Annual Report 2010

Travel24.com

Tag für Tag die besten Deals

Contents

1. Summary of Key Data

		1 January - 31 December	
		2010	2009
		TEUR	TEUR
net sales		8,979	841
revenue from ordinary activities		1,561	1,258
annual net profit		1,035	855
net gain / net loss per share (in EUR)	basic	0.51	0.80
	diluted	0.51	0.42
average number of employees (excl. Managing Board)		4.3	2.8

2. Foreword

Dear Shareholders, Customers and Business Associates,
Ladies and Gentlemen,

Financial year 2010 was characterised by the reorganisation and continued growth of the Travel24.com AG online travel business. Due to the reorganisation of online portals, efficient marketing development and first successful steps in internationalisation, a positive result has been reached. For financial year 2011, we expect a further considerable expansion of our business.

Yours,

Jan-Frederik Valentin
CEO Travel24.com AG

Leipzig, February 2011

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. The Supervisory Board dealt in depth with the economic position. The situation, however, improved significantly due to debt write-off and a constantly positive business development.

Cooperation with the Managing Board / Focus of the Supervisory Board's activities

The Supervisory Board has held ongoing discussions in its meetings 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 has permanently monitored the management. The Supervisory Board was directly involved in all decisions that were of fundamental importance to the Company.

There were no conflicts of interests of Management and Supervisory Boards members that have to be disclosed immediately to the Supervisory Board and about which the General Meeting has to be informed.

In the year under review, the Supervisory Board dealt in particular with the consolidation of the company’s capital base (conversion of bonds and payments to additional paid-in capital). Furthermore, it focussed on the internationalisation of business (Switzerland, Netherlands).

In financial year 2010, five joint meetings were held. Three meetings were held in the first half of 2010, and two were held in the second half of the year. None of the members of the Supervisory Board attended less than half of the Board’s meetings in financial year 2010. The Supervisory Board did not form any committees in financial year 2010.

On the occasion of the Supervisory Board meeting on 27 April 2010, the Annual Report 2009 was discussed with the Managing Board as well as the auditor. The Supervisory Board agreed to the Managing Board’s continuation forecast for the Company and approved the annual financial statements 2009 according to Article 172 AktG (German Stock Corporation Act).

Changes to the Supervisory Board

In financial year 2010, there were no changes to the Supervisory Board.

Corporate Governance

The Supervisory Board constantly monitored the compliance of the corporate governance standard. In the meeting on 5 April 2010, the Chairman of the Supervisory Board and the Managing Board reported on the changes to the recommendations by the German Corporate Governance Code Government Commission in the version dated 18 June 2009 which was published in the electronic Federal Gazette on 5 August 2009. In this meeting, the Managing and Supervisory Boards issued the declaration of conformity according to Article 161 of the AktG. This declaration was made permanently accessible to shareholders on the Company's website.

Annual Financial Statements 2010

According to the vote by the General Meeting, the Supervisory Board appointed BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Leipzig, to audit the annual financial statements of Travel24.com AG. The single-entity financial statements 2010 prepared by the Managing Board according to the provisions of the *Handelsgesetzbuch* (HGB – German Commercial Code) as well as the management report, including bookkeeping, were audited by BDO Deutsche Warentreuhand AG, Wirtschaftsprüfungsgesellschaft, Leipzig. The annual financial statements were issued with an unqualified auditor's opinion.

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 single-entity (including the valuation options used) and the management report, taking the audit reports by the auditor into account, and examined these documents critically. In particular, the Supervisory Board reviewed the management report to ensure that this is a realistic portrayal of the Company's situation and perspectives. The Supervisory Board shares the Managing Board's opinion. The documents were discussed in detail with the Managing Board in the Supervisory Board meeting on 18 February 2011. The auditor also attended these discussions and reported on key audit results for the Company and provided supplementary information. After its own in-depth review of the documents, the Supervisory Board ascertained that the audit reports are in line with legal requirements and did not raise any objections. It approved the audit reports. No objections were to be raised following the Supervisory Board's conclusive review of the audit. Therefore, the Supervisory Board approved the annual financial statements prepared by the Managing Board in its meeting on 18 February 2011. The annual financial statements 2010 of Travel24.com AG were thus approved according to Article 172 AktG.

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

Daniel Kirchhof

February 2011 (Chairman of the Supervisory Board)

4. Business Development

Travel retail

In addition to the sale of holidays the sale of flights became another core business of the Company in 2010. The flug24.de flight business was optimised and stabilised on a high profitability level. Sales were more than ten times higher than before.

The number of travel bookings also increased – by more than 350%, and the Company's growth exceeded the Internet market level of about 25%. Besides the German market, the development of the Swiss market – which made a significant contribution to the overall sales and result - deserves particular mention.

5. Investor Relations

The total of voting rights of Travel24.com AG amounted to 2,033,585 as of the end of December 2010. All conversion periods for convertible bonds expired on 1 July 2010.

As of 31 December 2010, the shareholder structure is the following:

	voting rights	percentage
Unister Group	1,576,821	77.54
Primavera Privatstiftung	275,551	13.55
Free Float	181,213	8.91
Total	**2,033,585**	**100.00**

6. Outlook

In 2011, Travel 24.com AG plans to expand its business significantly with a view to increasing sales and revenue. The main focus is on internationalising business as well as extending the successful marketing activities in the German-speaking markets. The flug24.de flight business will also be extended. Other business segments are still in the planning stages.

7. Travel24.com Key Figures

7.1 Report of Travel24.com AG, Leipzig

for the financial year from 1 January to 31 December 2010

7.1.1. General

In the financial year just ended, the sector saw a satisfactory business development of the German online travel business which was particularly marked by a further increase in holiday bookings. This trend is due to a continued shift from travel agency bookings to online distribution.

7.1.2. Economic environment

General development
In 2010, the general economic environment improved. Clients were more confident and willing to book holidays in the year-to-date. This concerned all markets in which Travel24.com AG currently operates.

The online tourism and travel market
In 2010, the German online tourism market grew by around 25%. The trend towards online booking also continued in our second key market - the Swiss market. Growth in the early booking season (particularly from January to March) was just as strong as in the last minute season (particularly from June to September).

7.1.3. The Company's strategy

Financial year 2010 was characterised by the completion of the reorganisation as well as the extension of our sales and marketing activities, resulting in a considerable increase of sales and revenue.

As announced in Annual Report 2009, Travel24.com AG became a full line distributor in online travel distribution with international orientation.

In 2010, the national travel retail business was again largely assured by the contractual relationship with Unister GmbH, a subsidiary of Unister Holding GmbH. Unister GmbH operates and markets numerous Web portals in different business areas. With travel brands such as ab-in-den-urlaub.de and fluege.de, the online travel network of Unister GmbH is among the largest networks in Germany. A broad line up with complementary portals in different business areas is a key element of the business strategy of Unister GmbH. Competitiveness is particularly ensured by the innovative and efficient IT and Marketing department. Travel24.com AG was able to obtain attractive conditions for travel retail due to the agreement concluded with Unister GmbH in the context of the acquisition. Like this, and due to the service contract also concluded with Unister GmbH, Travel24.com AG benefits from the conditions of Unister GmbH and makes the best possible use of synergies.

Based on this know-how, the Company's business has also been extended to international markets (Switzerland, Netherlands). The Company uses maximum synergies in its operation: where possible, the presentation in the different markets is identical. If required, the websites are adapted to market requirements. In fulfilment for example, contracts with external suppliers are concluded in order to ensure the market know-how relevant for retail. The expansion into other markets is under way. To do so, the Company chooses a cost minimising approach based on the central management of Unister Group.

Supported by the Unister Group, the Company is well prepared for further developing its business. At the same time, the Travel24.com AG management has gradually been adjusted, in particular with a view to internationalising the business.

7.1.4. Course of business

Travel retail

In 2010, Travel24.com AG saw a successful revival of the travel business. The online retail business was accelerated by the new design of the travel24.com and lastminute24.com websites as well as the launch of the international business (travel24.at, travel24.ch, travel24.nl).

The portfolio of the German-speaking portals covers all major German tour operators with a daily selection of up to 100 million last-minute offers and travel packages as well as over 200,000 hotels and more than 750 airlines with scheduled, chartered and budget flights. In 2010, a business travel application, numerous additional products such as rental cars and assurances as well as a comprehensive travel news section were added to the online offer of www.travel24.com. All travel services can be booked easily and comfortably online at www.travel24.com or using the booking hotline. Any hotels and travel packages of all major operators as well as holiday homes, cruises and various additional services can also be booked in the Netherlands.

The Company's growth exceeded the travel business Internet market level of about 25%. As in the previous years, bookings focused on last minute and travel package offers as well as on the sale of hotel products through the TravelTainment booking technology. This also applies for the Netherlands. Besides the German market, the development of the Swiss market deserves particular mention – via travel24.com, travel24.ch and flug24.de it made a significant contribution to the overall sales and result.

Flight retail

The flug24.de flight business has been optimised and stabilised on a high profitability level. Sales were more than ten times higher than before.

Marketing & key figures

Anyone who wants to be successful in the highly competitive online travel market must be able to respond flexibly to short-term changes in demand. A competitive product range, effective applications for dynamic pricing and packaging as well as efficient marketing are key factors for being successful.

Users

In 2010, the marketing aiming at the German-speaking markets has been significantly extended. TV advertising as well as an increase in online activities contributed to a considerable rise in sales. Our online marketing included various activities such as search engine marketing, newsletter promotion, the targeted use of banner ads both online as well traditionally, and so-called affiliate marketing. All marketing tools were continuously optimised and adjusted to the relevant markets in the second half of the year.

This resulted in a considerable rise in user numbers.

Revenues and continuation forecast

In the previous year, the Company for the first time generated revenues through travel retail.
Before, Travel24.com AG primarily acted as a holding company. Revenues from travel retail and travel services were realised by the subsidiaries. In financial year 2010, revenues from the retail of holidays and flights amounted to TEUR 8,982. The increase of the annual result 2010 by TEUR 168 to TEUR 1,023 does not provide a true view of the operative result compared to previous year. For this, one-off effects have to be deducted from the previous year's result.
Last year's one-off effects included the sale of the domain amounting to TEUR 1,500 as well as waived claims in the amount of TEUR 911 due to the reorganisation of the Company. Accordingly, the previous year result would have amounted to TEUR – 1,556 before one-off effects. Comparing this result to the annual result of 2010 in the amount of TEUR 1,023 shows a huge increase of the operative result ((TEUR + 2,579).
The balance sheet also improved in financial year 2010. Previous year's liabilities in the amount of TEUR 1,539 decreased to TEUR 193. At the same time, equity is positive again (TEUR 912). The equity ratio is 43.97%.

7.1.5. 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 Managing Board.
The Managing Board observes the risks arising in their respective areas such as IT security as well as legal and fiscal risks. It is crucial that risks are consciously perceived and information on new risks and changes is immediately notified.

In financial year 2010, four risk management meetings were held. After the completion of the reorganisation in 2010, bankruptcy risks (debt overload and illiquidity) are no longer the main focus.

The capital situation has considerably improved. The Company's negative equity of TEUR 1,259 improved to a positive result of TEUR 912, which was mainly due to capital increases from the conversion of convertible bonds (TEUR 738), payments to additional paid-in capital (TEUR 410) as well as the annual net profit of 2010 (TEUR 1,023).

The operative business continues to benefit from the management and technology support provided by Unister Group. However, this also results in a dependency from Unister Group.

7.1.6. Concluding declaration according to Article 312 section 3 AktG

We declare that, based on the circumstances known to us at the time when the transactions with the controlling company, Unister Holding GmbH, and affiliated companies were entered into, Travel24.com AG Leipzig received an appropriate consideration for each transaction and that no other measures were undertaken or omitted.

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

On 26 January 2011, the European Commission decided that the reorganisation clause under German corporate tax law (KStG Art. 8 c sec. 1a) does not comply with European law and is therefore not applicable. As a result, the Company will probably not be able to use the loss carried forward as of 31 December 2008 amounting to app. EUR 94 million. This does not affect the annual financial statements as the Company had already determined all provisions for income tax without considering these losses carried forward.

7.1.8. Disclosures pursuant to Art. 289 Section 4 HGB

For disclosures pursuant to Art. 289 section 4 HGB, see the Notes to the financial statements.

7.1.9. Accounting-related internal control and risk management system pursuant to Art. 289 Section 5 HGB

The main characteristics of the Travel24.com AG accounting-related internal control and risk management system are the following:

There is a clear management and corporate structure within the Company. The functions of the essential accounting-related fields Accounting, Taxes and Controlling as well as Investor Relations are clearly defined. The responsibilities are clearly attributed.

The financial systems used are protected against unauthorised access through appropriate IT facilities. Where possible standard software is used.

All departments and functions involved in the accounting process are appropriately equipped both in qualitative and quantitative terms. The completeness and accuracy of booking data received or passed is permanently reviewed, for example through random sampling. The software used enables programmed plausibility checks, for example within payment runs.

The four-eyes principle is permanently applied with all accounting-related processes. Appropriate controls (Supervisory Board) have been implemented with regard to the correctness and reliability of internal and external accounting.

The accounting-related internal control and risk management system described above ensures that corporate issues are correctly recognised on the balance sheet, processed and considered and included in the accounting process. Appropriate staff, the use of adequate software as well as clear statutory and corporate requirements form the basis of a proper, consistent and continuous accounting process.
The definition of responsibilities as well as different control and monitoring structures assure a concrete and responsible accounting process. In this way, corporate events are recognised, processed, documented and accounted for correctly and in due time pursuant to legal requirements. At the same time, it is ensured that assets and liabilities are correctly determined, accounted for and assessed in the annual financial statements, and that all relevant information is provided in due time.

7.1.10. Forecast

After the acquisition of Travel24.com AG by Unister Holding GmbH and the election of the new Managing Board in January 2010, the reorganisation of the Company has been continued successfully. Travel24.com AG is on the way to solid growth. With an increasing customisation to the Internet as a booking medium, the online travel market records significant growth even in times of economic slowdown. The pressure on prices is however stable. Our clients are looking for the best offer for their money, and our providers wish to minimize their distribution costs. Clients rather make short-term decisions, and we therefore expect a strong last minute business for financial years 2011 and 2012, as experienced in 2010.

The market entry in new European markets may be connected with market specific risks. These include incorrect or insufficient technical market penetration on the product side, necessary adaptations of the marketing mix, and insufficient performance of partners in product and fulfilment as well as specific cyclical factors which are likely to affect business. Global risks such as terrorist attacks and major environmental (political) changes affecting the general willingness to travel remain imminent.

However, the macroeconomic and industry-specific market environment is in favour of a positive development. In spite of the economic crisis, online business in Europe has shown a positive development since 2008, and we expect this trend to continue in 2011 and 2012.

On the basis of the assumptions made for the core business (technology, product, sales, marketing and fulfilment), the Company expects a strong and profitable growth of sales in online travel retail in existing markets as well as a successful entry and development in expansion markets in 2011 and 2012. Therefore, the Company focuses on minimising fixed costs (e.g. central management in Leipzig) and the risks related thereto.

For financial year 2011, we expect a further increase in annual profits in the existing business areas as well as a profitable operation of business in the new markets. For 2012, The Managing Board also expects a continued positive development of results.

Leipzig, 18 February 2011

Jan-Frederik Valentin Thomas Gudel

7.2 Financial Statement of Travel24.com AG

7.2.1 Balance Sheet of Travel24.com AG as of 31 December 2010

ASSETS	31 December 2010 EUR	31 December 2009 EUR
A. fixed assets		
I. intangible assets		
concessions, industrial property rights and similar rights and values	1,534.60	0.00
	1,534.60	**0.00**
B. current assets		
I. accounts receivable and other assets		
1. accounts receivable from affiliated companies	2,023,495.83	265,250.27
2. other assets	36,904.45	210,548.89
II. bank balances	9,924.83	308,147.32
	2,070,325.11	783,946.48
C. deferred expenses and accrued income	**2,500.00**	172.55
D. balance of the accumulated deficit not covered by the shareholders' equity	**0.00**	**1,259,158.64**
	2,074,359.71	**2,043,277.67**

LIABILITIES	31 December 2010 EUR	31 December 2009 EUR
A. shareholders' equity		
I. share capital	2,033,585.00	1,787,461.00
II. additional paid - in capital	2,913,974.00	2,011,726.00
III. accumulated deficit, portion covered by shareholders' equity	-4,035,259.47	-3,799,187.00
(total accumulated deficit EUR 4,035,259.47; p.y. EUR 5,058,345.64)		
	912,299.53	**0.00**
B. accrued expenses		
1. provisions for taxes	909,000.00	387,000.00
2. other provisions	59,655.63	117,000.00
	968,655.63	**504,000.00**
C. liabilities		
1. bonds	0.00	1,190,201.00
- thereof convertible EUR 0.00 (p.y. EUR 763,011.00)		
2. trade accounts payable	115,807.14	334,234.53
3. accounts payable other	77,597.41	14,842.14
- thereof from taxes EUR 65,943.37 (p.y. EUR 0.00)		
- thereof from social security EUR 579.79 (p.y. EUR 0.00)		
	193,404.55	**1,539,277.67**
	2,074,359.71	**2,043,277.67**

7.2.2 Statement of income of Travel24.com AG from 1 January to 31 December 2010

	1 Jan. - 31 Dec. 2010 EUR	2009 EUR
revenues	8,981,831.36	841,209.23
other operating income	56,003.28	1,613,957.10
cost of materials		
cost of purchased materials	-7,150,304.63	0.00
personnel expenses		
a) salaries and wages	-39,982.09	-561,069.80
b) statutory welfare contributions and expenses relating to pension plans and for optional support payments thereof for pension plans EUR 0.00 (p.y. -1,150.47)	-9,851.18	24,646.46
depreciation of intangible fixed assets and of property, plant and equipment	0.00	-12,363.00
other operating expenses	-293,706.10	-1,520,808.78
income from other securities and loans revceivable held as financial assets	0.00	872.72
interest and similar income	1,267.22	20,554.10
depreciation and amortization of financial assets and marketable securities	0.00	-5,841.20
interest and similar expenses	-0.19	-1,524.88
result from ordinary activities	**1,545,257.67**	350,339.03
extraordinary income	0.00	911,391.80
extraordinary expenses	0.00	-14,000.00
extraordinary result	0.00	**897,391.80**
income taxes	-522,274.50	-392,656.46
other taxes	103.00	0.00
net loss / profit	**1,023,086.17**	**855,074.37**
loss carried forward	-5,058,345.64	-11,028,222.51
transfer from treasury stock reserve	0.00	0.00
proceeds from equity cut	0.00	5,114,791.50
accumulated loss	**-4,035,259.47**	**-5,058,345.64**

7.2.3 Notes to the financial statements of Travel24.com AG, Leipzig

for the financial year from 1 January to 31 December 2010

1. General

Travel24.com AG, Leipzig - hereinafter referred to as "the Company" - was founded by the adoption of the Articles of Association on 22 February 1996 and recorded in the commercial register at Munich Local Court on 27 February 1996. By resolution of the General Meeting on 31 August 2009, the Company's place of business was transferred to Leipzig due to the acquisition by Unister Holding GmbH. The Company is registered at Leipzig Local Court with the Commercial Register number HRB 25538. Since 15 March 2000, the Company's shares have been listed on Frankfurt Stock Exchange (Prime Standard, until 31 December 2002: *Neuer Markt)*.

On the occasion of the General Meeting on 30 July 2010, the purpose of the Company was amended as follows (Art. 2 sec. 1 of the Articles of Association):

“The purpose of the Company is the commercial operation in the travel and leisure business (including all services and project developments related thereto), shareholding in travel operating companies, hotel and leisure business companies as well as in travel agencies and through other services both in own organisations or in affiliated companies as well as the centralised and consistent management of affiliated companies.”

As of 1st July 2010, Travel24.com AG and Unister Holding GmbH created a VAT group.
The Company's financial statements as of 31 December 2010 comply with the accounting principles of the HGB and the supplementary provisions of the Stock Corporation Act.

As of 1 January 2010, the German Commercial Code in its version of the Accounting Law Modernization Act (BilMog) dated 25 May 2009 is fully applicable. Changes in the form of previous the presentation or previously applied valuation methods are not subject to Art. 252 sec. 1 no. 6, Art. 265 sec. 1 and Art. 284 sec. 2 no. 3 HGB. There will be no adaptation of previous year's figures to the new accounting and valuation methods according to Art. 67 sec. 8 p. 2 EGHGB (Introductory Act to the German Commercial Code). In line with Art. 264 sec. 1 HGB, a cash flow statement and statement of changes in equity were added to the notes of the financial statements.

The statement of income has been prepared according to the total cost accounting method.

Travel24.com AG is a “small-size” corporation pursuant to Art. 267 section 1 HGB. The Company however is considered as “large-size” corporation pursuant to Art. 267 section 3 HGB since it covers an organised market according to Art. 2 section 5 of the Securities Trade Act by issuing securities according to Art. 2 section 1 sentence 1 of the Securities Trade Act.

2. Summary of essential accounting and valuation principles

The annual financial statements were prepared according to the going concern principle. The reorganisation of the Company has been fully completed. Since financial year 2010 profitable revenues are generated which will be continued in the following years. The accumulated deficit not covered by shareholder's equity amounting to TEUR 1,259, which still existed in the preceding year, was fully offset in financial year 2010.

<u>Intangible assets</u> comprise purchased Internet domains not amortised due to lacking planned depreciation.

<u>Financial assets</u> are assessed at acquisition costs or at the lower value to be attributed. Permanent losses in value will be accounted for by exceptional depreciation.

<u>Receivables and other assets</u> were balanced at their nominal value. If there is doubt as to their collectability or if there are identifiable risks, direct deductions in value were carried through.

Uncollectible receivables were immediately recognised in profit or loss. The lowest value principle was applied.

Cash and cash equivalents were assessed at their nominal value.

On the balance sheet day, the share capital amounts to EUR 2,033,585.00 according to the commercial register entry dated 7 December 2010.

Provisions were recognised for any identifiable risks and doubtful liabilities in the amount that was necessary according to reasonable commercial judgement.

Liabilities were assessed at the amount to be repaid.

3. Notes to the balance sheet

3.1 Assets

Based on the total acquisition and production costs, assets developed as follows:

Travel 24.com AG, Leipzig
Development of assets from 1 January 2010 to 31 December 2010

	acquisition and production costs				depreciations				residual book values	
	01.01.2010	inflow	outflow	31.12.2010	01.01.2010	inflow	outflow	31.12.2010	31.12.2010	31.12.2009
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. intangible assets										
concessions, industrial propertyrights and similar rights and values	0.00	1,534.60	0.00	1,534.60	0.00	0.00	0.00	0.00	1,534.60	0.0
II. financial assets										
1. shares in affiliated companies	4,852,160.00	0.00	0.00	4,852,160.00	4,852,160.00	0.00	0.00	4,852,160.00	0.00	0.0
2. shares in associates	5,334,137.79	0.00	0.00	5,334,137.79	5,334,137.79	0.00	0.00	5,334,137.79	0.00	0.0
3. loans to associates	4,087,532.00	0.00	0.00	4,087,532.00	4,087,532.00	0.00	0.00	4,087,532.00	0.00	0.0
	14,273,829.79	0.00	0.00	14,273,829.79	14,273,829.79	0.00	0.00	14,273,829.79	0.00	0.0
	14,273,829.79	1,534.60	0.00	14,275,364.39	14,273,829.79	0.00	0.00	14,273,829.79	1,534.60	0.0

3.2 Receivables, other assets and deferred items

Receivables from affiliated companies comprise the following:

	EUR
Receivables from Unister GmbH	7,968,378.73
Liabilities to Unister GmbH	- 6,011,933.91
	1,956,444.82
Receivables from Unister Holding GmbH	67,051.01
Receivables from affiliated companies	2,023,495.83

Other assets include paid deposits in the amount of EUR 21,418.12.

Any receivables, other assets and deferred items have a residual term of less than one year.

3.3 Equity, convertible bonds and profit-sharing rights

3.3.1 Share capital

The Company's share capital in the amount of EUR 2,033,585.00 pursuant to Art. 4 Section 2 of the Articles of Association, is divided into 2,033,585 no-par value shares. The shares are bearer shares. Therefore, the Company will only be notified about changes in holdings if these are subject to notification requirements.

To the Company's knowledge, as of the given balance sheet date, there were only the following direct or indirect holdings in the capital exceeding 10% of the voting rights:

	percentage
Unister Group	77.54
Primavera Privatstiftung	13.55
Total	**91.09**

3.3.2 Authorised Capital

3.3.2.1 Authorised Capital 2009

The Managing Board was empowered by resolution of the General Meeting on 31 August 2009, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of **EUR 893,730.00** (Authorised Capital 2009) by no later than 31 August 2014 through issue of 893,730 new non-par value bearer shares against cash or non-cash contributions with a minimum issuing price of EUR 3.00 per no-par value share. The Managing Board may decide on a share of profits that differs from that stipulated in Art. 60 (2) AktG. The Managing Board was furthermore authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders, subject to the following specific conditions:

- in the case of capital increases against non-cash contributions if companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares,
- for residual amounts,
- if 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, i.e. EUR 178,746.10; with regard to exceeding the 10% range, the exclusion of subscription rights has to be considered due to other rights according to Article 186 (3) sentence 4 AktG:
- as it is necessary to grant the bearers of convertible bonds, or conversion privileges or option rights a subscription right to the extent to which they are entitled to after exercising the conversion privilege or option right.

Entry of this resolution in the commercial register was made on 21 October 2009. As of the balance sheet day, the Authorised Capital 2009 amounts to EUR 893,730.00.

3.4.2.2 Authorised Capital 2010

The Managing Board was empowered by resolution of the General Meeting on 30 July 2010, subject to the approval of the Supervisory Board, to increase the Company's share capital by a maximum of EUR 90,170.00 (Authorised Capital 2010) by no later than 30 July 2015 through issue of 90,170 new non-par value bearer shares against cash or non-cash contributions with a minimum issuing price of EUR 3.00 per no-par value share. The Managing Board may decide on a share of profits that differs from that stipulated in Art. 60 (2) AktG. The Managing Board was furthermore authorised, subject to the approval of the Supervisory Board, to exclude the statutory subscription rights of the shareholders, subject to the following specific conditions:

- in the case of capital increases against non-cash contributions if companies, equity interests in companies or parts thereof are to be incorporated into the Company in return for the issue of shares,
- for residual amounts,
- if 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, i.e. EUR 196,780.00; with regard to exceeding the 10% range, the exclusion of subscription rights has to be considered due to other rights according to Article 186 (3) sentence 4 AktG:
- as it is necessary to grant the bearers of convertible bonds, or conversion privileges or option rights a subscription right to the extent to which they are entitled to after exercising the conversion privilege or option right.

Entry of this resolution in the commercial register was made on 6 December 2010. As of the balance sheet day, the Authorised Capital 2010 amounts to EUR 90,170.00.

3.4.3 Contingent Capital

Pursuant to the entry in the commercial register dated 7 December 2010, Contingent capital 2004/II amounts to EUR 8,213.00.

3.4.5 Equity Capital

For the development of equity capital in financial year 2010 as well as a detailed summary of items, see the statement of changes in equity.

Entry of the increase in share capital by EUR 246,124.00 to EUR 2,033,585.00 in the commercial register was made on 7 December 2010. The share capital was increased due to the increase of contingent capital adopted on 5 July 2004.

Thus, the accumulated deficit not covered by shareholder's equity (EUR 1,259,158.64) was fully offset in the first half the year. As of the balance sheet day on 31 December 2010, the Company's equity capital is positive (EUR 912,299.53).

3.5 Provisions

Tax provisions comprise the following:

	31 December 2009 EUR	usage EUR	dissolution EUR	appropriation EUR	31 December 2010 EUR
corporate tax 2009	176,000.00	0.00	0.00	0.00	176,000.00
corporate tax 2010	0.00	0.00	0.00	241,000.00	241,000.00
solidarity tax 2009	10,000.00	0.00	0.00	0.00	10,000.00
solidarity tax 2010	0.00	0.00	0.00	13,000.00	13,000.00
trade tax 2009	201,000.00	0.00	0.00	0.00	201,000.00
trade tax 2010	0.00	0.00	0.00	268,000.00	268,000.00
grand total	**387,000.00**	**0.00**	**0.00**	**522,000.00**	**909,000.00**

The provisions for income tax in the annual financial statements were calculated without recognising the tax losses carried forward. On 26 January 2011, the European Commission decided that the reorganisation clause under German corporate tax law (KStG Art. 8 c Sec. 1a) does not comply with European law and will therefore probably not be applicable.

Other provisions as of 31 December 2010 developed as follows:

	31 December 2009 EUR	usage EUR	dissolution EUR	appropriation EUR	31 December 2010 EUR
annual financial statement	42,900.00	38,093.59	500.00	23,900.00	28,206.41
legal disputes	23,100.00	0.00	7,700.00	0.00	15,400.00
income risks	0.00	0.00	0.00	10,000.00	10,000.00
personnel expenses	46,000.00	19,672.21	26,327.50	6,048.93	6,049.22
other	5,000.00	780.50	4,219.50	0.00	0.00
grand total	**117,000.00**	**58,546.30**	**38,747.00**	**39,948.93**	**59,655.63**

3.6 Liabilities

The residual terms of liabilities are as follows:

	with a residual term of		31 December	
	up to 1 year	more than 5 years	2010	2009
	EUR	EUR	EUR	EUR
trade accounts payable	115,807.14	0.00	115,807.14	334,234.53
other current liabilities	77,597.41	0.00	77,597.41	14,842.14
bonds	0.00	0.00	0.00	1,190,201.00

The liabilities are unsecured.

4. 4. Notes to the statement of income

4.1 Revenues

Revenues include commissions from travel retail amounting to TEUR 1,509, other commissions from additional travel services amounting to TEUR 869 as well as revenues from flight retail amounting to TEUR 6,604.

4.2 Other operating income.

Other operating income includes revenues from the release of provisions in the amount of TEUR 39.

4.3. Cost of materials

In the year under review, the marketing expenses, recognised in other operating expenses in the previous year, amounting to TEUR 498 are recognised in purchased services since they are directly used for generating revenues.

4.4 Income tax charges

The operating income (EBT in the amount of TEUR 1,545) is subject to income tax charges of TEUR 522.

5. Other disclosures

5.1 Other liabilities, contingent liabilities

The contractual obligations are as follows:

	2011	2012	2013	2014	2015	2016
	EUR	EUR	EUR	EUR	EUR	EUR
services / consulting fees	600	600	600	600	600	600

Other liabilities solely include liabilities to affiliated companies.

There are not contingent liabilities as of 31 December 2010.

5.2 Average number of employees in the year under review

The average number of employees was 4.3 (previous year 2.8).

5.3 Auditor’s fees

The auditor’s fee was recognised as an expense in financial year 2010. Including the reimbursement of expenses, it consisted of

a) annual audits TEUR 19 (previous year TEUR 57),
b) other confirmatory and evaluation services TEUR 0 (previous year TEUR 0),
c) tax consultancy services TEUR 0 (previous year TEUR 0),
d) other services rendered to the parent company or its subsidiaries TEUR 0 (previous year TEUR 19)

5.4 Corporate structure

According to the distribution of ownership, the Company is included in the consolidated financial statements of Unister Holding GmbH, Leipzig as of 31 December 2010. The consolidated financial statements of Unister Holding GmbH are published in Leipzig (HRB 25007).
Travel24.com AG's annual financial statements and management report are published in the electronic federal gazette.

5.5 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.

By resolution dated 20 April 2009, the Managing Board and Supervisory Board of Travel24.com AG declare, pursuant to Art. 161 AktG, that the recommendations published by the Federal Justice Ministry on 4 July 2003 in the official section of the electronic version of the Federal Gazette of the "Government Commission on the German Corporate Governance Code" in the version of 6 June 2008, notified on 8 August 2009, since the last declaration of conformity up to including 4 August 2009 and as from 5 August 2009, the recommendations of the "Government Commission on the German Corporate Governance Code" in the version of 5 August 2009 notified on 5 August 2009 in the electronic version of the Federal Gazette have been and are complied with, and what recommendations have not been or are not being applied.

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

5.6 Managing Board and Supervisory Board

In financial year 2010, the members of the **Managing Board** were:

Mr Thomas Wagner	Leipzig (Chairman)	Managing Director	until 25 January 2010
Mr Sebastian Gantzckow	Leipzig	commercial employee	until 25 January 2010
Mr Jan-Frederik Valentin	Leipzig (Chairman)	commercial employee	since 25 January 2010
Mr Thomas Gudel	Königstein im Taunus	commercial employee	since 25 January 2010

The Managing Board members received no remuneration. The Company has refrained from specifying the detailed individual breakdown of Managing Board members’ earnings pursuant to Art. 286 Section 5 HGB, because the General Meeting of 28 June 2006 resolved, with a majority of 99.88%, not to disclose the details demanded for financial years 2006 to 2010 in the annual financial statements.
.
In 2010, the **Supervisory Board** members were:
Pursuant to Article 95 AktG (in conjunction with Article 8 of the Articles of Association), the parent company’s Supervisory Board comprises three members.

▪	Mr Daniel Kirchhof	Dipl. Kfm (MBA)	Leipzig	(Chairman)
▪	Mr Markus Mair	Magister	Wien	
▪	Mr Oliver Schilling	Dipl. Kfm. (MBA)	Leipzig	

In financial year 2010, Mr Markus Mair was a Supervisory Board member of TV Loonland AG, Unterföhring..

In the year under review, no expenses were incurred for the Supervisory Board of Travel24.com AG (previous year TEUR 10).

As of the balance sheet date on 31 December 2010, the shares and options held by members of the Managing and Supervisory Boards under the employee participation programme were as follows:

	shares	options
Managing Board		
Jan-Frederik Valentin	0	0
Thomas Gudel	0	0
Supervisory Board		
Daniel Kirchhof	0	0
Oliver Schilling	24,556	0
Markus Mair	0	0

Leipzig, 18 February 2011

Jan- Frederik Valentin Thomas Gudel

7.2.4 Cash flow statement of Travel24.com AG, Leipzig, from 1 January to 31 December 2010

		1. 1. - 31.12. 2010 TEUR	1. 1. - 31.12. 2009 TEUR
profit / loss		1,023	855
(+)	depreciation and amortization of fixed assets	0	18
(+/-)	increase / decrease in provisions	464	303
(+/-)	profit / loss on the disposal of fixed assets	0	38
(-/+)	increase / decrease in trade accounts receivable and other assets which are not allocated to investment or financing activities	-1,586	-14
(+/-)	increase / decrease in trade accounts payable and other liabilities which are not allocated to investment or financing activities	-156	-1,270
cash flow from operating activites		**-255**	**-70**
(-)	acquisitions of intangible assets	-2	0
cash flow from investment activities		**-2**	**0**
(+)	increase in equity financing (increase of equity, disposal of shares etc.)	411	390
(-)	decrease from the repayment of loans and financial credits	-452	-23
cash flow from financing activities		**-41**	**367**
net decrease / increase in cash and cash equivalents		**-298**	**297**
cash and cash equivalents at the beginning of the period		308	11
cash and cash equivalents at the end of the period		10	308

Cash and cash equivalents exclusively consist of bank deposits.

7.2.5 Statement of changes in equity of Travel24.com AG, from 1 January to 31 December 2010

	number of shares issued shares	share capital ordinary shares EUR	additional paid-in capital EUR	net loss / profit EUR	total EUR
as of 31 December 2008	**1,815,787**	**1,815,787.00**	**3,423,839.50**	**-11,028,222.51**	**-5,788,596.01**
Capital increase for cash	130,000	130,000.00	260,000.00	0.00	390,000.00
Equity cut & reverse share split	-1,702,301	-1,702,301.00	-3,412,501.50	5,114,802.50	0.00
Capital increase through conversion of convertible bonds	1,543,975	1,543,975.00	1,736,586.00	0.00	3,280,561.00
Issue of stock options and partial deferred expenses for remuneration from stock options	0	0.00	3,802.00	0.00	3,802.00
Net profit of the reporting period	0	0.00	0.00	855,074.37	855,074.37
as of 31 December 2009	**1,787,461**	**1,787,461.00**	**2,011,726.00**	**-5,058,345.64**	**-1,259,158.64**
payment to additional paid-in capital	0	0.00	410,000.00	0.00	410,000.00
Capital increase through conversion of convertible bonds	246,124	246,124.00	492,248.00	0.00	738,372.00
Net profit of the reporting period	0	0.00	0.00	1,023,086.17	1,023,086.17
as of 31 December 2010	**2,033,585**	**2,033,585.00**	**2,913,974.00**	**-4,035,259.47**	**912,299.53**

7.3. Declaration by the legal representatives

To the best of our knowledge, we declare that, according to the principles of proper consolidated reporting applied, the annual financial statements provide a true and fair view of Travel24.com AG's net worth, financial position and results of operations, that the management report presents the Company's business including the results and the Company's position such as to provide a true and fair view, and that the major opportunities and risks of the Company's anticipated growth are described.

Leipzig, 18 February 2011

Jan- Frederik Valentin Thomas Gudel

7.4. Auditor’s opinion

We have audited the annual financial statements of Travel24.com AG, Leipzig, comprising the balance sheet, statement of income, notes to the financial statements, cash flow statement and statement of changes in equity as well as the management report and bookkeeping for the fiscal year from 1 January to 31 December 2010. Bookkeeping as well as the preparation of the financial statements and the management report under German commercial law are the responsibility of the Company’s legal representatives. Our responsibility is to express an opinion, based on our audit, on the financial statements including bookkeeping and on the management report.

We conducted our audit in accordance with Article 317 of the HGB and in compliance with the principles of proper auditing adopted by the Institut der Wirtschaftsprüfer (IDW). These standards require that we plan and perform the audit to obtain reasonable assurance on whether the financial statements (based on the applicable accounting standards) and the management report are free of material misrepresentations and present a true and fair view of the assets, the financial position and results of operation of the Company. The process of defining the audit procedures takes account of knowledge about the business activities and the economic and legal environment of the Company, as well as expectations of possible errors. The conduct of an audit includes examining the effectiveness of the Company’s internal accounting-related control systems and, on a sample basis, evidence supporting the information contained within the financial statements as well as in the management report. The audit includes assessing the accounting principles used and the significant estimates made by the Company’s legal representative, as well as evaluating the overall presentation of the financial statements and the management report. We are confident that our audit provides a sufficiently sound basis on which to make an assessment.

Our audit led to no objections.

In our opinion, based on the results of our audit, the financial statements comply with the legal requirements and convey a true and fair view of the Company’s assets, financial position and results of operation. The management report is in line with the annual financial statements, provides an accurate view of the Company’s situation and accurately reflects the opportunities and risks of future growth.

Leipzig, 18 February 2011
BDO AG
Wirtschaftsprüfungsgesellschaft

Dr. Hammer Auditor	ppa. Funk Auditor

8. Key corporate announcements 2010

Ad hoc announcements according to Art. 15 WpHG

5 January 2010	Expansion and internationalisation of business operations in 2010
25 January 2010	Jan Valentin (CEO) and Thomas Gudel (CFO) become new members of the Managing Board; Payment of TEUR 150 to additional paid-in capital for consolidation of the capital base and reorganisation of the Company

9. Financial Calendar 2011

31 March 2011	Publication of Annual Report 2010
2 May 2011	Publication of Three-Month Report Q1 2011
18 May 2011	Analysts' Conference
7 June 2011	General Meeting
1 August 2011	Publication of Half-Year Report 2011
28 October 2011	Publication of Nine-Month Report Q3 2011

11. Publication details

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