

Shareholders' Letter

1st Quarter 2004/2005



To our shareholders

feratel media technologies AG is a leading international developer and provider of teleinformation systems (weather cams for television), tourism software and tourism-related content. The company has facilities in Austria, Germany, Switzerland, Italy and the Benelux countries, and a workforce totaling about a hundred employees.

Highlights of the first quarter of 2004/05

- Upturn in tourism since the beginning of 2004
- Consolidated sales up quarter-to-quarter
- Marked improvement to earnings ratios
- Cash flow now positive

GENERAL MARKET SITUATION

The signs of economic improvement that were becoming apparent at the end 2003 have continued in 2004, and the upward trend in the tourism industry has been confirmed. The holidaymaking public seems to have regained a certain feeling of confidence as reflected in positive figures for both overseas bookings and short-haul and domestic destinations.

The remaining sources of uncertainty, such as the danger of terrorist attacks and the high level of energy prices, seem to pose no risk to the upturn in international tourism business at the present moment.

At the same time, the difficult operating environment for the European tourism industry has further intensified competition on that market. Effective destination management and marketing are fundamental to success in view of the sustained shift in consumer behavior in the direction of last-minute holidays and booking via the Internet.

In Austria, the bednight total for the 2004 summer season (May to July 2004) was 1.1 % down in the period-to-period comparison. The figures for arrivals, on the other hand, show an increase of 2.1 % for the quarter. For the first seven months of 2004, the bednight situation was positive on aggregate, with an increase of 1.3 %, while arrivals were up 3.3 %.

In feratel's core market Germany, bednights rose 1 % in the first half of 2004. While bednights in domestic tourism remained unchanged in the period-to-period comparison, the number of bednights for international visitors was 11 % higher.

In Switzerland, too, the bednight figures were better for visitors from abroad than for domestic tourists, but in total the situation there still remains slightly negative. Although the stabilized situation with regard to foreign visitor totals is helpful, only the coming months will show whether this positive development is in fact the expression of a sustainable turnaround deriving from an improved global economy.

PERFORMANCE IN THE FIRST QUARTER

Financial 2004/05 started well for feratel, with all key earnings ratios up in the period-to-period comparison.

Consolidated sales rose from € 2.7 million in the first quarter of the previous business year to € 2.8 million in the first quarter of 2004/05. Consolidated EBITDA improved from minus T€ 545.3 in the first quarter of the previous year to minus T€ 142.3 in the first quarter of the current year. Earnings before taxes (EBT) were up from minus T€ 991.1 in the first quarter of the previous year to minus T€ 558.2.

In the Telecommunications Division sales are always concentrated in the second half of the financial year, whereas overheads are distributed equally over the whole year. For that reason budgeted income for the division is always



significantly lower for the first half of the year, with higher figures for the second half to compensate the situation and generate a positive year-end result.

Operative cash flow improved from minus T€ 357.2 in the first quarter of the previous year to plus T€ 365.5 in the first quarter of the current business year.



For reasons of economy and practicability, the financial statements for the first quarter of 2004/05 have been drawn up pursuant to the provisions of the Austrian Commercial Code (HGB).

TELECOMMUNICATIONS DIVISION

In the first quarter of 2004/05, sales in the Telecommunications Division totaled T€ 931.5 (compared with T€ 853.2 in the same quarter of the previous year). EBITDA came to minus T€ 227.0.

In July 2004 transmission of feratel weather cams was introduced by the Dutch public television station TROS-NED 2, the country's biggest family broadcasting company. In addition to an audience of 11.8 million households in the Netherlands, TROS-NED 2 also reaches 7 million households in Belgium and a further 2 million in Luxembourg. The feratel program, which is called "Kijk op Europa" (View over Europe), is broadcast Saturdays from 9 a.m. to 11 a.m. and Sundays from 8 a.m. to 10 a.m. That brings feratel's total number of international weather cam broadcasting slots to eleven.

feratel currently has five camera locations in the Netherlands (in Drachten, IJmuiden aan Zee, Sluis, Utrecht and Vlissingen), plus two in Belgium (in Antwerp and De Haan).

In the period under report, new camera sites were installed in Veszeprem in Hungary, in Utrecht, Drachten and Sluis in the Netherlands, in Antwerp in Belgium, and in Jelsa, Primosten and Tribunj in Croatia.

INFORMATION AND RESERVATION SYSTEMS DIVISION (IRS)

In the first quarter of 2004/05, the IRS Division reported sales totaling € 1.3 million compared with € 1.4 million in the same period of the previous year. EBITDA amounted to T€ 229.3.

In future, the Austrian destination Eastern Styria will be working with eight regions using the Deskline® information and reservation system.

The market launch of our new inquiry wizard was very successful, and a number of big customers have already been recruited, such as the Hohe Tauern National Park and Dachstein Tauern regions, St. Anton am Arlberg and Serfaus.

At Berlin's Tegel Airport, arrivals can now take advantage of a new hotel reservation facility developed jointly by feratel and HOTELdirect. The system offers visitors a free 24-hour reservation service with accommodation available for direct booking with the affiliated hotels. Berlin Tourismus Marketing GmbH (BTM) is also featured with its own presentation window. An integrated telephone with abbreviated dialing provides visitors with a direct link to the information and reservation center operated by the German capital's official tourism arm with more than 400 hotels to choose from.

Additional terminals were installed in the period under report in Rust, Hagenau, Bad Säckingen, Camerota, Lido di Camaio, Neukirchen, Dölsach and Lübeck.

Following the launch of our new InfoClient, feratel now offers an effective update tool in addition to the telephone server for the web-based communication of free hotel capacities to information terminals.

MEDIA DIVISION

Sales in the Media Division increased by approximately 40 % from T€ 364.7 in the first quarter of 2003/04 to T€ 509.6 in the first quarter of 2004/05. EBITDA came to minus T€ 144.6.

The last few months have seen a particularly clear trend with regard to the growing popularity of music programs on TW1, which are now generating impressive viewer ratings. In addition to sport as a leading audience magnet, a number of music programs regularly occupy leading positions among TW1's top 10 programs. Pop and folk music combined with beautiful scenery and traditional customs are clearly a convincing recipe for a keen audience response.

FOURTH ANNUAL GENERAL MEETING

The fourth Annual General Meeting of feratel media technologies AG will be held at the Hilton Hotel in Innsbruck on 25 October 2004 starting at 1 p.m. The venue is the conference area on the first floor of the hotel, which is located at Salurnerstrasse 15, A-6020 Innsbruck.

The feratel Annual Report for 2003/04 was released at company headquarters on 23 July 2004. It can be downloaded from www.feratel.com. Copies can also be ordered by e-mail from info@feratel.at.

OUTLOOK

For the months ahead, feratel is optimistic with regard to performance on its core markets in Austria, Germany and Switzerland, where the goal is to further consolidate our good market position in our core business areas. In the case of Germany especially, however, achievement of that goal will be dependent on the further course of general economic developments.

Good progress has been made with Incoming as a new market segment, and that will provide additional stimulus to sales in the current business year.

Another main focus is the further consolidation of our market position in Hungary and the Netherlands, and we will continue to push to expand our business in Spain and France. In addition we are working on a number of projects to service new markets.

The ongoing process of structural change in tourism marketing involving wide-area data systems for active networked destination management offers optimum opportunities for growth in sales of feratel systems.

Given the present state of our knowledge, we are therefore working on the assumption that it will be possible to achieve our operative goal of improved sales and results in the forthcoming quarters of the financial year.

Innsbruck, September 2004



This quarterly balance sheet was drawn up pursuant to the provisions of the Austrian Commercial Code (HGB).

CONSOLIDATED BALANCE SHEET AT 31 JULY 2004

with comparative figures at 30 April 2004

in thousand Euro

according to Austrian Commercial Code (HGB)

31. 07. 2004

30. 04. 2004

TEUR

TEUR

ASSETS

Non current assets

Intangible assets	252.3	276.5
goodwill	0.0	0.0
Property, plant and equipment	4,887.0	4,931.3
shares of associated companies	60.0	60.0
Financial assets	72.9	72.9
	5,272.2	5,340.7
Deferred tax assets	0.0	0.0
Non current receivables	0.0	0.0

Current assets and prepayments

Inventories	736.9	697.4
Trade receivables	2,992.1	2,998.1
Receivables from affiliated companies	168.7	126.0
Other receivables and assets	1,790.3	2,393.9
Liquid funds	5,430.8	5,414.3
Prepaid expenses	378.0	447.8
	11,496.8	12,077.5
	16,769.0	17,418.2

LIABILITIES

Shareholders' equity

Nominal share capital	6,517.1	6,517.1
Reserves	4,180.6	4,160.6
Minority interest	2.1	2.1
Net profit/loss for the period including retained earnings	-215.5	387.2
	10,484.3	11,067.0

Long-term liabilities

Accruals for severance	460.1	454.8
Other long-term accruals	98.7	72.4
Other long-term liabilities	0.0	0.0
	558.8	527.2

Deferred tax liabilities

	0.0	0.0
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Short-term liabilities accruals and deferred income

Short-term financial liabilities	0.0	0.0
Trade liabilities	1,526.1	1,410.3
Liabilities to affiliated companies	21.9	9.9
Tax accruals	40.7	40.1
Other short-term accruals	1,497.0	1,404.7
Other short-term liabilities	542.6	641.1
Deferred income	2,097.6	2,317.9
	5,725.9	5,824.0
	16,769.0	17,418.2

CONSOLIDATED INCOME STATEMENT

with figures of the comparable period
of the financial year 2003/04 in thousand Euro
according to Austrian Commercial Code

	1st quarter 04/05 01.05. 2004 - 31.07. 2004 TEUR	1st quarter 03/04 01.05. 2003 - 31.07. 2003 TEUR
Sales	2,771.4	2,655.6
Own work capitalized	163.7	108.5
Other income from operations	141.3	80.7
Operating efficiency	3,076.4	2,844.8
Cost of materials and purchased services	-989.8	-857.7
Personnel expenses	-1,401.8	-1,507.7
Depreciation and amortization	-413.6	-459.2
Other operating expenses	-827.1	-1,024.7
Profit/loss from operations (EBIT)	-555.9	-1,004.5
Financial result	-2.3	13.4
Profit/loss from ordinary activities (EBT)	-558.2	-991.1
Taxes on corporate income and business profits	-25.0	-18.7
Minority interest in net profit/loss for the period	0.0	-1.9
Net profit/loss for the period	-583.2	-1,011.7
Profit/loss from operations before depreciation and amortization (EBITDA)	-142.3	-545.3
Number of shares at balance sheet date	6,517,109	6,517,109
Net profit/loss of the period per share at balance sheet date (basic and diluted) in Euro	-0.09	-0.16
Headcount at balance sheet date, on a full time working basis	90	97

CONSOLIDATED CASH FLOW STATEMENT

with comparative figures of the comparable period
of the financial year 2003/04 in thousand Euro
according to Austrian Commercial code

	1st quarter 04/05 TEUR	1st quarter 03/04 TEUR
Profit/loss from operations (EBIT)	-555.9	-1,004.5
Operating cash flow before working capital changes (from profit/loss)	-137.8	-542.9
Cash flow from operating activities	392.1	-346.5
Net operating cash flow	365.5	-357.2
Cash flow from investment activities	-348.6	-311.0
Cash flow from financing activities	-0.4	691.5
Closing net funds	5,430.8	8,263.1

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

with comparative figures of the comparable period
of the financial year 2003/04 in thousand Euro

	Nom. Share capital TEUR	Net profit/ loss including retained earnings, reserves and minority interest TEUR	Shareholders' equity (total) TEUR
Balance at 30 April 2003	6,517.1	4,640.8	11,157.9
Net profit/loss for the period		-1,011.7	-1,011.7
Minority interest in net profit/loss for the period		1.9	1.9
Translation gains and losses		-1.7	-1.7
Balance at 31 July 2003	6,517.1	3,629.3	10,146.4
Balance at 30 April 2004	6,517.1	4,549.8	11,066.9
Net profit/loss for the period		-583.2	-583.2
Translation gains and losses		0.6	0.6
Balance at 31 July 2004	6,517.1	3,967.2	10,484.3

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