,401	1,265	1,265
other current liabilities	449	282	282
total current liabilities	3,135	2,195	2,325
non current liabilities			
long-term debt, less current portion	2,161	1,886	1,886
total non current liabilities	2,161	1,886	1,886
shareholders' equity			
share capital	13,750	11,600	11,600
additional paid-in capital	62,596	62,336	62,336
remuneration from share options	-195	-303	-303
accumulated deficit	-78,175	-74,894	-75,023
total shareholders' equity	-2,023	-1,261	-1,390
total liabilities and shareholders' equity	3,272	2,821	2,821

Consolidated Statement of Income
from 1 January to 30 September, figures according to IAS / IFRS

	3rd Quarter		1. Jan. - 30. Sep.	
	2004	2003	2004	2003
	€ 000	€ 000	€ 000	€ 000
revenues	641	805	2,402	2,506
cost of revenues	-167	-91	-471	-292
gross profit	474	714	1,931	2,214
operating expenses				
selling and marketing expenses	-1,113	-779	-2,607	-2,258
general and administrative expenses	-571	-712	-1,610	-2,006
depreciation of property, plant and equipment and of intangible assets	-26	-43	-99	-135
total operating expenses	-1,710	-1,534	-4,317	-4,399
operating loss	-1,236	-820	-2,386	-2,185
other income / expense				
interest income and expenses	-86	-81	-224	-70
other income / expense	36	722	173	1,653
total other income / expense	-49	640	-51	1,582
result from ordinary activities				
before income tax and discontinued operations	-1,285	-179	-2,437	-603
income tax	0	0	0	2
extraordinary income / expenses	-215	0	-800	0
result from ordinary activities				
before discontinued operations	-1,500	-179	-3,237	-601
income / loss from discontinued operations	-7	20	-44	-115
net loss / income	-1,507	-160	-3,281	-716

Earnings / loss per share – Statements for the

- Quarter under review from 1 July to 30 September 2004
- Current financial year from 1 January to 30 September 2004

net loss per share (in € 000; except amounts per share and number of shares)	3rd Quarter			
	2004		2003	
	basic	diluted	basic	diluted
weighted average number of shares outstanding	13,750,000	18,050,000	10,472,606	14,390,384
result from ordinary activities				
before discontinued operations	-1,500	-1,500	-179	-179
per share	-0.11	-0.08	-0.02	-0.01
income / loss from discontinued operations	-7	-7	20	20
per share	0.00	0.00	0.00	0.00
net loss / income				
per share	-1,507	-1,507	-160	-160
	-0.11	-0.08	-0.02	-0.01

net loss per share (in € 000; except amounts per share and number of shares)	1. January - 30. September			
	2004		2003	
	basic	diluted	basic	diluted
weighted average number of shares outstanding	13,227,407	17,527,407	10,412,335	11,718,261
result from ordinary activities				
before discontinued operations	-3,237	-3,237	-601	-601
per share	-0.24	-0.18	-0.06	-0.05
income / loss from discontinued operations	-44	-44	-115	-115
per share	0.00	0.00	-0.01	-0.01
net loss / income				
per share	-3,281	-3,281	-716	-716
	-0.25	-0.19	-0.07	-0.06

Consolidated Cash Flow Statement from 1 January to 30 September

	1. Jan. - 30. Sep.	
	2004	2003
	€ 000	€ 000
1. cash flows from operating activities:		
net loss	-3,281	-716
adjustments for:		
- depreciation and amortization	99	135
- increase / decrease in provisions and accruals	136	-1,174
- losses on the disposal of fixed assets	0	0
- change in net working capital	-401	-431
- non-cash items for capital expense and financing	358	0
net cash used in operating activities	-3,088	-2,186
2. cash flows from investing activities:		
- purchase of property, plant and equipment	-39	-10
- proceeds from sale of equipment	1	1
- other additions / disposals of investments	38	3
net cash provided by / used in investing activities	-0	-7
3. cash flows from financing activities:		
- proceeds from issuance of share capital	2,434	0
- proceeds from short or long-term borrowings	0	1,799
net cash provided by financing activities	2,434	1,799
net decrease in cash and cash equivalents	-654	-394
cash and cash equivalents at beginning of period	1,061	922
cash and cash equivalents at end of period	407	528
net decrease in cash and cash equivalents	-654	-394

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 30 September

in € 000, excepting 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								-716	-716
as of 30. Sep. 2003	10,472,606	0	10,473	0	62,299	-58	0	-73,895	-1,180
as of 31. Dec. 2003 (based on US-GAAP statements)	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					-24	108			84
net loss								-3,281	-3,281
as of 30. Sep. 2004	13,750,000	0	13,750	0	62,596	-195	0	-78,175	-2,023
* 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 pro forma IAS / IFRS statements)	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					-24	108			84
net loss								-3,281	-3,281
as of 30. Sep. 2004	13,750,000	0	13,750	0	62,596	-195	0	-78,304	-2,153
* 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 conformance with Art. 292a of the German Commercial Code (HGB), in line with US generally accepted accounting principles (“US-GAAP”) and in conformance with German Accounting Standard No. 1 (DRS 1) of the German Accounting Standards Committee (Deutscher Standardisierungsrat, 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 income and expenses. 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 construction contracts (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 a statement of 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 disclosed 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. Gains 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 € 3.3 million as of 30 September 2004 represented an increase of € 0.5 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 € 2.2 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 € 0.9 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 and the increase in marketing investment.

Segment reporting

segment presentation per 30. 09. 2004	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24- Group € 000
revenues - trade	2,207	195	0	2,402
- intersegment	40	0	-40	0
total revenues	2,247	195	-40	2,402
operating result	-2,054	-498	115	-2,437
assets	6,022	181	-2,931	3,272
depreciation	67	32	0	99

segment presentation per 30. 09. 2003	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24- Group € 000
revenues - trade	2,150	356	0	2,506
- intersegment	4	0	-4	0
total revenues	2,154	356	-4	2,506
operating result	-577	-26	0	-603
assets	4,075	425	-970	3,530
depreciation	107	28	0	135

Cash flow from operating activities

Cash and cash equivalents from operating activities utilised in the first nine months of the current financial year amount to € 3.1 million. This entire amount was due to the net loss in the period under review.

In a comparison of the individual quarters of the current financial year, € 2.2 million was employed for financing operating activities in the first quarter, € 0.7 million in the second and € 0.2 million in the third.

Cash flow from investing activities

Investing activities in the period under review 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>
Management Board		
Marc Maslaton	427,520	160,000
Philip Kohler	10,000	90,000
Supervisory Board		
Andrea Bahlsen	23,823	
Joachim Semrau	0	
Cristofor Henn	70,192	
Konstantin Graf von der Pahlen	0	
Dr. Armin Reiners	0 ¹	
Dr. Matthias Schüppen	0	

¹ Dr Reiners holds 3,448 shares as trustee.

As of 30 September 2004 the Company had issued a total of 424,000 stock options. Of these, as may be seen above, 250,000 options are held by members of the Company's executive bodies, the remaining 174,000 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

30 September 2004

"Dividends of a special kind: Travel24.com sponsors holidays ... The company thanks its shareholders with a travel voucher shortly before the AGM."



06 July 2004

"Travel24.com ... Travel portal launches Internet Travel TV on its Website. Travel24-TV broadcasts around the clock with impressions and information about countries all over the world."



27.08.2004	Travel24.com reports a significant increase in visits and bookings.
25.08.2004	Online travel services: Hard times at the stock exchange?
27.07.2004	Travel24.com offers a trip around the world at your computer
05.07.2004	Travel24.com: General Meeting endorses growth strategy

11. Corporate Calendar

30 November 2004	Publication of Nine-Month Report 2004
31 March 2005	Publication of Annual Report 2004

12. Imprint

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