3-Months Report 2010

telegate

LOCAL SEARCH GOES MOBILE

Letter from the Management Board

Dear shareholders,

We are asked constantly: are you progressing well with regard to the transformation of your business model? Our answer is: measure our progress by the growth of the advertising sales business and the constantly increasing share of the business sector Media in total revenues of the telegate group! Revenues of the Media sector increased by 19 percent in the first 3 months of the fiscal year and account for nearly 20 percent of total group revenues by now. We are moving forward in the right direction: as expected, growth accelerated considerably compared to the previous fiscal year – and the transformation gains speed significantly. This is very reassuring!

The surge in growth in the first quarter was supported by a number of positive operative events. They continued to provide support to our sales organization in explaining the added value to the SME advertiser of our advertising and marketing offers. With Vodafone, Nokia and freenet three national and international technology-heavyweights opted for telegate as cooperation partner for the mobile local search sector most recently. This shows that our solution and distribution competence is well recognized in the local search market. We are considered as competent to develop value-added solutions for market leaders in digital-mobile communications.

Beyond that, it is also very pleasing that we continued to expand the reach our information offers in the digital information channels mobile and stationary Internet. Our German online platforms for local search www.11880.com and www.klicktel.de exceeded the threshold of 10 m visits for the first time in March 2010 and reached a new historic visits record. Thus, telegate MEDIA also maintains its top position as online directory with the greatest reach in Germany. The bottom line is that we can offer our SME advertisers additional convincing arguments, for them to opt for us as consultant and marketing partner in the digital world. We help our customers to present themselves convincingly and up-to-date to users and end consumers and establish leads with them.

Regardless of the positive developments in the still young media business, profit performance of the telegate group still depends on the weight and success of the highly profitable classic directory assistance business. A still significant decline in demand and thus revenues is to be found in all European markets. In addition, the decline in revenues affects profitability disproportionately due to the higher margin of the directory assistance business. telegate responded to this trend consequently with price adjustments and higher revenues per client. More over, the company has to deal in the southern European markets not only with the general declining demand for directory assistance services, but even more with the significant effects of the economic crisis. The business development in the Italian market is difficult for some time now – we currently work at full speed to create new perspectives.

Overall, we are pleased with the progress of business in the first quarter and are confident to reach our profit targets in the current fiscal year, in spite of the rather weak profit performance. The annual forecast includes EBITDA before non-recurring items in a range of 23 m to € 27 m.

For our shareholders we offer a special proposition. The Management Board and Supervisory Board of telegate AG will not only propose to the Shareholders' Meeting on June 9, 2010 to distribute an unchanged dividend in the amount of € 0.70 per share, but also to resolve a share repurchase program. Subject to our investor's approval and the specific final implementation of the program, the company intends thereby to distribute to both main and minority shareholders a part of the excess liquidity. It is also planned to redeem the shares and thus to reduce the total number of shares. This would increase the profit per share and also the dividend yield per share with an unchanged total dividend. We will inform you in detail on how exactly our share repurchase program is implemented on the occasion of the annual Shareholders' Meeting and look forward to welcoming you here.

Planegg-Martinsried, May 2010

The Management Board of telegate AG

Key Financial Figures

in m Euro	3M 2010	3M 2009	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	34.4	39.2	-4.8	-12.2%
EBITDA before non-recurring items	5.6	9.7	-4.1	-42.3%
EBITDA[1]	5.6	9.6	-4.0	-41.7%
Operating income / loss (EBIT)	3.0	6.9	-3.9	-56.5%
Net income[2]	1.7	6.7	-5.0	-74.6%
Balance Sheet				
Balance sheet total	171.7	182.7	-11.0	-6.0%
Cash & cash equivalents	60.5	54.9	5.6	10.2%
Equity	99.0	102.5	-3.5	-3.4%
Equity ratio	57.7%	56.1%	1.6%	2.8%
Cash Flow				
Operating cash flow	1.0	3.7	-2.7	-72.0%
Investments (incl. M&A)	-1.1	-3.1	2.0	64.9%
Free Cash Flow (incl. Interests; before M&A)	0.5	2.3	-1.8	-77.0%
KPI telegate share				
Earnings per share (in Euro)	0.08	0.31	-0.2	-74.3%
Share price (in Euro)[3]	9.30	7.41	1.9	25.5%
Market capitalization	197.5	157.4	40.1	25.5%
Employees				
Number of employees[4]	2,831	3,091	-260	-8.4%

[1] The EBITDA is defined as earnings before depreciation, interests and taxes within telegate Group.
[2] from discontinued operations
[3] XETRA-closing prices as of last trading day in 1st quarter
[4] Headcount as of March 31

Management Report

At a glance: 3-months report 2010

During the previous months the company has strongly focused on the implementation of the transformation strategy. A new collaborative portal for local information (WerWieWas.de; beta test) was launched in the first quarter of 2010. Furthermore, three national and international technology-heavyweights - NOKIA, Vodafone and freenet - opted for telegate as new cooperation partner since the beginning of the year.

Sustainable contributions to the increase of both use and sales in the Media sector are expected hereby in the medium-term. Its share in group sales was further increased from 14 percent by March 31, 2009 to 19 percent by the end of the first quarter of 2010. The strongly declining trend in the classic directory assistance business across Europe continued unchanged – due to the substitution with internet directory assistance.

Earnings (EBITDA) before non-recurring effects in the first three months are within the forecasted profit expectations (noticeably declining) for the full year, however, with € 5.6 m significantly below the previous year's figure of € 9.7 m (€ 0.15 non-recurring effects integration telegate Media AG).

Financial situation

Profitability

Group sales in the amount of € 34.4 m in the first three months of 2010 are approx. 12 percent below the previous year's figure of € 39.2 m. Reduced sales are primarily attributable to the decline of the total market for telephone directory assistance across Europe. The directory assistance business decreased at group level by approx. 17 percent compared with the same period of last year. However, an increase in the advertising marketing business was recorded of almost 19 percent to € 6.5 m compared with the previous year.

The gross earnings margin decreased significantly from 56.7 percent to 50.0 percent, against the background of the expansion of the marketing organization, in particular.

In spite of adjustments in almost all fixed costs groups, earnings before depreciation and amortization, interest and taxes decreased significantly to € 5.6 m (previous year: € 9.7 m before non-recurring effects, € 0.15 m non-recurring effects integration telegate Media AG).

Expenditures on income taxes in the first three months of the current year (€ 1.9 m compared with € 0.9 m in the same period of last year) have additional negative effects on net earnings after taxes. The background to this is the subsequent utilization of tax losses brought forward in the first quarter of 2009 as a result of a positive notice of the tax authority.

Earnings after taxes as well as sales and EBITDA were below the previous year's figure and amount to € 1.7 m (previous year: 6.6 m including discontinued operation France).

Net worth and financial position

Investments

Total investments in the reporting period amounted to € 0.4 m (previous year: € 1.7 m). Fixed assets and intangible assets investments primarily concern the expansion of the Customer-Relationship-Management-System and modernization of IT equipment and infrastructure. Overall, investments were reduced again as expected after the previous year's increased level due to integration expenses with the former klickTel AG. Investments in the amount of € 0.1 m for our now discontinued operation France are included in the previous year.

Balance sheet

The balance sheet quality of the telegate group continues to be very solid also in the first quarter of 2010. Equity ratio increased from 56.1 percent by March 31, 2009 to 57.7 percent by March 31, 2010. The amount of liquid assets increased to € 60.5 m compared with the previous year (previous year: € 54.9 m, December 31, 2009: € 59.9 m). The balance sheet total of the telegate group was almost unchanged by the closing date March 31, 2010 compared with December 31, 2009 and amounts to € 171.7 m (December 31, 2009: € 171.6 m, March 31, 2009: € 182.7 m). The decline compared with the previous year is primarily attributable to the sale of the French subsidiary.

Assets decreased due to scheduled depreciations of intangible assets, fixed assets and goodwill (depreciation goodwill France) compared with March 31, 2009. The decrease of the liabilities side primarily results from the decrease of deferred short-term liabilities.

Cash flow & Financing

The lower profitability in the first three months of 2010 resulted in a decline of the operative cash flow of € 3.7 m in the first quarter of 2009 to now € 1.0 m. Operative cash flow tends to be always less in the first quarter than in the subsequent three quarters due to annual payments.

The free cash flow including interest and before M&A-activities showed a development not declining as strong as before due to lower investments in the comparative period. A free cash flow including interest and before M&A-activities of € 0.5 m was realized by March 31, 2010 compared with € 2.3 m in the previous year's period.

The cash flow from investment activity in the previous year's first quarter includes costs of € 0.8 m within the scope of the klickTel acquisition.

A share repurchase program in the amount of up to 10 percent of the capital stock is proposed to the Shareholders´ Meeting on June 09, 2010 due to the extremely solid net worth position, financial position and profit position (telegate group has free liquid assets at its disposal in the amount of € 60.5 m by the closing date).

Forecast

The telegate group also cannot avoid the general downward trend in the highly profitable classic directory assistance market in 2010. The company expects to achieve earnings (EBITDA) before non-recurring effects within the range forecasted of € 23 m to € 27 m due to the business development in the first three months of 2010 - decline in the profitable classic directory assistance market and lower margin in the advertising marketing business growing strongly in terms of sales.

In addition to the planned significant margin increase in the Media business due to the considerable sales increase as well as a higher efficiency of the the sales organisation, the focus on further cost reductions has been raised. Furthermore a programme on optimizing business processes has meanwhile been implemented.

The advertising marketing business in Germany is still the focus of the strategic development of the telegate group. Market conditions and strategic options are examined on a regular basis with regard to other European countries.

Any other earnings from payments of Deutsche Telekom AG with regard to the data cost claim for return actions are not taken into consideration in this forecast.

Segment report

Germany/Austria

telegate won additional strong cooperation partners with three technology-heavyweights - Vodafone, NOKIA, freenet - in the first quarter of 2010. telegate´s advertisers benefit from the partnerships, in particular. Now they can reach new customers with their marketing advertisements on additional platforms with a great coverage.

The Local Search platforms www.klicktel.de and www.11880.com.de pooled as „telegate MEDIA" reached more than 10 m visits for the first time in March of 2010. Thus, telegate MEDIA maintained its top position ahead of GelbeSeiten.de as online directory assistance with the greatest coverage in Germany.

There was also positive progress in the advertising marketing business in terms of sales in the first quarter of 2010. An extremely dynamic organic growth resulted in an increase in sales of 20 percent to now € 6.5 m (previous year: € 5.5 m).

The decline in the classic directory assistance business was increased again by the competition's strong advertising pressure in the first quarter of 2010. This was again partly compensated in terms of sales by operative measures - here by increasing sales per caller, in particular. However, to a lesser extent than in the past, as expected.

Overall, this resulted in a decline in sales to € 27.6 m (previous year: € 30.9 m).

The decline in the directory assistance business with a strong margin is also significantly reflected in Earnings before depreciation and amortization, interest and taxes (EBITDA). The advertising marketing business growing strongly in terms of sales cannot compensate this due to the still lower margin. As expected, this results in a disproportionately strong decline in EBITDA before non-recurring effects from € 9.0 m (€ 0.15 m non-recurring effects integration telegate Media AG) to € 5.1 m.

Italy/Spain

telegate still has to deal with difficult overall economic conditions in Italy and Spain. The consistently strong decline in call volume was compensated only partly by adjustments on the cost side (reduction of advertising expenses, adjustment of capacities) and increase in sales per caller in Spain.

Thus, operative earnings (EBITDA) amount to € 0.5 m in the first quarter of 2010 (previous year: € 0.8 m).

Employees

The telegate group employed a total of 2,831 employees (headcount, less trainees and dormant employments, which were added in the previous year) by March 31, 2010. The number of employees decreased on a comparable basis by 260 persons and 8.4 percent respectively. The further build-up with qualified employees in advertising marketing was opposite to a decline of employees due to the sale of our French company as well as adjustments in the classic directory assistance business.

Planegg-Martinsried, April 20, 2010
The Management Board

Consolidated Statements of Operations (IFRS)

	3-Months Report (unaudited)	
in kEUR	Q1 2010	Q1 2009
Continuing operations		
Revenues	34,378	39,193
Cost of revenues	-17,193	-16,975
Gross Profit (excl. depreciation & amortization)	**17,185**	**22,218**
Advertising costs	-2,266	-3,059
Personnel costs (only administration & marketing)	-6,242	-6,362
Depreciation & amortization	-2,572	-2,657
Other administrative expenses	-3,144	-3,340
Other operating income / expense	84	129
Total operating expenses	**-14,140**	**-15,289**
Operating income / loss	**3,045**	**6,929**
Interest income / expense	545	619
Financial income	**545**	**619**
Income before income tax	**3,590**	**7,548**
Income tax expense	**-1,896**	**-898**
Income from continuing operations	**1,694**	**6,650**
Discontinued operations		
Income from discontinued operations	0	-37
Net income	**1,694**	**6,613**
Attributable to:		
Equity holders of the parent	1,694	6,602
Minority interests	0	11
Earnings per share - basic and dilutive, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.08	0.31
Earnings per share for continuing operations - basic and dilutive, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.08	0.31

See accompanying notes to the consolidated financial statements.

GER

in kEUR	3-Months Report (unaudited) Q1 2010	Q1 2009
Net income	**1,694**	**6,613**
Foreign currency translation differences	1	0
Sum of the result which is recorded directly in equity	**1**	**0**
Total comprehensive income	**1,695**	**6,613**
Attributable to:		
Equity holders of the parent	1,695	6,602
Minority interests	0	11

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
Current assets			
Cash & cash equivalents	60,456	54,892	59,932
Trade accounts receivable	49,062	57,765	48,481
Prepaid expenses & other current assets	6,631	6,305	5,631
Total current assets	**116,149**	**118,962**	**114,044**
Non-current assets			
Goodwill, net	7,474	9,940	7,474
Intangible assets	34,864	39,587	36,354
Property & equipment	6,947	10,378	7,612
Other financial assets	810	159	733
Deferred tax assets	5,421	3,665	5,421
Total non-current assets	**55,516**	**63,729**	**57,594**
Total assets	**171,665**	**182,691**	**171,638**

Liabilities & shareholders' equity in kEUR	Mar 31, 2010	Mar 31, 2009	Dec 31, 2009
Current liabilities			
Trade accounts payable	19,290	20,770	20,396
Accrued liabilities	14,372	21,701	16,835
Provisions	4,205	4,010	4,475
Other current liabilities	20,334	19,461	18,138
Total current liabilities	**58,201**	**65,942**	**59,844**
Non-current liabilities			
Provisions	940	1,582	1,013
Other non-current liabilities	440	478	441
Deferred tax liabilities	13,055	12,169	13,055
Total non-current liabilities	**14,435**	**14,229**	**14,509**
Total liabilities	**72,636**	**80,171**	**74,353**
Shareholders' equity			
Share capital	21,235	21,235	21,235
Additional paid-in capital	29,924	31,626	29,875
Other revenue reserves	34,822	31,174	34,822
Retained earnings	13,046	18,485	11,352
Accumulated other comprehensive income	2	0	1
Equity attributable to equity holders of the parent	**99,029**	**102,520**	**97,285**
Total shareholders' equity	**99,029**	**102,520**	**97,285**
Total liabilities & shareholders' equity	**171,665**	**182,691**	**171,638**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	Mar 31, 2010	Mar 31, 2009
Cash flows from operating activities		
Income before income tax from continuing operations	3,590	7,548
Income before income tax from discontinued operations	0	-33
Income before income tax	**3,590**	**7,515**
Adjustments for:		
Depreciation & amortization	2,572	2,887
Gain / loss on disposal of property & equipment	0	57
Gain / loss from government grants	-9	-11
Interest income / expense	-545	-619
Stock option expense	49	49
Valuation allowance for trade accounts receivable	-371	1,198
Other non-cash expenses / income	0	-78
Changes in non-current provisions	-77	-70
Changes in non-current receivables	-82	-81
Operating profit before changes in operating assets & liabilities	***5,127***	***10,847***
Changes in operating assets and liabilities:		
Trade accounts receivable	-397	-2,311
Prepaid expenses & other assets	-940	707
Trade accounts payable	-255	-1,766
Current provisions	-270	-233
Accrued expenses & other liabilities	58	938
Income taxes paid	-2,291	-4,491
Cash provided by operating activities	**1,032**	**3,691**
Cash flows from investing activities		
Capitalized intangible assets	-748	-1,737
Purchase of property & equipment	-333	-499
Proceeds from the sale of property & equipment	0	16
Acquisition of a subsidiary, net of cash acquired	0	-53
Purchase of a subsidiary, net of cash purchased	0	156
Acquisition of minority interests	0	-952
Proceeds from government grants	9	11
Cash used in investing activities	**-1,072**	**-3,058**
Cash flows from financing activities		
Interests received	575	831
Interests paid	-11	-33
Cash provided by financing activities	**564**	**798**
Change in cash and cash equivalents	**524**	**1,432**
Cash & cash equivalents at beginning of reporting period	**59,932**	**53,461**
Cash & cash equivalents at end of reporting period	**60,456**	**54,893**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity (IFRS)

in kEUR	Share capital	Additional paid-in capital	Other revenue reserves	Retained earnings	Accum. other comprehen-sive income (loss)	Total	Minority interests	Total equity
	Equity attributable to equity holders of the parent							
Balance at Jan 1, 2010	**21,235**	**29,875**	**34,822**	**11,352**	**1**	**97,285**	**0**	**97,285**
Net income	-	-	-	1,694	-	1,694	-	1,694
Sum of the result which is recorded directly in equity	-	-	-	-	1	1	-	1
Total comprehensive income	**0**	**0**	**0**	**1,694**	**1**	**1,695**	**0**	**1,695**
Stock option plan	-	49	-	-	-	49	-	49
Balance at Mar 31, 2010	**21,235**	**29,924**	**34,822**	**13,046**	**2**	**99,029**	**0**	**99,029**
Balance at Jan 1, 2009	**21,235**	**31,800**	**31,174**	**11,883**	**0**	**96,092**	**718**	**96,810**
Net income	-	-	-	6,602	-	6,602	11	6,613
Total comprehensive income	**0**	**0**	**0**	**6,602**	**0**	**6,602**	**11**	**6,613**
Stock option plan	-	49	-	-	-	49	-	49
Acquisition of minority interests	-	-223	-	-	-	-223	-729	-952
Balance at Mar 31, 2009	**21,235**	**31,626**	**31,174**	**18,485**	**0**	**102,520**	**0**	**102,520**

See accompanying notes to the consolidated financial statement.

Segment Report (IFRS)

Activities of the telegate group are classified in operating segments for the purpose of management control. In addition to the original regional segmentation of the telegate group in the sectors Germany / Austria, Italy / Spain and France, an additional subdivision of the segment Germany / Austria is made by means of the operating segments „Directory assistance solutions“ and „Media“ as of the fiscal year 2009, because development of the operating segments Media resulted in a reportable business segment. The operating segments „Directory assistance solutions“ offers the user information and directory assistance services via various service channels in Germany and Austria. The operating segments „Media“ renders advertising performances for small and medium-sized enterprises mainly in Germany. The operating segments Italy / Spain comprises all activities of telegate on the Italian and Spanish market, which almost exclusively take place in the directory assistance solutions sector. The operating segment France was sold as of November 02, 2009. Sales and costs connected with this discontinued operation were eliminated within the scope of reconciliation. The prevailing measurement standards of the management board correspond to those in the consolidated financial statements of the group and are presented in this report on the same basis. Performance rating of the segments as well as allocation of resources to the segments is mainly made based on operating results. The management controls the segments on the basis of earnings indicator (up to EBITDA) and allocations of investment. Control of capital allocation (debts and assets) on business sector level is not made within the segment Germany / Austria. Sales between segments are shown in the balance sheet with amounts comparable with sales to third party customers and are eliminated within the scope of consolidation.

	Germany / Austria						
in kEUR	Directory Assistance Solutions	Media	sum	Italy / Spain	France	Reconciliation	telegate group
01.01.2010 - 31.03.2010							
Revenues							
External revenues	21,066	6,537	27,603	6,775		-	34,378
Inter-segment revenues	10	-	10	-		-10	-
Total revenues	**21,076**	**6,537**	**27,613**	**6,775**		**-10**	**34,378**
Earnings							
EBITDA	9,996	-4,855	5,141	476		-	5,617
Depreciation and amortization	-1,401	-900	-2,301	-271		-	-2,572
Financial income/ expense	281	277	558	-13		-	545
Income before income tax	8,876	-5,478	3,398	192		-	3,590

	Germany / Austria						
	Directory Assistance Solutions	Media	sum	Italy / Spain	France	Reconciliation	telegate group
01.01.2009 - 31.03.2009							
Revenues							
External revenues	25,428	5,452	30,881	8,312	3,124	-3,124	39,193
Inter-segment revenues	42	-	42	-	-	-42	-
Total revenues	**25,471**	**5,452**	**30,923**	**8,312**	**3,124**	**-3,166**	**39,193**
Earnings							
EBITDA	12,117	-3,285	8,832	801	150	-197	9,586
Depreciation and amortization	-1,498	-741	-2,239	-418	-230	230	-2,657
Financial income/ expense	348	349	697	-12	-66	-	619
Income before income tax	10,967	-3,677	7,290	371	-146	33	7,548

See accompanying notes to the consolidated financial statement.

Notes to the Consolidated Financial Statements

1 Description of consolidated financial statements

The business activity of telegate AG comprises the performance of telecommunications services of all kinds, the design and marketing of information data bases and marketing advertisements as well as the performance of directory assistance services via the subscribers in public telephone networks and other directory assistance services at home and abroad.

The consolidated interim financial statements of telegate AG and the subsidiaries included in the financial statements were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB), the International Financial Reporting Standards (IFRS) - as applicable in the European Union - by March 31, 2010.

The interim financial report is prepared in compliance with IAS 34 "Interim financial reporting". Furthermore, all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) that were mandatory applicable per March 31, 2010 were complied with.

The consolidated interim financial report of telegate AG (hereinafter also the group/telegate/telegate group/company) is stated in Euro. Unless stated otherwise, all values were rounded to thousand (kEUR).

telegate AG is a stock corporation with domicile in Martinsried near Munich, Germany. The shares of telegate AG are traded publicly.

The consolidated annual financial statements and the corporate management report prepared by December 31, 2009 are submitted to the provider of the Electronic Federal Official Gazette and published electronically in the Federal Official Gazette.

2 Summary of main accounting and valuation principles

The accounting policies adopted in the preparation of this consolidated interim financial report are consistent with those followed in the preparation for the group's consolidated annual financial statements for the year ended December 31, 2009 except for the changes which are explained as follows.

3 Changes of accounting and valuation principles

The group applied following new respectively revised Financial Reporting Standards and Interpretations in the fiscal year 2010. There were no effects on the financial position and condition or profitability due to the application. However, they resulted in additional information.

The mainly effects of these changes can be described as follows:

IFRS 2 Share-based payment

The amendments clarify how an individual subsidiary shall show certain share-based payment agreements in the balance sheet its own financial statement. The subsidiary receives goods or services from employees or suppliers within the scope of these agreements, the parent company or another group company, however, has to pay for these employees or suppliers.

A company receiving goods or services within the scope of a share-based payment agreement, has to show these goods or services on the balance sheet, regardless which company fulfils the corresponding liability in the group and regardless of whether the liability is fulfilled in shares or cash.

It is clarified, that „group" has the same meaning in IFRS 2 than in IAS 27 Consolidated and separate financial statements, id est it includes only a parent company and its subsidiaries. Guidelines are also included in the standard with the amendments of IFRS 2, which were formerly included in IFRIC 8 Scope of application of IFRS 2 and IFRIC 11 IFRS 2 - Group and treasury share transactions. Therefore, the IASB withdrew IFRIC 8 and IFRIC 11.

The amendments of IFRS 2 were published in June 2009 and shall be applied for the first time for fiscal years starting on or after January 01, 2010; they shall be applied retrospectively. There were no effects on the net worth position, the financial position and the profit position of the group due to the application.

IFRS 3R Business combinations and IAS 27R Consolidated and separate financial statements

The main amendments and supplements compared with the previous version of IFRS 3 and IAS 27 can be described as follows:

The standard introduces changes of the treatment of business combinations on the balance sheet after this period, which have effects on the estimate amount of the goodwill, earnings in the reporting period when a business combination takes places and future events. IAS 27R prescribes that a change of the participation amount in a subsidiary (without loss of control) is recorded on the balance sheet as equity transaction. Therefore, neither goodwill nor a profit or loss arises from this transaction. In addition, provisions regarding the allocation of losses to parent companies and shares without controlling influence and the balance sheet regulations regarding transactions resulting in a loss of control are amended. Subsequent amendments arose for IAS 7 Cash flow statements, IAS 12 Income taxes, IAS 21 The effects of changes in foreign exchange rates, IAS 28 Investments in associates and IAS 31 Interests in joint ventures.

The revised standards were published in January 2008 and shall be applied for the first time for fiscal years starting on or after July 01, 2009. The amendments effect future acquisitions, losses of control and transactions with minority shares, in accordance with IFRS 3R and IAS 27R.

IAS 39 Financial instruments: recognition and measurement

The amendment substantiates how the principles included in IAS 39 for the illustration of hedging relations have to be applied for the designation of a unilateral risk of an underlying transaction as well as for the designation of inflation risks as bottom line. It is clarified, that it is permissible to designate only a part of the changes of the fair value or the cash flow fluctuations of a financial instrument as underlying transaction.

The amendment of IAS 39 was published in July 2008 and shall be applied for the first time for fiscal years starting on or after July 01, 2009; it shall be applied retrospectively. There were no effects on the net worth position, the financial position and the profit position of the group due to the application.

IFRIC 17 Distribution of non-cash assets to owners

Application notes for accounting of distribution of non-cash assets are the object of this interpretation, because differences had to be observed in practice of the balance sheet illustration. IFRIC 17 makes comments both on the date of recording of a distribution liability and how these and the corresponding assets to be delivered to the shareholders shall be measured and at which date the assets and the distribution liabilities have to be written off. The distribution liability shall be entered on the liabilities side with the resolution of the shareholders at the latest. The amount of liability is determined by the fair value of the assets, which are the basis for the distribution. The distribution liability shall be re-measured with the fair value on every balance sheet date and directly before the distribution and measurement adjustments have to be entered directly via equity. The difference between the book value of the assets to be attributed and the fair value shall be recorded which affects the current-period result when performing the distribution.

IFRIC 17 was published in November 2008 and shall be applied for the first time for fiscal years starting on or after July 01, 2009. There were no effects on the net worth position, the financial position and the profit position of the group due to the application.

IFRIC 18 Transfers of assets from customers

The interpretation is relevant in the utility sector, in particular. The IFRS-regulations for agreements, where a company receives from a customer an item of tangible assets, which has to be either used by the company to connect the customer to a network or to allow the customer the lasting access to the supply with goods or services (e.g. supply with electricity, gas or water) by the interpretation The company receives cash from the customer in some events, which shall be exclusively used to purchase or produce the item of tangible assets to connect the customer to a network or to allow the customer the lasting access to the supply with goods or services (or both).

IFRIC 18 was published in January 2009 and basically becomes effective for the transfers of assets from customers made on or after July 01, 2009 and shall be applied prospectively. There were no effects on the net worth position, the financial position and the profit position of the group due to the application.

Annual revision procedure 2007-2009

The IASB published amendments of the IFRS as part of its programme of annual improvements of its standards – a collection of amendments of 12 International Financial Reporting Standards. The IASB uses the annual improvement project to provide the IFRS with amendments, which are necessary but not time-critical, which are not a part of another larger project.

Amendments basically apply to fiscal years starting on or after January 01, 2010. Diverging regulations are separately marked in the following presentation. All amendments in connection with IFRS 3R are an exemption. They shall be applied to fiscal years starting on or after July 01, 2009.

Unless stated otherwise, there were no effects on the net worth position, the financial position and the profit position of the group due to the application.

The contents of the amendments and their effects are presented in the following survey.

IFRS 2 Share-based payment

„Scope of application of IFRS 2 and IFRS 3R“

Clarification, that the contribution of a business operation when founding a joint venture is not covered by the scope of application of IFRS 3R Business combinations (retrospective application).

Only minor effects, because this concerns the correction of an undesirable amendment of the scope of application by the revisions of IFRS 3.

IFRS 5 Non-current assets held for sale and discontinued operations

„Disclosures about long-term assets (or retirement groups) held for sale or classified as discontinued operation“

Clarification, that only the disclosure requirements of IFRS 5 shall apply for long-term assets or disposal groups which are held for sale or are classified as discontinued operations, in accordance with IFRS 5. Disclosure requirements of other standards shall only be observed, if this is expressly required by a standard for assets (disposal groups) shown in accordance with IFRS 5. It is clarified at the same time that the basic requirements of IAS 1 shall also apply for assets shown in accordance with IFRS 5. This shall apply for IAS 1.15 (fair presentation) and IAS 1.125 (sources of estimation uncertainties), in particular, (prospective application).

IFRS 8 Operating segments

„Disclosure of information on the segment assets“

Segment assets and segment debts shall only be presented, if these assets and debts are included in the control variable presented to the major decision-taker (retrospective application).

IAS 1 Presentation of financial statements

„Classification of convertible bonds as short-term or long-term“

If the conditions of a debt provide that the other party to the agreement has the option to request a fulfilment by distribution of equity instruments at any time, this does not affect the classification of the debt as short-term or long-term (retrospective application).

Companies, which have shown the debt component of a convertible bond as short-term so far, because there is the option of the holder to request fulfilment by equity instruments, now have to reclassify these debts as long-term, which may affect the calculation of agreements.

IAS 7 Cash flow statements

„Classification of investments in assets not shown in the balance sheet“

Only expenses resulting in an estimate of an asset may be presented as cash flow from investment activity (retrospective application).

IAS 17 Leases

„Classification of leases by means of land and buildings”

The special regulations for the classification of real estate as object of the lease are removed by the amendment, so that only the general provisions remain (retrospective application).

IAS 18 Revenue

„Determination whether a company acts as dealer (principal) or agent“.

The application guidelines of IAS 18 were supplemented, in order to support users to determine whether a company acts as dealer or agent. A company acts as dealer if:

• the responsibility lies with the company for the provision of goods and services;

• the company bears the stock risk;

• pricing is incumbent on the company

• the company bears the credit risk.

(No transitional provisions, because amendment of the enclosure to IAS 18)

IAS 36 Impairment of assets

„Accounting unit for an impairment test of the goodwill".

Clarification, that the biggest unit possible for an allocation to the goodwill is a business segment within the meaning of IFRS 8, before a summary is prepared for reporting purposes (prospective application).

IAS 38 Intangible assets

„Subsequent amendments from the IFRS 3, as amended"

If an intangible asset can only be identified together with another intangible asset within the scope of a business combination, these assets may recorded as one asset if they have the same useful life (prospective application).

„Measurement of the fair value of an intangible asset acquired within the scope of a business combination"

The amendment concerns the determination of the fair value of intangible assets acquired within the scope of a business combination and which are not dealable on an active market. It clarifies, that the measurement methods presented in the standard for the determination of this fair value are only examples and are not concluding. Other methods are permissible (prospective application).

IAS 39 Financial instruments: recognition and measurement

„Evaluation of prepayment penalties as embedded derivatives"

The amendment clarifies, that a prepayment option is considered as closely connected with the basic agreement, if the exercise price of the prepayment option reimburses the lender the rough cash value of the interest disadvantage for the remaining duration of the basic agreement (retrospective application).

„Exemption of agreements on business combinations from the scope of application of IAS 39"

The exemption of agreements on business combinations at a future date from the scope of application of IAS 39 only refers to binding forward agreements and not to derivative agreements, which still require further steps of the parties (prospective application).

"Cash flow hedge accounting"

Clarification, that profits or losses from cash flow hedges for a future transaction, which subsequently results in the estimate of a financial instrument or from cash flow hedges for estimated financial instruments shall be reclassified in the period, when the hedged future cash flows affect the earnings (prospective application).

IFRIC 9 Reassessment of embedded derivatives

„Scope of application of IFRIC 9 and IFRS 3, as amended"

The scope of application of IFRIC 9 was adjusted. The adjustment is for the clarification, that the interpretation shall not applied for a potential reassessment of embedded derivatives in agreements on the acquisition date, which were acquired within the scope of a business combination between companies, business units under common control or the foundation of a joint venture (prospective application).

IFRIC 16 Hedges of a net investment in a foreign operation

„Amendment regarding the restriction which company is allowed to hold the hedging tool"

The amendment clarifies, that a hedging tool may also be held by the foreign operation with regard to the hedging of a net investment in a foreign operation, as long as the requirements for IAS 39 with regard to designation, documentation and efficiency of the hedging relation are met (effective date in accordance with IFRIC 16 for fiscal years starting on or after October 01, 2008).

Future changes of accounting and valuation principles

In part there was the possibility of an early application with regard to following new and revised International Financial Reporting Standards (IFRS) as well as interpretations (IFRIC). This option, however, was not exercised by March 31, 2010. telegate examines the effects from the application to these provisions at the moment and basically does not expect any effect on the financial position and performance of the group. However they will rise to additional disclosures.

IFRS 9 Financial instruments

The International Accounting Standards Board (IASB) published a new International Financial Reporting Standard (IFRS) for classification and measuring of financial instruments. The publication represents the completion of the first part of a project of three stages to replace IAS 39 Financial instruments: recognition and measurement by a new standard. IFRS 9 introduces new provisions for the classification and measurement of financial assets. The IASB intends to expand IFRS 9 in 2010, to include new provisions for the classification and measurement of financial debts, the write off of financial instruments, impairment and hedging accounting. IFRS 9 is supposed to be available to replace IAS 39 completely by the end of 2010.
IFRS 9 was published in November 2009. The provisions shall be applied as of January 01, 2013. An earlier application is permissible. The group currently examines the consequences from the application for the net worth position, the financial position and the profit position. An assumption to European law is still to be made.

IAS 24 Related party disclosures

Companies, government-controlled or significantly influenced, were obliged so far to disclose information on all operations with companies, controlled or significantly influenced by the same government. The content of the amendment of IAS 24 is now a simplification of the disclosure requirement of related parties. In fact, those disclosures are still required which are of importance for the user of the financial statements, however, related parties are granted a partial exemption for the disclosure of operations. If the information can only be provided with a high expenditure or are not very informative for the user, these disclosures are exempted from the disclosure requirement, in accordance with the amended IAS 24. Furthermore, the definition of a related party was clarified with the amendment of IAS 24.
The amended standard was published in November 2009 and is effective for reporting periods starting on or after January 01, 2011. An earlier application is permissible. The group currently examines the consequences from the application for the net worth position, the financial position and the profit position. An assumption to European law is still to be made.

IAS 32 Financial instruments: presentation

The amendments concern the accounting of the issuer of subscription rights, options and warrants for the purchase of a fixed number of equity instruments denominated in another currency than the functional currency of the issuer. These cases were accounted as derivative liabilities so far. According to the revision, these subscription rights issued with a fixed currency amount to the existing shareholders of a company on a pro rata basis have to be classified. The currency of the exercise price is insignificant in this connection.
The amendments of IAS 32 were published in October 2009 and shall be compulsory applied on first fiscal year starting after January 31, 2010. An earlier application is permissible. The group currently examines the consequences from the application for the net worth position, the financial position and the profit position.

IFRIC 14 IAS 19 The limit of a defined benefit asset, minimum funding requirements and their interaction

The IASB published a minor amendment of its provisions regarding the accounting of pension schemes. The amendment applies for the interpretation IFRIC 14, which describes an interpretation of IAS 19 Employee benefits. The amendment shall apply under the limited circumstances, where a company is subject to minimum funding provisions and makes an advance payment of the amounts, which meet this requirement. It is now permitted after the amendment, that a company shows the use of such an advance payment as asset.
The amendment “advance payments within the scope of minimum funding provisions” was published in November 2009 and becomes compulsory effective as of January 01, 2011. An early application as of the financial statements by the end of 2009 is permissible. The amendment shall be applied retrospectively from the begin of the comparative period which is shown at the earliest. The group currently examines the consequences from the application for the net worth position, the financial position and the profit position. An assumption to European law is still to be made.

IFRIC 19 Extinguishing financial liabilities with equity instruments

The interpretation explains the requirements of the International Financial Reporting Standards (IFRS), when a company extinguishes a financial liability partly or completely by share issue or other equity instruments. The interpretation clarifies, that equity instrument delivered to a creditor for extinguishing of a financial liability, are a component of the “remuneration paid” within the meaning of IAS 39.41 and the corresponding equity instruments basically have to be measured with the fair value. If this value cannot be determined reliably, the equity instruments shall be measured with the fair value of the extinguished liability. The difference between the book value of the financial liability to be written off and the initial valuation of the equity instruments delivered shall be recorded in the profit and loss statement.
IFRIC 19 was published in November 2009 and shall be compulsory applied for periods starting on or after July 01, 2010. An early application is permissible. The group currently examines the consequences of the application for the net worth position, the financial position and the profit position, because these facts currently do not apply to telegate. An assumption to European law is still to be made.

4 Presenting the consolidated income statement using the conventional cost of sales method

In accordance with IAS 1.88, an entity can present its income statement using either the total cost accounting or the cost of sales method. telegate has opted to use the cost of sales method. The company’s method of presentation fulfils the minimum classification as prescribed by IAS 1.81 and 1.82. Additional items can also be included in the classification to extent these as required in order to shed further light on the enterprise’s financial position (IAS 1.83).
External balance sheet users arguably prefer a presentation using the conventional cost of sales method. In order to cater for the needs of this group, the extended presentation used in the consolidated income statement has been reconciled to the classification principles adopted in the conventional cost of sales method.

Below the reconciliation of the results for the first 3 months of the fiscal year 2010 and 2009 respectively.

in kEUR	Extented cost of sales methodQ1 2010	Reclassification	Cost of sales method (IAS 1.92) Q1 2010
Revenues	34,378	0	34,378
Cost of revenues	-17,193	-2,494	-19,687
Gross Profit (excl. depreciation & amortisation)	**17,185**	**-2,494**	**14,691**
Advertising costs	-2,266	-847	-3,113
Personnel costs (only administatration & marketing)	-6,242	6,242	0
Depreciation & amortisation	-2,572	2,572	0
Other administrative expenses	-3,144	-5,473	-8,617
Other operating income / expense	84	0	84
Total operating expenses	**-14,140**	**2,494**	**-11,646**
Operating income	**3,045**	**0**	**3,045**
Interest income / expense	545	0	545
Financial income	**545**	**0**	**545**
Income before income tax	**3,590**	**0**	**3,590**
Income tax - current	-1,896	0	-1,896
Income tax expense	**-1,896**	**0**	**-1,896**
Net income	**1,694**	**0**	**1,694**

The following reclassifications were made as at March 31 2010 in order to present the figures in accordance with the conventional cost of sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and are now reported under cost of revenues (kEUR 2,494) and other administrative expenses (kEUR 78).
2. Allocation of personnel costs between other administrative expenses (kEUR 5,395) and distribution costs (kEUR 847).

in kEUR	Extented cost of sales method Q1 2009	Reclassification	Cost of sales method (IAS 1.92) Q1 2009
Continuing operations			
Revenues	39,193	0	39,193
Cost of revenues	-16,975	-2,567	-19,542
Gross Profit (excl. depreciation & amortisation)	**22,218**	**-2,567**	**19,651**
Advertising costs	-3,059	-743	-3,802
Personnel costs (only administatration & marketing)	-6,362	6,362	0
Depreciation & amortisation	-2,657	2,657	0
Other administrative expenses	-3,340	-5,709	-9,049
Other operating income / expense	129	0	129
Total operating expenses	**-15,289**	**2,567**	**-12,722**
Operating income	**6,929**	**0**	**6,929**
Interest income / expense	619	0	619
Financial income	**619**	**0**	**619**
Income before income tax	**7,548**	**0**	**7,548**
Income tax - current	-898	0	-898
Income tax expense	**-898**	**0**	**-898**
Income from continuing operations	**6,650**	**0**	**6,650**
Discontinued operations			
Income from discontinued operations	-37	0	-37
Net income	**6,613**	**0**	**6,613**
Attributable to:			
Equity holders of the parent	6,602	0	6,602
Minority interests	11	0	11

The following reclassifications were made as at March 31, 2009 in order to present the figures in accordance with the conventional cost of sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and are now reported under cost of revenues (kEUR 2,567) and other administrative expenses (kEUR 90).
2. Allocation of personnel costs between other administrative expenses (kEUR 5,619) and distribution costs (kEUR 743).

5 Related party disclosures

Business transactions between the company and its subsidiaries which are considered as related companies were eliminated by consolidation and are not disclosed in these notes.

Related companies include telegate Holding GmbH (Planegg), which holds a majority stake (61.13%) in telegate AG. All shares in telegate Holding are ultimately held by Seat Pagine Gialle S.p.A. (Milan). SEAT has a direct holding of 16.24% in telegate AG, and – through the arrangement outlined above – an indirect holding of 61.13%.

The ultimate parent company is Seat Pagine Gialle S.p.A. (Milan).

Terms and conditions of related party transactions

Services are rendered or received at standard market conditions. Outstanding receivables and liabilities at the reporting date are not hedged and are non-interest-bearing. No valuation adjustments were made for receivables from related companies in either the financial year under review or in the previous year. Financial assets bear interest at normal market rates. Interest income is reported in the period to which it relates in accordance with the accrual principle.

Transactions with related companies

Services rendered or received

Telegate Italia S.r.L., a wholly owned subsidiary of telegate AG, generated income from services rendered to the SEAT group of EUR 3.9 million (2009: EUR 5.0 million) in the first 3 months 2010. At the balance sheet date, Telegate Italia S.r.L. reported receivables towards the SEAT group of EUR 5.5 million (2009: EUR 8.1 million) and liabilities of EUR 17.3 million (2009: EUR 17.4 million). In addition, a receivable exists in the amount of EUR 0.6 million (2009: EUR 0.2 million) which represents a tax claim against the Italian fiscal authorities. This claim is now directed towards SEAT due to the established special agreement on the relationship between the company and SEAT with their own legal personalities subject to corporation income tax.

As of the balance sheet date of the previous year, 118000 SAS (formerly: telegate 118000 SARL), which at that time was also a wholly-owned subsidiary of telegate AG, registered short-term deferred liabilities against SEAT of EUR 0.1 million. This French subsidiary was sold as of November 2, 2009.

Fixed-term deposits

telegate AG has invested fixed-term deposits at Seat Pagine Gialle S.p.A since February 2004 and telegate Auskunftsdienste GmbH since September 2009. At the reporting date March 31, 2010, a total of EUR 56.5 million (2009: EUR 53.5 million) was deposited with SEAT. For the reporting period 2010, the interest income from this investment amounted to EUR 0.6 million (2009: EUR 0.6 million). As at the balance sheet date, EUR 0.3 million (2009: EUR 0.2 million) of this amount was deferred and reported as a receivable.

Transactions with related persons

At the balance sheet date March 31, 2010, three members of the supervisory board of telegate AG were employees of the SEAT group. As at March 31, 2010, supervisory board remuneration of kEUR 42 (2009: kEUR 42) was due to these individuals, and an accrual was recognized for this amount in the financial statements.

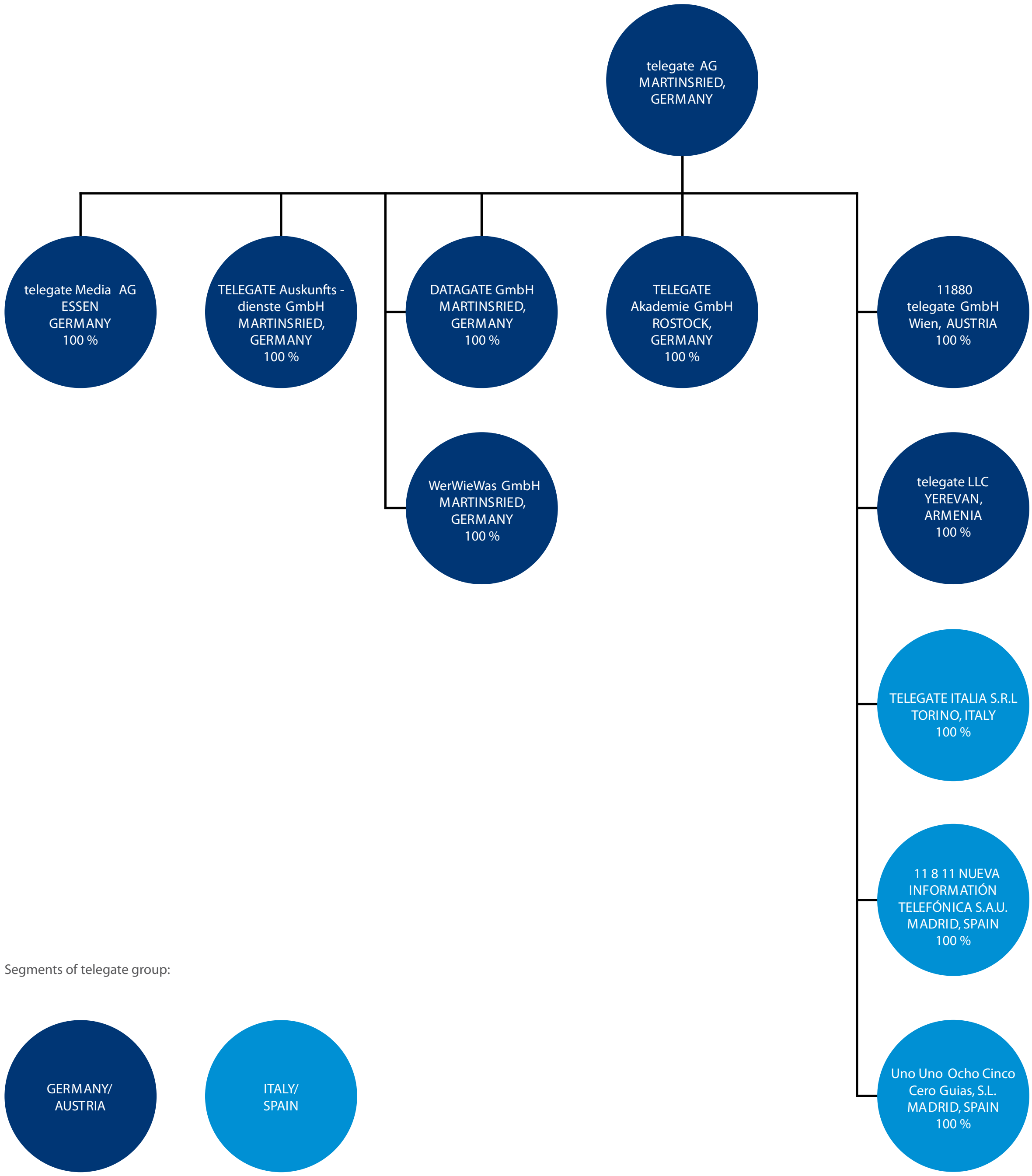
6 German Corporate Governance Code

The joint declaration of compliance of the management board and supervisory board of telegate AG in accordance with section 161 AktG - German Corporation Law was made in December 2009. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, April 20, 2010

The Management Board

Corporate Structure Group



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