Annual Report 2005

travel24.com

Holidays at your fingertips.

Contents

1. Summary of Key Data

		1. Jan. - 31. Dec. 2005 € 000	2004 € 000
total transaction value	per booking date	17,271	21,813
	per travel date	16,601	22,498
net sales		1,796	2,846
EBITDA		-3,540	-4,291
EBIT		-4,113	-4,415
consolidated net loss		-4,823	-4,917
net loss per share (in €)	basic	-3.46	-4.03
	diluted	-2.06	-3.05
operative cash flow		-3,940	-4,135
number of employees as per 31. December excl. management board		54	58

2. Foreword by the Managing Board

Dear Shareholders, Customers, Business Associates and Employees,
Dear Readers,

I would like to start this foreword with a model calculation:

We know that we have about 18,000 shareholders. If each of them were to generate a booking value of only € 1,200 - either for themselves or for friends - this would create revenue of over € 20 million for the Company. In other words, each shareholder has the potential to influence the value of our shares - just think about it.

Consolidation was the keyword in 2005. At the end of the year we finally decided to relinquish our own technical development of the IBE (Internet Booking Engine). This step is intended to help us reach the elusive break-even point in 2006. The anticipated financial burden from the winding up of Buchungsmaschine AG has already been accounted for in the balance sheet as submitted. By means of a legally valid settlement with the official receiver we were able to remove the potential risk of the letter of comfort vis-à-vis the meanwhile insolvent subsidiary Aeroworld GmbH from the balance sheet. The capital measures of 2005 are already reflected in the balance sheet.

In the firm expectation of receiving your bookings, together with those of your friends and relatives, in order to achieve not only the break-even point but a real operating PROFIT, I would like to wish you a successful 2006.

Yours

Marc Maslaton
CEO Travel24.com AG

Munich, April 2006

3. Supervisory Board Report

In the year under review the Supervisory Board has performed its statutory tasks and those prescribed by the Articles of Association, and has 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. It has also regularly advised the Managing Board in directing the Company and monitored the management.

In the financial year 2005 five joint meetings were held at the Company's head office in Munich. Over half of the meetings were attended by the full complement of Board members. No committees were formed by the Supervisory Board in financial year 2005. The main issues addressed at the Supervisory Board meetings were the strategic orientation, restructuring and financing of the Group. In each of the meetings the Managing Board reported on proposed business policy, the Company's situation, the course of business (sales figures) and in particular the Company's current state of liquidity. It submitted key financial figures to the Supervisory Board.

At its meeting in March 2005 the Supervisory Board concerned itself with the annual financial statements inspected by the auditor, the consolidated financial statements, the individual management report and the group management report for financial year 2004. In April and June 2005 the Supervisory Board dealt mainly with special strategic topics. In August 2005 the contract with Supervisory Board Member Philip Kohler was extended. In the September 2005 meeting the Company's financial position was again the focus of deliberations. The attention of the Supervisory Board in 2005 was furthermore focused on the negotiations conducted by the Managing Board with regard to potential strategic alliances and other cooperative partners.

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 provided the Supervisory Board with regular and timely briefings on current business development and special or urgent proposals and requested its approval as necessary. Measures requiring approval, in particular the issue of convertible bonds in June 2005, were the subject of in-depth discussions with the Managing Board. In regular one-to-one discussions the Chairman of the Supervisory Board furthermore received updates on the current business situation and major business transactions.

Dr. Armin Reiners, Munich, resigned from the Supervisory Board on 14 June 2005 for private reasons.The Supervisory Board thanks Dr. Armin Reiners for his contribution to the work of the Board.At the Annual General Meeting on 3 August 2005 Mr Martin Amrhein, Frankfurt businessman, was appointed to the Supervisory Board, which therewith again consisted of six members in accordance with the Articles of Association.

In accordance with the shareholders' resolution, the Supervisory Board instructed Allgemeine Treuhand- und Revisionsgesellschaft mbH Rheinland Wirtschaftsprüfungsgesellschaft, Düsseldorf, to audit the annual financial statements and consolidated financial statements of Travel24.com AG.The individual financial statements of the AG and the consolidated financial statements 2005, together with the joint management report, consolidated management report and accounts, were audited by Allgemeine Treuhand- und Revisionsgesellschaft mbH Rheinland Wirtschaftsprüfungsgesellschaft, Düsseldorf, who issued a qualified audit certificate.

The audit records were subsequently passed on to the Supervisory Board for appraisal.In its turn, the Supervisory Board engaged in detailed deliberations on the individual annual financial statements, consolidated financial statements and combined management report, scrutinised these documents and discussed them in depth with the Managing Board at the meeting of the Supervisory Board on 25 April 2006. The auditor participated in these discussions, reported on the main findings of his audit and presented additional information.Upon examining the records, the Supervisory Board did not raise any objections and approved the audit report.Following an exhaustive discussion and inspection, the Supervisory Board endorsed the projections adopted by the Managing Board.The Supervisory Board approved the annual financial statements and consolidated financial statements as prepared by the Managing Board. The annual financial statements 2005 of Travel24.com AG were thus approved according to Article 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

Andrea Bahlsen
(Chairperson)

April 2006

4. Business Development

Travel Retail

The core function of Travel24.com AG is the sale 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 a daily selection of up to 12 million last-minute offers, motoring tours, wellness & sport specials and Dynamic Packaging. The program also includes additional offerings 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 (0800-87 28 35 24 or 0800-travel24).

Marketing

Travel24.com continues to have various projects at the implementation stage. However, the Company does not wish to disclose any further details at the moment.

Internet hits

The look-to-book rate is constantly increasing and in 2005 it reached an average of 0.31% compared to 0.20% in 2004.

In 2005 the number of page impressions exceeded 53.1 million (2004: 119.2 million); 2.7 million visits were counted (2004: 5.9 million).

Technology

In the first quarter of 2006 Travel24.com AG will discontinue all investments in its own booking technology and henceforth employ the booking technology of TravelTainment AG, Aachen, for its own Webpage as well as for the affiliated partner sites and portals.

5. Investor Relations

In December 2004 Travel24.com AG carried out a further cash capital increase with the exclusion of subscription rights, with the aim of improving the liquidity situation and strengthening its capital base. A total of 1.25 million shares were issued at a price of € 1.00 and these were admitted to trading and quotation at the Frankfurt Stock Exchange in April 2005.The share capital of Travel24.com AG increased to € 15,000,000 as a result of this issue.

At the beginning of July the Company announced that a convertible debenture comprising 1.2 million convertible bonds at a subscription price of € 3.00 each had been successfully placed with shareholders, to whom the convertible bonds were offered for subscription, as well as institutional investors.

At the Annual General Meeting of Travel24.com AG on 3 August 2005 in Munich the shareholders were supportive of the management's course and the discharge of the Management and Supervisory Boards for the 2004 financial year was carried by a large majority. Furthermore, the shareholders authorised the Company to issue special dividend rights to a total nominal amount of up to € 15.0 million by 31 December 2007. The shareholders also approved the proposed amendments to the Articles of Association under the new UMAG (Integrity of Companies and Modernization of Stock Corporation Law), so that Travel24.com AG is well-prepared for the new requirements when the new law comes into force.

Since the general meeting the Supervisory Board of Travel24.com has once again comprised six members, in line with the Articles of Association: Joachim Semrau, Dr. Matthias Schüppen and Konstantin Graf von der Pahlen were re-elected for the period until the AGM 2006. Martin Amrhein (Frankfurt businessman) was appointed to the Supervisory Board as a new member. Upon giving advance notice, in June Dr. Armin Reiners resigned for personal reasons from the Supervisory Board with immediate effect.

With a majority of 99.99% the shareholders voted at the AGM to increase the Company's share capital in a first stage by € 40.00 from € 15,000,000.00 to € 15,000,040.00 by issuing 40 new no-par value bearer shares of € 1.00 to the exclusion of subscription rights, and then, in a second stage, to reduce the Company's share capital from € 15,000,040.00 by € 13,636,400 to € 1,363,640.00 in a ratio of 11:1, in which case eleven of the no-par value bearer shares, each representing € 1.00 of the share capital, were consolidated to one no-par value bearer share at € 1.00. The reduction was implemented in line with the requirements for simplified capital reductions within the meaning of Article 229 et seq AktG in order to compensate for reductions in value and other losses. The resolution of the AGM regarding the simplified capital reduction was entered in the commercial register on 27 September 2005 and thus became effective. The converted shares from the capital reduction (new ISIN DE000A0FAP75; new WKN (German Securities Code) A0F AP7) were listed on the regulated market (Prime Standard) at the Frankfurt Stock Exchange on 2 November 2005. The old no-par value shares were de-listed as of 1 November 2005.

In November and December 2005 a total of 245,944 bonds from the convertible loan of 2005 were converted, and as of 31 December 2005 the share capital stood at € 1,609,584.00.

6. Outlook

With a reduced, highly-charged team we propose to substantially increase our investments in marketing in 2006. Various strategies are in the pipeline.

A further major task for all our employees from 2006 onwards will be the monitoring and control of service providers at call centres and in the technology sector.

Due to radical changes in technology, we anticipate a profit for 2006. Furthermore, to strengthen our capital base we are proposing a placement of profit-sharing certificates, thus putting us on the path of growth. A further cash capital increase through the issue of shares is also intended to serve this purpose.

7. Consolidated Key Figures

Consolidated management report and individual management report of Travel24.com AG

for the financial year from 1 January to 31 December 2005

1. General

A continued slight upwards trend in the demand for tourism products was recognisable in the past financial year. In addition there was a distinct change in the package holiday market, off-the-peg vacations being increasingly superseded by individually composed travel packages. The anticipated growth and positive mood were, however, inhibited by the domination of the major tour operators. As a result, the online travel market had to resign itself to a cut in commissions in online operations. Due to the increased pressure on prices, the air travel market is unable to compensate for the decline in sales. Retail travel bookings (by date of booking) of the Travel24 Group totalled € 17.3 million (previous year: € 21.8 million).

2. Economic environment

<u>General development</u>
The global economy continued to expand in 2005. Growth remained robust, despite increased prices for energy and raw materials.

<u>The tourism market</u>
The basic recovery of markets in the tourist industry is continuing. Three key trends can be recognised in the tourism market: firstly, brand awareness is increasing; secondly, the medium price segment is crystallising into a shrinking segment due to polarisation of the market between “discount” and “luxury”; and thirdly, in package tours there is an increasing demand for individuality. As a result, tour operators are focusing on these trends and placing the emphasis on flexibility. A fear of lacking security and financial problems of tour operators is intensifying brand awareness and stresses the important role played by confidence. This increases the acceptance of up-market brand-name products.

<u>The online travel market</u>
A continued upswing in the tourism market is again perceptible in 2005. According to the BAT leisure research institute, there has been a substantial increase in travel intensity. This growth was not least due to the increasing number of second or even multiple vacation trips. Senior citizens travel should not be underestimated as a further contributor to growth.

The German online travel market is to an increasing extent characterised by well-informed customers in search of the best value for money. With the individual approach the hybrid consumer can determine the best value for himself by selecting a budget flight in combination with a higher category of hotel. Individualisation on the German online travel market is at the same time reflected in increasing spontaneousness in the choice of destinations and length of stay. Commensurate with this trend, despite a more comprehensive supply of information the online travel agencies were able to achieve a relatively moderate growth.

3. The Group’s strategy

Rail tickets from Lidl, air tickets from Aldi, Penny or Real and vacations to measure. Supermarkets and other chain stores with a restricted product range and simple travel arrangements will be successful in the mass consumer sector. With a strong brand Travel24.com AG is thus focusing more heavily on the desire for holidays away from the masses, and as a highly specialised online travel agency its aim is to cater for the individual travel needs of customers.

Dynamic Packaging and TÜV seal of quality: the Company has responded to the needs of safety-minded customers and with the seal of quality it remains consistent in providing high standards.

4. Course of business

Business development of Travel24.com AG and the Travel24 Group

Travel24.com AG
Due to the severe stiffening of competition, which among other things resulted in a drastic increase in the cost of placement with Internet search engines, the funds invested in this advertising medium were substantially cut. Although this resulted in a reduction in the number of visitors and page impressions at the travel portal www.travel24.com compared to the previous year, an improvement in the conversion rate of visitors to bookings at the Internet page was achieved through ongoing optimisation in the course of the financial year.

On the balance sheet date Travel24.com AG had 11 persons on its payroll. The annual average was 11.4 full-time employees. This was equivalent to 8.9 full-time Company employees on the effective date, or an annual average of 8.8 (all figures excluding management). There was also a 10% decrease in personnel costs compared to the previous year, commensurate with the slight reduction in the payroll.

Company activities were financed primarily through the issue of a total of 1,200,000 convertible bonds in July 2005. This generated € 3,600,000 in funds for the Company in the past financial year.

The shortfall in the 2005 annual statement amounts to about € 4.9 million and is mainly attributable to the following factors:

Debt waiver/loss transfer in favour of the subsidiaries	approx.	€ 1.2 million
Legal and consulting fees	approx.	€ 0.4 million
Interest expenses	approx.	€ 0.5 million
Capital increase costs	approx.	€ 0.4 million
Write-off on the book value of participations in Buchungsmaschine AG	approx.	€ 0.4 million
Restructuring costs	approx.	€ 0.3 million

Subsidiaries of the Travel24 Group
Business conducted by the Travel24 GmbH travel agencies at the Audi AG plants at Ingolstadt and Neckarsulm showed a positive trend; both agencies were able to increase their sales revenues compared to the previous year. The implementation of a new agency number in the middle of last year gave rise to a substantial improvement in the sales tax situation, so that the Company's net result for the financial year was € 57,984. The € 0.5 million loss not covered by shareholder's equity is secured by a declaration of subordination by Travel24.com AG and a supplementary letter of comfort.

After revenue generated by activities at the Hamburg call centre again failed to cover costs in 2005, operations in Northern Germany were discontinued in November 2005 and the Company-run telephone services were transferred to an outside operator. The profit-draining effect of this action is reflected in the results of Buchungsmaschine AG, which ended the financial year 2005 with earnings of € 18,002. These earnings result from a loss transfer by Travel24.com AG to the amount of € 1,106,312. The € 2.8 million loss not covered by shareholder's equity is mainly secured by a letter of subordination by Travel24.com AG and a supplementary letter of comfort.

The Travel24 Group
For the most part, the decline in revenue recorded in 2005 compared to 2004 results from the closure of individual sites or shutdown of loss-making activities in the previous year. The effect on the earnings position was that - taking into account the liquidity-draining legal proceedings - the consolidated net loss of € -4.8 million represented a slight improvement over the previous year.

The settlement accepted by the creditors' meeting in final reconciliation of disputes with the official receiver of Aeroworld GmbH required the liquidation of the last existing provisions formed in the balance sheet for litigation risks. Parallel to this, the balance sheet position was consolidated by the capital decrease in September 2005, and the way was paved for further measures to reinforce the Group's equity base.

For the most part, interest expenditure ensues from the convertible bonds issued in 2003 and 2005. Due to the anticipated interest distribution on placement of the 2003 bond, this expense item had no effect on liquidity. Nor did the non-interest convertible bond issued in the summer of last year result in an interest flow affecting liquidity.

Cash and cash equivalents available to the Company fell by € 420,498 to € 193,369. Cash and cash equivalents from operating activities in 2005 amounted to € -3.9 million (previous year: € -4.1 million) whilst the cash inflow generated by the disposal of fixed assets and financing activities totalled € 3.5 million (previous year: € 3.7 million).

On the balance sheet date the Travel24.com Group had 54 persons on its payroll (previous year: 58). The annual average was 55.0 full-time employees (previous year: 69.8). This was equivalent to 41.6 full-time Group employees on the effective date (previous year: 43.2), or an annual average of 42.6 (previous year: 54.3; all figures excluding management).

5. Risk report

By means of ongoing early detection and the recognition, assessment and monitoring of potential risks we enable the systematic analysis of current risk situations, on which concrete risk control is based. In organisational terms the risk management system is directly integrated into the management. The Managing Board and the responsible employees observe the risks arising in their respective areas. It is crucial that risks are consciously perceived and information on new risks and changes is immediately notified. The most important monitoring targets are liquidity, achievement of sales targets and adherence to cost budgets.

With a slight recovery of the tourism market overall and continued shift of sales volume to non-stationary distribution channels, there was a distinct intensification of the competitive situation in 2005. This was mainly provoked by competitors from other countries who were striving to establish or expand their market shares in Germany. One of the consequences thereof was the marked increase in costs for advertising in popular media. As already observed in the previous year, there was a further increase in the costs for new customer acquisition. It can be assumed that this trend will continue in 2006, with the result that only those companies which expand their customer base and retain a substantial share of existing customers will be able to survive and remain profitable in the long term.

In the Company's view a sustained expansion of the customer, sales and thus revenue base can only be achieved by continuing the adopted strategy, according to which customer expectations are fulfilled by ongoing adjustment of the product range and Internet site.

No legal risks exist, since no legal disputes of economic significance are pending. Nor are any risks affecting the security of computer systems currently recognisable.

The issue of a convertible bond carried out in the past financial year enabled the continuation of business activities. The current balance sheet deficit of Travel24.com AG amounting to € 5,825 thousand is covered by the following factors:

- Pursuant to Article 2 Section 3 of the Convertible Bond Conditions, at the end of its term the convertible bond issued in July 2003 contains a tender right of the Company, according to which the entire debenture loan is to be converted to a new issue of shares; a statutory notice of termination pursuant to Article 4 Section 1 of the Convertible Bond Conditions with simultaneous repayment of the convertible bond is precluded - both for the Company and holder of the convertible bond. Accordingly, the Managing Board is assuming that this loan cannot be taken into consideration when determining the status of overindebtedness.

- The value of the Travel24 brand contains hidden reserves, which - irrespective of the qualification of the convertible bond - more than compensate for the negative equity.

Furthermore, the Managing Board is working on the assumption that the inflow of liquidity in early 2006 will be sufficient to convey the Company into a condition of financial independence. The achievement of this goal hinges on the successful implementation of the business concept approved by the Managing Board. Should this not be possible, the solvency of the parent Company and thus the Group overall will be jeopardised.

6. Events of particular significance subsequent to the balance sheet date

The increase in equity capital implemented in February 2006 (150,000 shares at € 2.70 each) and the placement of dividend right certificates in March 2006 (357,685 rights at € 3.00 each) resulted in total net cash of € 1.5 million.

In addition, Travel24.com AG repurchased convertible bond stock from the convertible bond issued in 2003. The purchase price for the nominal value of € 2.15 million was € 0.4 million. After allowing for the capital decrease, a portion of these shares was re-issued.

7. Outlook

According to leading market research institutes, due to the low proportion of non-stationary distribution channels in Germany, the widely predicted continued upswing in the online travel market will take place at a faster rate than the European average. Travel24.com AG continues to enjoy a high degree of familiarity and affinity in all market surveys, and this correlates to the increasing propensity of customers to book over the Internet. Given the appropriate funding, this constitutes a promising starting situation not only for retaining the existing market share, but also for further expanding and serving it.

Munich, April 2006

Ph. Kohler

Philip Kohler　　　　Marc Maslaton

Consolidated Financial Statements 2005

Consolidated balance sheet as of 31 December 2005

ASSETS	Note #	31. Dec. 2005 € 000	31. Dec. 2004 € 000
current assets			
cash and cash equivalents short-term investments / marketable securities	3	193	614
trade accounts receivable	4	170	92
other accounts receivable and assets	5	632	593
total current assets		**996**	**1,299**
non current assets			
intangible assets	6; 7	112	611
property, plant and equipment	6	136	162
investments	6	116	203
total non current assets		**364**	**976**
total assets		**1,360**	**2,275**

LIABILITIES and SHAREHOLDERS' EQUITY	Note #	31. Dec. 2005 € 000	31. Dec. 2004 € 000
current liabilities			
accrued expenses	8	758	922
trade accounts payable	9	871	1,150
other current liabilities	9	232	164
total current liabilities		**1,861**	**2,236**
non current liabilities			
convertible bond	9	4,907	2,274
total non current liabilities		**4,907**	**2,274**
shareholders' equity	10		
share capital		1,610	15,000
additional paid-in capital		1,788	62,840
remuneration from share options		-50	-150
accumulated deficit		-8,756	-79,925
total shareholders' equity		**-5,408**	**-2,235**
total liabilities and shareholders' equity		**1,360**	**2,275**

Consolidated statement of income from 1 January to 31 December 2005

	1. January - 31. December 2005 € 000	1. January - 31. December 2004 € 000
revenues	1,796	2,846
other operating income	357	379
personnel expenses	-2,187	-2,788
depreciation of property, plant and equipment and of intangible assets	-572	-124
other operating expenses	-3,507	-4,728
operating loss	**-4,113**	**-4,415**
interest income	50	76
interest expenses	-760	-578
result before income taxes	**-4,823**	**-4,917**
income tax	0	0
net loss / income	**-4,823**	**-4,917**

net loss per share	1. January - 31. December 2005		2004	
	basic	diluted	basic	diluted
weighted average number of shares outstanding	1,395,636	2,339,282	1,219,014	1,609,924
net loss (in € 000)	-4,823	-4,823	-4,917	-4,917
per share (in €)	-3.46	-2.06	-4.03	-3.05

Consolidated cash flow statement from 1 January to 31 December 2005

		Note #	1. Jan. - 31. Dec. 2005 € 000	2004 € 000
net loss			-4,823	-4,917
	depreciation and amortization		572	124
	financial result		710	502
	decrease in provisions		-164	-343
	losses on the disposal of fixed assets		-6	32
	change in net working capital		-279	417
	non-cash items		68	96
net cash used in operating activities		22	**-3,922**	**-4,089**
(-)	purchase of property, plant and equipment		-57	-69
(+)	proceeds from sale of equipment / repayment of loans		103	54
net cash used in / provided by investing activities		22	**46**	**-15**
(+)	accruals from the issuance of share capital		1,581	3,671
(+)	payments on convertible bond		1,898	0
(-)	interest paid		-24	-14
net cash provided by financing activities		22	**3,455**	**3,657**
net decrease / increase in cash and cash equivalents			**-421**	**-447**
cash and cash equivalents at beginning of period			614	1,061
cash and cash equivalents at end of period		22	193	614

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.

Development of consolidated share capital from 1 January to 31 December 2005

(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. December 2003	**11,600,000**	**0**	**11,600**	**0**	**62,627**	**-303**	**0**	**-75,008**	**-1,083**
capital increase for cash (authorised capital approved in 2003)	3,400,000		3,400		465				3,865
expenses for procurement of equity *					-194				-194
purchase / disposal of treasury stock									0
issue of stock options and partial deferred expenses for remuneration from stock options					-58	153			95
net loss								-4,917	-4,917
as of 31. December 2004	**15,000,000**	**0**	**15,000**	**0**	**62,840**	**-150**	**0**	**-79,925**	**-2,235**
as of 31. December 2004	**15,000,000**	**0**	**15,000**	**0**	**62,840**	**-150**	**0**	**-79,925**	**-2,235**
capital increase for cash	40		0						0
equity cut & reverse share split	-13,636,400		-13,636		-62,356			75,992	0
convertible bond warrants					1,170				1,170
expenses for procurement of equity *					-121				-121
capital increase through conversion of convertible bonds	245,944		246		286				532
issue of stock options and partial deferred expenses for remuneration from stock options					-32	100			68
net loss								-4,823	-4,823
as of 31. December 2005	**1,609,584**	**0**	**1,610**	**0**	**1,788**	**-50**	**0**	**-8,756**	**-5,408**

* 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

for the financial year from 1 January to 31 December 2005

1. Business purpose and group structure

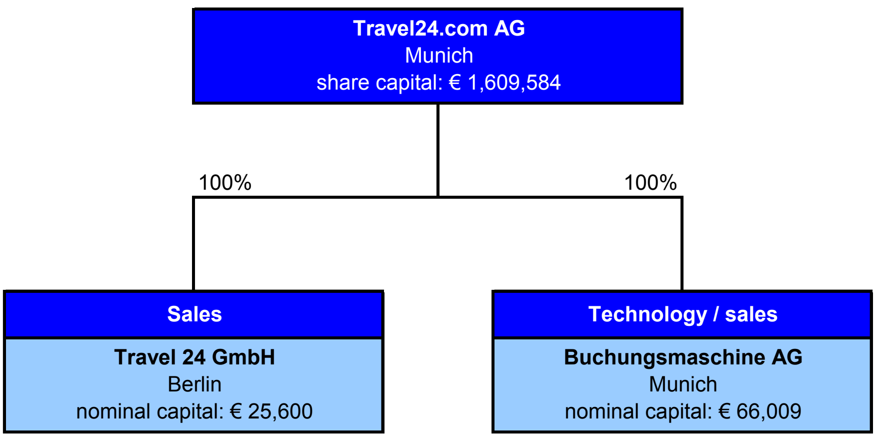
Travel24.com AG, Munich, was founded with the adoption of the Articles of Association on 22 February 1996 as Travel Systems AG and recorded in the commercial register at Munich Local Court on 27 February 1996. The Company's name was changed to Travel24.com AG by shareholders' resolution on 14 February 2000 and the change was recorded in the commercial register on 24 February 2000. Since 15 March 2000 the Company's shares have been listed on Frankfurt Stock Exchange (Prime Standard, until 31 December 2002: *Neuer Markt)*.

The business activities of Travel24.com AG - hereinafter referred to as the Company - and its subsidiaries comprise 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").

As of 31 December 2005 the reporting entity consisted of the following subsidiaries:

	ownership share	subscribed capital	equity	net profit (loss) for the year	
		31.12.2005	31.12.2005	2005	2004
	%	€ 000	€ 000	€ 000	€ 000
Buchungsmaschine AG, Munich	100	66	-2,815	18	10
Travel24 GmbH, Berlin	100	26	-530	58	-250

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



The above Group structure resulted from the following commercial transactions:

- With the agreements of 2 June 1998 / 21 August 1998 all shareholdings in Travel24 GmbH were purchased at 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 August 16 / 17 / 18, 2000 Travel24.com AG purchased a total of 73.003% of the shares (48,189 non-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 no-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 handling of tourist services, the operation of online services and web hosting, as well as the sale of a wide variety of tourist and other services.

- On 3 June 2002 Aeroworld GmbH initiated insolvency proceedings at the Düsseldorf Local Court - not least as a consequence of the attacks of 11 September 2001 and their impact 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 consolidated entity since 2002.

2. Summary of essential accounting and valuation principles

2.1 General

Travel24.com AG has prepared its consolidated financial statements for financial year 2005 in conformance with international accounting rules, the International Financial Reporting Standards (IFRS), as they are applicable in the European Union. The basis for this is the obligation ensuing from Article 315a Section 1 German Commercial Code (HGB) in conjunction with EC Directive No. 1606 / 2002 of the European Parliament and Council dated 19 July 2002 regarding the use of international accounting standards. All mandatory standards and interpretations have been taken into account. In addition, above and beyond the compulsory disclosures according to IFRS, all declarations and explanatory notes stipulated under Article 315a Section 1 HGB have been published, as required by German commercial law for consolidated financial statements according to IFRS. The most important evaluation basis of the financial statements is amortised cost.

The consolidated financial statements were prepared in € thousand (€ ‘000).

2.2 Layout of the balance sheet and income statement

The balance sheet is classified according to maturity. The items in the income statement are classified by nature.

2.3 Reporting entity and consolidation principles

The consolidated financial statements of Travel24.com AG as of 31 December 2005 were prepared in accordance with International Accounting Principles (IFRS). The provisions valid on the balance sheet date have been applied.

The consolidated financial statements of the Company include the financial statements of Travel24.com AG and its subsidiaries as mentioned in Note 1. The annual financial statements of the companies included in the consolidated financial statements were prepared according to uniform accounting and valuation principles. All significant balances and transactions generated by the intercompany exchange of goods and services have been eliminated on consolidation in accordance with IFRS.

In the consolidation of funds the initial cost of investments was set off against the attributable equity capital at the time of purchase. The resulting differences were allocated to assets to the extent that the book value differs from the current value. Any remaining differences are treated as goodwill.

The annual financial statements in hand contain the following accounting and valuation methods which depart from German law:

- Pursuant to IFRS, revenues for travel retail services are realised at the time travel bookings are made. Under German commercial law, revenues are not realised until the start of travel.
- Deviating from commercial law, accounting and valuation treatment of deferred taxes pursuant to IAS 12 also covers the recording of losses carried forward.
- Whereas according to commercial law debts must be disclosed at their repayment amount, IFRS requires borrowed funds to be stated after deduction of the costs of procurement, i.e. net funds received. Deviating from German commercial law, expenses incurred through the issue of new shares have no effect on income and must be subtracted directly from capital reserves.
- Similarly, deviating from commercial law the fair value of existing employee profit-sharing schemes (stock options) is reflected in income over the period of expectancy.

The consolidated financial statements were prepared according to the going concern principle. The Managing Board is assuming that the parent Company's existing balance sheet deficit of € 5,825 thousand is covered by the following factors:

- Pursuant to Article 2 Section 3 of the Convertible Bond Conditions, at the end of its term the convertible bond issued in July 2003 contains a tender right of the Company, according to which the entire debenture loan is to be converted to a new issue of shares; a statutory notice of termination pursuant to Article 4 Section 1 of the Convertible Bond Conditions with simultaneous repayment of the convertible bond is precluded - both for the Company and holder of the convertible bond. Accordingly, the Managing Board is assuming that this loan cannot be taken into consideration when determining the status of overindebtedness.

- The value of the Travel24 brand contains hidden reserves, which - irrespective of the qualification of the convertible bond - more than compensate for the negative equity.

Furthermore, the Managing Board is working on the assumption that the inflow of liquidity in early 2006 will be sufficient to convey the Company into a condition of financial independence. The achievement of this goal hinges on the successful implementation of the business concept approved by the Managing Board. Should this not be possible, the solvency of the parent Company and thus the Group overall will be jeopardised.

2.4 Use of estimates

For some items the preparation of the consolidated financial statements in compliance with IFRS necessitates assumptions which have an effect on the measurement and recognition of assets and liabilities in the balance sheet or income and expenses in the Group's income statement and the declaration of contingent assets and liabilities. The main assumptions and estimates are related to the assessment of the impairment of intangible assets, in particular goodwill, the collectability of debts and the accounting and valuation of provisions. The assumptions and estimates are based on the currently available state of knowledge. In particular, the predicted business development was based on the conditions prevailing when the consolidated statements were prepared and a realistic assumption for the future development of the global and industry-specific environment. The most complex assumptions were made for the impairment test on goodwill. For specific details of these assumptions please see Item 7.

2.5 Cash and cash equivalents

The Company considers all cash with a term of three months or less at the point in time of their acquisition as cash equivalents.

2.6 Fixed assets

Property, plant and equipment and purchased software are stated at cost. Expenditures for significant renewals and improvements are capitalised. Repair and maintenance costs are charged to expense as incurred. Depreciation is calculated using the straight-line method based upon the useful life of the assets. Equipment and office furnishings three to eight years; software three to five years. IAS 36.54f. permits only extraordinary amortisation on goodwill. The impairment test must be performed annually.

2.7 Financial assets / current financial assets

Financial assets and current financial assets are capitalised on the settlement date, i.e. point in time the receivables came into existence, at their historical cost or at amortised cost. If the cash value is below the carrying amount of the asset, extraordinary depreciation must be calculated.

2.8 Accruals
Provisions are formed if an obligation to a third party resulting from previous earnings is likely to lead to a future cash outflow and if this financial charge can be reliably estimated. The value of the provisions is reviewed as of each balance sheet date.

2.9 Liabilities
Liabilities were stated at amortised cost.

2.10 Employee participation program (stock-based compensation)
The Company has shown existing employee stock option plans in the balance sheet using the IFRS 2 Standard Share-based Payment of 18 February 2004. Under this method, all share options issued to employees must be recognised as an expense in the income statement. 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.

2.11 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, if necessary).

2.12 Changes in disclosure and accounting methods
Due to adjusted interest rates the Company has revalued the convertible bond issued in 2003. In conformance with IAS 8.22 the adjustment was made retrospectively and with no effect on net income. The comparable figures for financial year 2004 were thus adjusted as though the valuation had been carried out in financial year 2003 at the changed interest rate. The convertible bonds were adjusted by € 177,000 as of 1 January 2004 (adjustment as of 1 January 2005 by € 8 thousand), capital reserves by € 291 thousand as of 1 January 2004 and the balance sheet loss by € 114 thousand as of 1 January 2004 (adjustment as of 1 January 2005 by € 299 thousand). In financial year 2004 there was a € 185 thousand increase in the loss for the period from € 4,732 thousand to € 4,917 thousand. This had no effect on the tax result. Because existing tax loss carryforwards could not be used, deferred tax assets were fully written off.

3. Liquid funds and securities

The funds shown include current, fixed deposit and time-deposit accounts at financial institutions, as well as 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	
	2005	2004
	€ 000	€ 000
cash, cheques and bank balances	12	242
term deposits up to 3 months	131	322
total cash and cash equivalents	143	564
term deposits over 3 months, as well as reserved deposits	50	50
total marketable securities	50	50
grand total	**193**	**614**

4. Trade receivables

All receivables shown have a term of up to one year.

5. Other receivables and assets

Other receivables and assets comprise the following:

	31. December	
	2005	2004
	€ 000	€ 000
Taxes:		
capital gains tax and surcharge (solidarity tax contribution)	3	3
sales tax	13	11
sub-total taxes	15	14
amount outstanding on convertible bond	0	3
advance payments for travel services	254	94
performance bonds and deposits	21	7
debit balances of accounts payable	18	29
loans granted	310	402
other	13	44
sub-total other prepaid expenses & assets	617	579
grand total	**632**	**593**

All other receivables and assets have terms of up to one year.

6. Fixed assets

Fixed assets and investments as of 31 December 2005 are shown in the movement schedule on the following page:

Travel24.com AG - Group

development of fixed assets in the 2004 financial year

	acquisition and production costs					depreciation and amortization					residual book values	
	1.1.2005	additions	disposals	transfers	31.12.2005	1.1.2005	additions	disposals	transfers	31.12.2005	31.12.2005	31.12.2004
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
I. intangible assets												
1. software	340	2	0	0	342	338	1	0	0	339	3	2
2. Goodwill	6,527				6,527	5,918	500			6,418	109	609
	6,867	2	0	0	6,869	6,256	501	0	0	6,757	112	611
II. tangible assets												
other fixtures and fittings, tools and equipment	603	54	50	0	607	441	71	41	0	471	136	162
III financial assets												
1. investments	5,337		0		5,337	5,334		0		5,334	3	3
2. loans due from entities with which the Company is linked by virtue of participating interests	4,088				4,088	4,088				4,088	0	0
3. other loans	279	0	166		113	79		79		0	113	200
	9,704	0	166	0	9,538	9,501	0	79	0	9,422	116	203
	17,174	57	216	0	17,015	16,198	572	120	0	16,650	364	977

7. Goodwill

Goodwill comprises the following:

	goodwill	write-down	accumulated depreciation	net book values	
		2005	31.12.2005	31.12.2005	31.12.2004
	€ 000	€ 000	€ 000	€ 000	€ 000
Buchungsmaschine AG	6,256	500	6,256	0	500
Travel24 GmbH	271	0	162	109	109
total consolidated companies	**6,527**	**500**	**6,418**	**109**	**609**

The sum of € 500,000 shown as an addition to the write-off on goodwill relates to the value adjustment to the shareholding in Buchungsmaschine AG carried out in the course of the impairment test.

In conformance with IAS 22 (Business Combinations), goodwill - including that resulting from consolidation - was capitalised up until and including financial year 2003 and subject to linear amortisation over its anticipated useful life of maximum 20 years. Since the Group already started applying the authoritative amendment of the IFRS 3, IAS 36 and 38 rules from financial year 2004 onwards - although this only became mandatory for consolidated financial statements for financial year 2005 - scheduled amortisation is no longer calculated on the goodwill shown in the consolidated balance sheet at the end of financial year 2003. Instead, it is subjected to an annual impairment test. The Group management first performed this test on 31 December 2004. No need for value adjustment ensued from this. The Group management performed a further impairment test on 31 December 2005. The result of this test was that the carrying value of the declared goodwill was impaired.

For the purposes of the impairment test the book values of the two only goodwill components were assigned to the relevant cash-generating units (CGUs) Buchungsmaschine AG (Travel Technology) and Travel24 GmbH (Travel Marketing & Distribution). Prior to the impairment test the book value of the goodwill attributed to Buchungsmaschine AG was € 500 thousand and subsequent to the impairment test € 0. Prior to and in the absence of a write-down, even after performing the impairment test, the book value of goodwill accorded to the CGU Travel24.com AG was € 109 thousand.

The recoverable amounts were determined as a fair value, less selling costs. The calculation was made according to the DCF method. The cash flow forecasts based on the latest budget approved by the management were used to determine the recoverable amount. The forecasts were, in turn, based on the following assumptions. Assumptions which demonstrated the highest sensitivity with reference to a change in the recoverable amount of the CGU were regarded as fundamental.

The forecasts for the CGU Buchungsmaschine AG are based on the following assumptions:
- Termination of programming activities of Buchungsmaschine AG, in conjunction with the discontinuation of licensing revenue for self-engineered booking modules from April 2006.
- Continuation of travel retailing activities for approx. 30 key account third-party portals run by their own or third-party resources.
- Consequently, from the second half of 2006 onwards, i.e. upon conclusion of all effects from winding-up the programming activities, Buchungsmaschine AG posted reduced, but nevertheless sustained, cost-covering revenues.

The forecasts for the CGU Travel24.com AG are based on the following assumptions:
- Transfer of all travel retailing activities in favour of its own customers to Travel24 GmbH, resulting in a further increase in Internet and call centre-induced revenue.
- Stable and profitable continuation of stationary travel agency activities on the works premises at Ingolstadt and Neckarsulm.

- Retention of the slim and flexible cost structure which led to positive trading results in the reporting year.

Detailed business planning served the Company as a basis for the cash flow forecasts of the CGUs Buchungsmaschine AG and Travel24 GmbH for a period of three years. An extrapolation was made for the time beyond, based on the last detailed planning period. A growth rate commensurate with the general price trends was assumed for the purpose.

For the calculation of the recoverable amount, the future cash flows of the CGUs Buchungsmaschine AG and Travel24 GmbH were discounted at a risk-adjusted rate of 14.3% before tax.

Because the fair value determined by the DCF method for the CGU Buchungsmaschine AG, less selling costs, lay below the book value, non-scheduled depreciation was calculated on the goodwill equal to the difference of € 500 thousand.

8. Accruals

Provisions at the balance sheet date comprise the following:

	31. December 2004	appropriation	usage	dissolution	31. December 2005
	€ 000	€ 000	€ 000	€ 000	€ 000
legal disputes	632	427	588	2	469
personnel expenses	65	193	204	0	53
Supervisory Board remuneration	106	36	62	0	81
other	119	214	177	1	155
grand total	**922**	**870**	**1,031**	**3**	**758**

The decline in provisions for legal disputes is for the main part attributable to the final settlement of disputes in the wake of the insolvency of Aeroworld GmbH and the repayment of all liabilities in connection with the lawsuit initiated by Lufthansa Systems.

9. Liabilities

	with a residual term of		31. December	
	up to 1 year	1 to 5 years	2005	2004
	€ 000	€ 000	€ 000	€ 000
trade accounts payable	871	0	871	1,150
other current liabilities	232	0	232	164
convertible bonds	0	4,907	4,907	2,274

Convertible bonds refer to the convertible bonds issued by the Company in 2003 and 2005. The convertible bonds were disclosed to the amount of the value received, allowing for option premiums and compounding according to the effective interest method.

Due to adjusted interest rates the Company has revalued the convertible bond issued in 2003. In conformance with IAS 8.22 the adjustment was made retrospectively and with no effect on net income. The comparable figures for financial year 2004 were thus adjusted as though the valuation had been carried out in financial year 2003 at the changed interest rate. The convertible bonds were adjusted by € 177 thousand as of 1 January 2004 and € 8 thousand as of 1 January 2005.

The convertible bond has a term until July 2008 and a conversion price of € 1.00 per share. Conversion rights may be exercised at any time until the final due date.

Collateral was furnished for the convertible bond 2003 in the form of liens.

Other current liabilities comprise the following:

	31. December	
	2005	2004
	€ 000	€ 000
social security; salaries & wages; wage and church tax	117	83
credit balances in accounts receivable	35	40
advance payments received	79	41
grand total	**232**	**164**

10. Equity

Share capital
As of 1 January 2000 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 (Article 207 et seq. 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 € 1.00 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 € 1.00. 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 € 29.00.

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 implementation of the cash capital increase of € 2,400,000 was recorded 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 € 1.00 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 Munich Local Court on 14 May 2001. The new shares are admitted to trading on 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 contribution or contributions in kind. Through the subsequent issue of 1,127,394 new no-par value bearer shares in December 2003 at an issue price of € 1.00 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 Munich Local Court on 15 December 2003. The new shares are admitted to trading on the stock exchange. By way of a resolution by the Supervisory Board on 19 February 2004, a further 1,150,000 new no-par value bearer shares were been issued with an issue price of € 1.10 per share. The share capital then totalled € 12,750,000. This was recorded in the commercial register on 24 February 2004. By resolution of the Supervisory Board on 5 March 2004 a further 1,000,000 new no-par value bearer shares were issued at an issue price of € 1.35 per share. This was recorded in the commercial register on 19 March 2004. The total of 2,150,000 shares issued in 2004 in the first tranche of the Authorised Capital of 21 August 2003 are admitted to trading on the stock exchange and carry dividend rights since 1 January 2003. After implementation of these capital increases the Company’s share capital totalled € 13,750,000.

The creation of new Authorised Capital resolved by the ordinary general meeting on 5 July 2004 in the amount of € 6,875,000 was partially exploited by way of a resolution by the Supervisory Board dated 30 November 2004 by issuing 800,000 new no-par value bearer shares with an issuing price of € 1.00 per share. As a result the share capital increased to € 14,550,000. The capital increase was recorded in the commercial register on 7 December 2004. By way of the resolution of the Supervisory Board on 20 December 2004 a further 450,000 new no-par value bearer shares were issued at an issue price of € 1.00 per share, increasing the share capital to € 15,000,000. This last capital increase was recorded in commercial register on 17 January 2005. Since 1 January 2004 all 1,250,000 Company shares issued in 2004 resulting from the authorized capital of 5 July 2004 are entitled to a share in profits; an application has been made for admission to trading at the stock exchange.

By resolution of the Annual General Meeting on 3 August 2005 the Company’s share capital was increased against cash in partial exploitation of the Authorised Capital (Article 4 Section 4 of the Articles of Association) by € 40.00 from € 15,000,000.00 to € 15,000,040.00 by issuing 40 new no-par value bearer shares, each representing € 1.00 of the share capital, at an issue price of € 1.00 For the purpose of compensating impairment of assets and offsetting losses, the Company’s share capital was reduced by € 13,636,400 from € 15,000,040 to € 1,363,640 by a simplified procedure (Article 229 et seq. AktG). In order to preserve the proportional minimum par value per share (Article 8 Section 3 AktG) the no-par value shares were consolidated in a ratio of 11:1. These measures were recorded in the commercial register on 26 and 27 September 2005.

In November and December 2005 a total of 245,944 bonds from the convertible loan of 2005 were converted, and as of 31 December 2005 the share capital stood at € 1,609,584.00. An application has been made to record these measures in the commercial register.

The share capital of the Company amounts to € 1,609,584.00 and is divided into 1,609,584 no-par value bearer shares.

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 I 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). Authorised Capital to the amount of € 872,606 was exercised within the framework of the contribution in kind 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 empowered for the period through to 12 December 2005, subject to the consent of the Supervisory Board, to increase the Company's share capital 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). By way of a resolution of the shareholders' meeting of 5 July 2004 the Authorised Capital II was rescinded with a view to the revised arrangements for Authorised Capital with effect from the date of entry of the new Authorised Capital.

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 contributions or contributions in kind. 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 contributions in kind, if companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares, for

- fractional amounts due to the subscription rights,
- in the case of capital increases against cash contribution for restructuring purposes, or
- capital increases 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 dividend rights 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 Section 4 of the Articles of Association 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 no-par value bearer shares in December 2003 the Authorised Capital stood at € 4,108,909 as of 31 December 2003.

Taking into consideration the two subsequent capital increases in February and March 2004 the Authorised Capital from 21 August 2003 decreased accordingly to € 1,958,909. The empowerment of the Managing Board pursuant to Article 4 Section 4 of the Articles to increase the company's share capital (Authorised Capital) up until 20 August 2008, subject to the approval of the Supervisory Board, through one or more issues of new no-par value bearer shares against cash contributions or contributions in kind up to a maximum of € 1,958,909 (original empowerment: € 5,236,303) was rescinded due to the revised arrangements for Authorised Capital with effect from the date of recording of the new Authorised Capital by resolution of the shareholders on 5 July 2004.

The Managing Board was empowered by resolution of the shareholders' meeting on 5 July 2004, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of € 6,875,000 (Authorised Capital) by no later than 4 July 2009 through one or more issues of new non-par-value bearer shares against cash contributions or contributions in kind. 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 contributions in kind if companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares
- fractional amounts due to the subscription rights,
- in the case of capital increases against cash contribution for restructuring purposes, or
- if capital increases are made against cash contributions, 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 dividend rights 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 Section 4 of the Articles of Association was revised. This shareholders' resolution was recorded in the commercial register on 14 July 2004.Taking into account the issue of 1,250,000 new no-par value bearer shares in December 2004 the Authorised Capital stood at € 5,625,000 as of 31 December 2004.

After allowing for the authorisation by the AGM on 3 August 2005 to partially exploit the Authorised Capital (Article 4 Section 4 of the Articles of Association) for the issue of new no-par value bearer shares, each representing € 1.00 of the share capital, at an issue price of € 1.00, Authorised Capital stood at € 5,624,960. This shareholders' resolution was recorded in the commercial register on 26 and 27 September 2005.

Contingent Capital
Stock option programme
The Company's share capital was conditionally increased by a nominal sum of € 299,999.97 (Contingent Capital). The contingent capital increase only was implemented to the extent that the holders of stock options exercised the option rights issued by the Company's Managing Board on the basis of the authorisation of the general meeting on 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. Since all 9,900 options granted have meanwhile been properly terminated, Contingent Capital I was withdrawn by shareholders' resolution on 5 July 2004.

By way of a resolution by the shareholders' meeting on 25 June 2001 the Company's share capital was increased by a nominal sum of € 900,000 through a conditional 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. Of these, 552,250 options have been accepted. Whilst 196,000 options had reverted to the Company by the end of financial year 2001, 230,500 options had been properly cancelled in 2002. 30,000 options were accepted in 2003 and 12,750 terminated. In addition, as second tranche was added in August 2003 with the issue of 321,500 options. As a result, the total number of stock options issued and not terminated totalled 464,500 on 31 December 2003. By way of a resolution by the shareholders' meeting on 5 July 2004, in view of the new additional contingent capital to be newly created for the 2004 stock option program, Contingent Capital II was renamed to become Contingent Capital I and withdrawn in the amount for which options had not yet been issued. As a result, the capital renamed as Contingent Capital I was withdrawn in the amount of € 435,500. Of the remaining options, 71,000 options were terminated in the course of 2004 and 36,750 options in the year under review, so that as of 31 December 2005 the number of subscription rights from Contingent Capital I totalled 356,750.

In order to service the 2004 stock option program resolved on 5 July 2004, by way of a resolution of the shareholders' meeting of the same date the Company's share capital was conditionally increased by up to a nominal amount of € 910,500 by issuing up to 910,500 no-par value bearer shares (Contingent Capital II) The conditional capital increase exclusively serves to issue stock options, with the approval of or by the Supervisory Board, to the members of the company's Managing Board, the managing directors of affiliated companies in compliance within the meaning of Article 15 AktG and to employees of the company and its related companies in compliance with Article 15 AktG as adopted by the resolution of the general meeting on 5 July 2004. The contingent capital increase will be carried out to the extent that holders of subscription rights exercise such rights and insofar as the Company does not grant its own shares in fulfilment of the subscription rights or utilise existing authorised capital. The shares issued under subscription options will be issued at a basic price which will be calculated in line with the principles set out in the authorisation resolution. The shares issued under subscription rights carry dividend rights from the start of the fiscal year in which they are created by exercising the options. The Managing Board - insofar as it itself is involved, the Supervisory Board - is authorised to stipulate the further details of the contingent capital increase and the contingent capital increase itself with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association in line with the implementation of the capital increase from Contingent Capital II.

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 and / 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 rights 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 subscription 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 Article 186 Section 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 subscription rights, as well as the Company's own shares that are resold with the exclusion of subscription 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 proportionate amount of the shares issued in the 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 € 1.00 nominal value of the convertible bonds). Subject to the convertible bond conditions, the conversion right may be exercised at any time during the entire term. The conversion price is € 1.00 per share, less the nominal value of the bond.

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

By resolution of the general meeting on 5 July 2004 the Company's share capital was nominally increased by € 1,200,000 subject to contingencies by issuing up to 1,200,000 new no-par value bearer shares with dividend rights from the start of the financial year in which they are issued (Contingent Capital IV). The Managing Board has been authorised, with the consent of the Supervisory Board, to float no-par value bearer and / or registered convertible bonds valued at up to € 1,200,000 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 1,200,000 new shares in the Company, proportionately representing up to € 1,200,000 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. The contingent capital increase serves to grant shares to the holders of convertible bonds options issued by the Company on the basis of the authorisation granted by the shareholders' meeting on 5 July 2004. New shares are issued against payment of the conversion price as set out in the corresponding authorisation resolution. The contingent capital increase is only to be implemented to the extent that the conversion rights from the convertible bonds are used.

The Managing Board - insofar as it itself is involved, the Supervisory Board - is authorised to stipulate the further details of the contingent capital increase with the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association in line with the implementation of the capital increase from Contingent Capital IV.

Shareholders generally shall have the right to subscribe. The subscription right may, however, be excluded in three exceptional cases:

- If pursuant to Articles 186 Section 3 (4), Section 4 (2), 221 Section 4 AktG (pursuant to Article 221 Section 4 (2) AktG, the provisions of Article 186 Section 3 (4) apply analogously to the exclusion of subscription rights in the issue of convertible bonds) the issue price does not lie significantly below the theoretical market price of the convertible bonds determined by generally accepted investment mathematical principles and the shares to be issued in satisfaction of the conversion privileges pursuant to Article 186 Section 3 (4) AktG do not exceed 10% of the share capital.
- 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 proportionate amount of the shares issued in the 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 € 1.00 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 € 1.00 per share, less the nominal value of the bond.

The convertible bond was placed on 4 July 2005 at a subscription price of € 3.00 per fractional debenture.

Stock option plan 2000

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 € 29.00 per share. This corresponds to 100% of the market value on the issuing day. The vesting period for these shares was 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 on exercise periods, disposal rights, termination possibilities and taxation have been laid down within the framework of the stock option program. None of these options were exercised. All option rights from this stock option plan were properly cancelled and by shareholders’ resolution of 5 Juli 2004 the contingent authorised capital withdrawn.

Stock option plan 2001

Under the stock option plan of 30 July 2001, 552,250 options for the purchase of 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 on exercise periods, disposal rights and taxation have been laid down within the framework of the stock option program. To date none of these options have been exercised. In the past financial year, 12,500 options of this tranche were terminated, and as of 31 December 2005 95,250 shares subject to the original regulations of 2001 were still in circulation.

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. In the past financial year, 24,250 options of this second tranche were terminated, so that 261,500 shares subject to the original regulations of 2003 were still in circulation as of 31 December 2004.

Employee Participation Programme

The market value of the options granted in 2000, 2001 and 2003 were calculated at the point in time the commitments were made 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. 2005**	**261,500**	**95,250**	**0**
	31. Dec. 2004	285,750	107,750	0
expense booked (in € 000)	**2005**	**76**	**-8**	**0**
	2004	91	4	0

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

	2005 number of weighted average issued options	2005 Ø strike Price €	2004 number of weighted average issued options	2004 Ø strike Price €
as of 1. January	393,500	1.33	464,500	1.33
granted	0	-	0	-
exercised	0	-	0	-
terminated	-36,750	1.33	-71,000	1.33
as of 31. Dec.	**356,750**	**1.33**	**393,500**	**1.33**

Effects of valuation changes

Due to adjusted interest rates the Company has revalued the convertible bond issued in 2003. In conformance with IAS 8.22 the adjustment was made retrospectively and with no effect on net income. The comparable figures for the financial year 2004 were thus adjusted as though the valuation had been carried out in financial year 2003 at the changed interest rate. The consolidated balance sheet loss was increased by € 114 thousand as of 1 January 2004 and by € 299 thousand as of 1 January 2005 and capital reserves were reduced by € 291 thousand as of 1 January 2004. In the financial year 2004 there was a € 185 thousand increase in the loss for the period from € 4,732 thousand to € 4,917 thousand.

11. Sales revenues

Sales revenues of the Group may be divided into the following business activities:

	2005 € 000	2004 € 000
travel sales commission	1,666	2,256
other revenues	130	590
grand total	**1,796**	**2,846**

12. Other operating income

Other operating income comprises the following:

	2005 € 000	2004 € 000
reversal of accruals and deferred liabilities	3	14
rental income	12	59
other income	342	306
grand total	**357**	**379**

13. Personnel expenses

The amounts shown under personnel costs and number of employees are as follows:

	2005 € 000	2004 € 000
salaries and wages	1,879	2,387
payroll deductions	308	401
grand total	**2,187**	**2,788**

number of employees (yearly average; excl. management board)	2005	2004
- headcount	55.0	69.8
- full time equivalence	42.6	54.3

14. Other operating expenses

Other operating expenses comprise the following:

	2005 € 000	2004 € 000
occupancy costs	260	303
IT / communication	542	676
marketing expenses / advertisement / commission transfer	904	1,961
investor relations	78	19
car and travel expenses	184	169
legal and consultancy fees, accounting expenses, legal disputes	1,115	921
supervisory board fees	48	73
insurance, dues, contributions	123	97
losses on the disposal of fixed assets	0	32
bad debt loss, allowance	130	120
other expenses	120	357
grand total	**3,507**	**4,728**

15. Net interest income / loss

Net interest income / loss is primarily impacted by interest charges in connection with the convertible bond.

	2005 € 000	2004 € 000
interest on convertible bond	-736	-564
other interest expense	-24	-14
other interest income	50	76
financial result	**-710**	**-502**

16. Income tax

Deferred taxes are calculated according to the stipulations of IAS 12. Taxes paid or owed on income and earnings, together with deferred taxes, must always be shown under income tax. Deferred taxes are ascertained on temporary differences between the assigned value of assets and liabilities in the IFRS and tax balance sheet, from consolidation processes and realisable loss carryforwards. An anticipated tax rate of 40% is taken as a basis.

Due to recognition and valuation differences for individual liability items, unbalanced deferred tax liabilities of € 452 thousand were formed. Deferred tax assets in the same amount were formed on useable tax loss carryforwards. Since the deferred tax claims and debts relate to one and the same taxable entity, the sums were netted out. Deferred tax assets were formed on the loss carryforwards in excess of this. Since these deferred tax assets will probably be unusable to a large extent, they were fully written down.

Deferred tax assets and liabilities are included in the following items:

	deferred taxes - assets side		deferred taxes - liabilities side	
	31. December		31. December	
	2005	2004	2005	2004
	€ 000	€ 000	€ 000	€ 000
trade accounts payable	0	0	70	73
convertible bond	0	0	381	54
tax-deductible loss carryforward	452	127	0	0
	452	127	452	127
net balance	-452	-127	-452	-127
	0	**0**	**0**	**0**

Due to the negative net result for the year, no actual tax expenses were recorded.

17. 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 divisions and services and are conducted by the following companies:

Business segment	Company
Travel marketing & distribution Travel retail	**Travel24.com AG**, Munich **Travel24 GmbH,** Berlin **Buchungsmaschine AG**, Munich
Travel technology Development and operation of system components for Internet-based information and reservation systems	**Buchungsmaschine AG**, Munich

Segment information by business division:

segment presentation for 2005	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24-Group € 000
revenues - trade	1,633	163		1,796
- intersegment	0	0	0	0
total revenues	1,633	163	0	1,796
operating result	-3,550	-492	-71	-4,113
interest income				50
interest expenses				-760
net loss				-4,823
segment assets	2,621	136	-1,397	1,360
segment liabilities	1,375	1,425	-1,397	1,403
unassigned liabilities				458
consolidated liabilities	1,375	1,425	-1,397	1,861
capital expenditure	3	53	0	57
ordinary depreciation	48	24	0	72

segment presentation for 2004	Travel Marketing & Distribution € 000	Travel Technology € 000	Eliminations € 000	Travel24-Group € 000
revenues - trade	2,610	236	0	2,846
- intersegment	63	0	-63	0
total revenues	2,673	236	-63	2,846
operating result	-4,048	-478	111	-4,415
interest income				76
interest expenses				-578
net loss				-4,917
segment assets	4,541	162	-2,428	2,275
segment liabilities	2,323	618	-2,428	512
unassigned liabilities				526
consolidated liabilities	2,323	618	-2,428	1,038
capital expenditure	11	58	0	69
ordinary depreciation	84	40	0	124

Geographic segments do not exist within the Travel24.com Group, because the Group's business units operate only on a national basis.

18. 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, if necessary).

The ratios for earnings per share are as follows:

	1. January - 31. December			
net loss per share	2005		2004	
	basic	diluted	basic	diluted
weighted average number of shares outstanding	1,395,636	2,339,282	1,219,014	1,609,924
net loss (in € 000)	-4,823	-4,823	-4,917	-4,917
per share (in €)	-3.46	-2.06	-4.03	-3.05

19. Contingent liabilities and other financial obligations

Fixed-term deposits to the sum of € 124 thousand were transferred to the IATA.

Furthermore, Travel24.com AG has issued declarations of comfort in the amount of € 355 thousand.

As of 31 December 2005 the following obligations existed:

	2006	2007	2008	2009	2010
	€ 000	€ 000	€ 000	€ 000	€ 000
office rent	97	92	92	92	92
car leases	8	1	0	0	0
services / consulting fees	421	400	400	400	400
licenses / software systems	37	37	37	37	37
grand total	**563**	**530**	**529**	**529**	**529**

20. Uncertainties and events after the balance sheet date

A detailed summary of corporate risks and events after the balance sheet date is to be found in the Consolidated Management Report, which in conformance with German law was prepared and published simultaneously with these Annual Financial Statements.

21. Hedging policy

The Group generates no foreign revenue and undertakes no significant procurement activities in other countries. Its sole means of financing are equity capital and convertible bonds. Derivates do not exist, thus no special hedging policy is called for.

22. Notes to the cash flow statement

The cash flow statement for the financial year starts with the net loss for the year. First of all, the net loss was adjusted for income and expenses not affecting payments. Then the changes in working capital were accounted for in the cash flow.

Cash flow from investment activities includes the cash outflow for investments in fixed assets and loan repayments.

Cash flow from financing activities includes the proceeds from the issue of convertible bonds and the injection of equity financing. Finally, the interest paid is shown here.

Cash and cash equivalents comprise the liquid assets shown in the balance sheet.

23. Relationships to related parties

On the basis of the shareholders' resolution of 12 June 2002 on the creation of contingent capital for the issue of convertible bonds, on 8 July 2003 Mr Christofor Henn purchased convertible bonds with a nominal value of € 2,150 thousand under the terms described under Item 10.3.2. On the balance sheet date the entitlements were valued at € 1,422 thousand.

The law firm of Haarmann, Hemmelrath and Partner, associated with Supervisory Board Member Dr Matthias Schüppen, consulted and represented Travel24.com AG in legal matters. With the consent of the Supervisory Board, in 2005 it received fees totalling € 68 thousand for its services. The business was conducted under the usual conditions for outside parties.

The remuneration of the Directors is listed under a separate item.

24. Management Board and Supervisory Board

In financial year 2005 the members of the **Managing Board** of the Parent Company were:

▪ Marc Maslaton,	Marketing, Sales, Technology	Munich (Chairman)
▪ Philip Kohler	Finance, Accounting, HR	Starnberg

At the same time, Marc Maslaton was Managing Director of Buchungsmaschine AG and of Travel24 GmbH. Philip Kohler was a member of the supervisory board of Buchungsmaschine AG.

For the discharge of their duties in the parent Company and its subsidiaries, the members of the Managing Board received remuneration totalling € 361 thousand (previous year: € 361 thousand; excluding current fixed salary).

Pursuant to Article 95 AktG (in conjunction with Article 8 of the Articles of Association) the parent Company's Supervisory Board comprises six members.

The members of the Supervisory Board are:

Andrea Bahlsen	Lawyer	Meilen, Switzerland	(Chairperson)
Joachim Semrau	Merchant	Munich	(Deputy Chairman)
Martin Amrhein	Fund manager	Frankfurt	(as of 3 August 2005)
Christofor Henn	Director of Finance, rtd.	Palma de Mallorca, Spain	
Konstantin Graf von der Pahlen	Advertising salesman	Munich	
Dr. Armin Reiners	Lawyer	Munich	(until 14 June 2005)
Dr. Matthias Schüppen	Lawyer	Stuttgart	

Cristofor Henn holds further positions with the executive bodies of Grubargés Inversión Hotelera S.A. and Barceló Crestline Corp. In addition, Dr. Armin Reiners holds a further position with an executive body of AVA Aktiengesellschaft für Vermögensplanung und Anlagemanagement. Dr. Schüppen is a member of the supervisory boards of Wacker Construction Equipment AG (until 31 July 2005) and ACCERA Venture Partners AG.

During the year under review expenses of € 48 thousand (previous year: € 73 thousand) were incurred for the Supervisory Board of Travel24.com AG.

25. Auditors' fees

The fee for the auditor of the consolidated financial statements, Allgemeine Treuhand- und Revisionsgesellschaft Rheinland mbH Wirtschaftsprüfungsgesellschaft, Düsseldorf, was recorded as an expense in the group financial year 2005. Including the reimbursement of expenses, it consisted of

a) Auditing of financial statements € 54 thousand
b) Other certifications and assessments € 0
c) Tax consultancy services € 0
d) Other services rendered to the parent Company or its subsidiaries € 0

26. Corporate governance report / Declaration of compliance with the Corporate Governance Code

Corporate governance represents a standard that applies to all areas of the Company. Transparent reporting and a management course aligned to the interests of the shareholders is a constituent part of corporate policy; responsible cooperation in a climate of trust is a sound basis for corporate activities.

In accordance with Article 161 AktG (German Stock Corporation Act) the Managing and Supervisory Boards of Travel24.com AG herewith declare that the recommendations of the Federal Ministry of Justice's "Government Commission on the German Corporate Governance Code" of 21 May 2003 to 20 July 2005, and as of 21 July 2005 the recommendations of the "Government Commission on the German Corporate Governance Code" as amended on 2 June 2005 and officially published by the Federal Ministry of Justice in the electronic Federal Gazette of 21 July 2005 have been complied with, or which recommendations were and will not be complied with.

This declaration and pertaining explanations 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.

Munich, April 2006

P. Kohler

Philip Kohler　　　　Marc Maslaton

Auditor's opinion

We have audited the consolidated financial statements prepared by Travel24.com AG, Munich, comprising the balance sheet, income statement, statement of changes in equity, cash flow statement and notes, together with the group management report for the financial year from 1 January to 31 December 2005. The preparation of the consolidated financial statements and the consolidated management report in accordance with the IFRS, as adopted by the EU, and the additional requirements of commercial law pursuant to Article 315a Section 1 HGB (German Commercial Code) are the responsibility of the Company's Managing Board. Our responsibility is to express an opinion on the consolidated financial statements and on the consolidated management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Article 317 HGB and generally accepted standards for the audit of financial statements promulgated by the German Institut der Wirtschaftsprüfer (Institute of Public Auditors, IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company's legal representative, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

With the exception of the following qualification our audit did not lead to any objections:

The liabilities of Travel24.com AG, the Parent Company included in the consolidated financial statements, exceed its assets by € 5,825 thousand. € 3,000 thousand of the current account deficit is covered by the Company's entitlement to demand the conversion to shares (right of tender) of the convertible bond issued in financial year 2003 on the final due date. The Company's Managing Board assumes that in addition to this, hidden reserves exist in the form of Travel24 trademark rights, the value of which justifies the preparation of a balance sheet under the assumption that the Company is still a going concern. On the basis of findings acquired during the audit, together with information currently available to us, we are unable to judge the accuracy of the Managing Board's valuation of the trademark rights and the related prediction for the future of the Company. In the event that the assumption of continuation of the Company's activities proves to be unfounded, provisions must be formed for liquidation costs.

Subject to this qualification, we are satisfied that according to the findings of the audit the consolidated financial statements were prepared in compliance with the IFRS, as applicable in the EU, and the additional requirements under commercial law pursuant to Article 315a Section 1 HGB (German Commercial Code), and give a true and fair representation of the net worth, financial position and earnings of the Company. The consolidated management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Without qualifying this opinion, we draw attention to the remarks contained in Section 5 (Risk report) of the combined individual and consolidated management report. The said document states that the maintenance of solvency is contingent upon implementation of the measures proposed in the corporate concept.

Düsseldorf, 24 April 2006

Allgemeine Treuhand- und Revisionsgesellschaft mbH Rheinland Wirtschaftsprüfungsgesellschaft

Reiner Distel Wirtschaftsprüfer (German Public Auditor)	Marcus Peter Wirtschaftsprüfer (German Public Auditor)

8. Press Comments in 2005

14 January 2005
"More than just looking and booking - that's the motto of the major travel sites, first and foremost … Travel24. On the clearly laid out site you'll find editorials, travel booking, a route planner for Germany, Austria and Switzerland and a bulletin board for registered users. The wide selection of hotels includes plenty of pictures."

17 January 2005
"According to company statements there are currently 14 parties interested in a takeover of the Munich-based online travel service Travel24.com. At the end of last year Germany's only publicly quoted online travel service had instructed an investment bank to sell the company. Several of the 14 interested parties have, apparently, already signed the necessary declaration of confidentiality.

22 March 2005
"In the case of complaints, anyone who has booked his vacation at Expedia, Opodo, Ebookers or Travel24 can now turn to a free arbitration body (www.reiseschiedsstelle.de, phone 0611 / 9889340) for help. As a neutral mediator, legal expert Professor Ronald Schmid will make concrete suggestions on how to solve the conflict out of court."

15 April 2005
"At the end of March Travel24.com was awarded the TÜV Safer Shopping certification, which documents the security of transactions in eCommerce."

13 May 2005
"Travel24.com is negotiating with three potential investors for an equity stake. The online travel agent needs an injection of capital to continue its business. Travel24.com announced that "an agreement had been reached on joint operations" with three interested parties.

16 June 2005
"There's a new selection of hot offers every day. What's more, the "Video hot offer" enables you to check whether the beds or the pool are really what you were expecting, even before you leave home … The perfect place to book a package holiday or weekend in Paris. No site is better laid out or simpler."

22 July 2005
"Travel24.com has issued a convertible debenture. The online travel agent placed a total of 1.2 million bonds, each with a subscription price of € 3.00. This flushed € 3.6 million into the company's accounts. The bonds were subscribed by selected shareholders and institutional investors."

04 August 2005
"Travel24 caused a bit of a stir among the Micro Caps with a 10% leap in its share price to € 0.43. Investors enjoyed the resolution to reduce share capital - to make the company an interesting prospect for a strategic alliance."

09 August 2005
"Win a trip to Cape Town! TOM TAYLOR bodytalk and travel24.com are holding a prize draw for a 7-day trip for two lovers to South Africa's city of dreams - Cape Town."

18 November 2005
"Marc Maslaton, boss of Travel24.com, has opened his arms wide in the direction of Hanover." Not only all TUI hotels and their full content are now bookable with the Munich-based company, Maslaton wants to create "a special area in which we highlight the special hotels only bookable through TUI.""

25 November 2005
"In a process of consolidation Travel24.com is winding up the Hamburg location of its subsidiary Buchungsmaschine AG and concentrating on the business activities of its one-time IT pioneer in Munich, where Travel24.com is headquartered. The call centre operations, part of the Hamburg activities, will be taken over by an outside company."

9. Key Corporate Announcements 2005

15.01.2005	Travel24.com AG attracts strong interest for takeover
22.01.2005	It's springtime at Travel24.com!
25.02.2005	Ad hoc notice: Aermatis AG and Travel24.com AG launch Travel World
30.03.2005	Travel24.com AG receives TÜV seal for secure online shopping
31.03.2005	Travel24.com AG: Figures better than at first glance
04.05.2005	Ad hoc notice: Travel24.com AG issues convertible bond
04.05.2005	Travel24.com AG rings in second round of talks
18.05.2005	Ad hoc notice: Visa Europe Services Inc. and Travel24.com AG sign agreement on VorteilVisa!
18.05.2005	Visa Europe Services Inc. enters joint venture with Travel24.com AG
02.06.2005	Ad hoc notice: Announced joint venture between Visa Europe Ltd. and Travel24.com AG fails to take off
14.06.2005	Ad hoc notice: Change in Supervisory Board of Travel24.com AG
15.06.2005	Ad hoc notice: Rejection of rights issue between 6 and 20 May 2005
01.07.2005	Ad hoc notice: Convertible bond with a total volume of € 3.6 million placed
29.07.2005	Individual and flexible with Travel24 – I'll make a note of that!
03.08.2005	Travel24.com a suitable candidate for marriage
30.08.2005	Travel24.com AG on the right path
24.10.2005	Capital decrease at Travel24.com AG is completed
11.11.2005	Travel24.com AG steps up joint venture with TUI AG

10. Financial Calendar

28 April 2006	Financials' press conference and analysts' conference
31 May 2006	Publication of Three-Month Report 2006
31 August 2006	Publication of Half-Year Report 2006
30 November 2006	Publication of Nine-Month Report 2006
30 April 2007	Publication of Annual Report 2006

11. Publication Details

Publisher
Travel24.com AG
Motorstraße 56
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German Security Code Number (WKN): A0F AP7
ISIN: DE000A0FAP75

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