6-Months Report 2010

telegate

LOCAL SEARCH GOES MOBILE

Letter from the Management Board

Dear shareholders,

The good news first: the advertising sales business continues to show a dynamic growth. The business sector MEDIA grew by 19 percent within the group compared to the previous year. There was already a growth of 31 percent in the second quarter 2010. Transformation of the business model is in full swing – in the first half-year 2010 we already generate 26 percent of our revenues with the Media business in Germany, by now with a clear upward trend. In particular, we achieved this with new users and customers, newly established sales capacities and also in part with the new cooperation partners Vodafone, Nokia and freenet, who extend the reach for our advertisers. And we will continue to grow with the realization of additional new products for users and advertisers.
We will even expand our position soon as “marketing partner for SMEs in the digital world“. In addition to online trade advertising and search engine marketing, we will help companies with a new offer to further exploit the possibilities of digital marketing and acquire new customers. telegate will develop and design a professional web presence for companies and service providers in the future. The „firmenWEBSITE' is based on telegate MEDIA’s known „carefree“ principle: the customer supplies data, information and pictures. We register the desired domain, create the website according to customer ideas including a company video, take care of search engine optimization as well. And if desired, we also supply marketing via online directories and Google AdWords. The product has great market potential and complements the product family of telegate MEDIA in an useful way. Because approximately 75 percent of German SMEs prefer a creation of their website by external service providers.

However, growth of sales in the Media sector is still not sufficient to compensate the declining revenues in the directory assistance business. This unbalance has a strong effect on profits due to the significantly higher margin of the directory assistance business. Thus, EBITDA in the second quarter was only marginally higher compared to the first quarter and again noticeably lower than in the second quarter 2009.

As reported, we sold both of our Call Centers in Italy as well as the Italian subsidiary as of June 01. This emphasizes our strategy of a focus on the German market and makes it possible to direct our resources more targeted to sectors with more growth. We made our year-end guidance for the full year at the disclosure of the business figures 2009 in mid-March. It provided an EBITDA before possible non-recurring items from € 23 m to € 27 m, including a positive contribution from the Italian business, which has now been discontinued. Due to that and regarding the business development of the first half-year, we currently expect to reach our profit target in the lower part of the range mentioned.

Planegg-Martinsried near Munich, August 2010

The Management Board of telegate AG

Key Financial Figures

in m Euro	6M 2010	6M 2009	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	61.7	67.7	-6.0	-8.9%
EBITDA before non-recurring items	11.1	18.0	-6.9	-38.3%
EBITDA[1]	11.1	16.2	-5.1	-31.5%
Operating income / loss (EBIT)	6.2	11.3	-5.1	-45.1%
Income[2]	2.4	-3.0	5.4	-180.0%
Net income	7.9	6.5	1.4	21.5%
Balance Sheet				
Balance sheet total	140.8	175.1	-34.3	-19.6%
Cash & cash equivalents	49.2	50.9	-1.7	-3.3%
Equity	90.4	87.6	2.7	3.1%
Equity ratio	64.2%	50.1%	14.1%	28.2%
Cash Flow				
Operating cash flow	1.1	14.9	-13.8	-92.6%
Investments (incl. M&A)	1.8	-4.0	5.7	144.5%
Free Cash Flow (incl. Interests; before M&A)	0.6	13.1	-12.5	-95.3%
KPI telegate share				
Earnings per share (in Euro)	0.37	0.31	0.1	21.1%
Share price (in Euro)[3]	7.09	7.36	-0.3	-3.7%
Market capitalization	150.6	156.3	-5.7	-3.7%
Employees				
Number of employees[4]	2,006	3,087	-1,081	-35.0%

[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 2nd quarter
[4] Headcount as of June 30

Management Report

At a glance: 6-months report 2010

The company took further important steps with regard to the transformation of the business model in Q2 2010. A highlight was the sale of the Italian subsidiary telegate Italia S.r.L. as of June 01, 2010 and the two Call Centers operated in Italy. Accordingly, the Italian subsidiary is presented in the balance sheet as so-called discontinued operation. This transaction is based on the already advanced consolidation phase of the Italian telephone directory assistance market and the changed strategic orientation of telegate AG. Thus, the group generated an inflow of funds of approx. € 3.5 m. Furthermore, this makes a focus on the German market possible, where strategic partnerships with the international technology heavyweights - NOKIA, Vodafone, freenet - started successfully.
We expect sustainable contributions in the medium term to increase both the use and the associated higher visibility of advertisers and revenues in the Media sector. The share of the Media sector in group revenues was further increased from 17 percent to pleasant 23 percent by the end of the first half-year 2010.
The Media business also recorded an increase in revenues again, both compared to Q1 2010 (+20 percent) and the first half-year 2009 (+25 percent). The strongly declining trend - due to substitution by Internet directory assistance - continued unchanged across Europe.
Earnings before non-recurring items (EBITDA) of the first half-year 2010 in the amount of € 11.1 m were considerable below the level of the previous year in the amount of € 18.0 m.

Financial situation

Profitability

Group revenues decreased by 8.9 percent to € 61.7 m compared to the same period of the previous year, caused by a directory assistance business still declining significantly, which can be compensated by the growing Media business in percentage terms but not in absolute terms. Thus, the directory assistance business decreased by approx. 16 percent at group level in the first half-year 2010. However, there was an increase of 25 percent in the advertising sales business to € 14.4 m.

The gross earnings margin decreased significantly from 60.8 percent to 55.6 - against the background of the expansion of the sales force and the higher margin of the directory assistance business, in particular.

EBITDA previous year's level of € 18.0 m before non-recurring costs (€ 0.4 m non-recurring costs, integration telegate MEDIA AG + € 1.4 m non-recurring costs Call Center merger) primarily decreased to € 11.1 m due to the strong growth orientation and the associated investments in the Media business. This decline was partly compensated by adjustments in almost all fixed costs sectors. Extraordinary depreciations (€ 2.4 m goodwill and € 0.5 m fixed assets in France) resulted in a loss after taxes of the discontinued operation in the amount of € -3.0 m in the previous year, whereas a profit from the sale of the Italian participation in the amount of € 2.4 m is included in the current reporting period. The sectors France and Italy are included in the discontinued operations.

Thus, net earnings rise from € 6.5 m in the previous year to € 7.9 m and € 0.37 per share respectively due to the different contributions of the discontinued business sectors (negative in the first half-year 2009, positive in the first half-year 2010).

Net worth and financial position

Investments

Total investments in the reporting period amount to € 1.4 m (previous year: € 2.7 m). It should be taken into consideration here that investments in the amount of € 0.3 m in the business sectors France and Italy (sold by now) are included in the previous year.

Fixed assets and intangible assets investments still 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 increased level of the previous year due to integration expenses with the telegate MEDIA AG.

Balance sheet

The balance sheet quality of the telegate group is still very solid after the first 6 months 2010, in spite of the dividend distribution in Q2 2010. Thus, the amount of liquid assets decreased by € 10.7 m compared to December 31, 2009 and amounts to € 49.2 m (previous year: € 50.9 m) on the current fixed day. The equity ratio as of June 30, 2010 increased to 64.2 percent compared to 50.1 percent in the previous year. This is primarily attributable to the significant reduction of the balance sheet total from € 175.1 m as of June 30, 2009 to € 140.8 m on the current closing date (December 31, 2009: € 171.6 m).

The balance sheet total decreased compared to June 30, 2009 due to the sale of both the French and Italian subsidiary. There were regular depreciations on the assets side on intangible assets, fixed assets as well as a reduction of trade accounts receivables due to the sale of the Italian subsidiary. Reduction of the liabilities side primarily results from the reduction of accrued liabilities and trade accounts payable, which also result from the sale of the Italian subsidiary.

Cash flow & Financing

A lower profitability, overproportional tax payments as well as increase of the „working capital“ in the amount of € 4.5 m resulted in a decline of the operating cash flow (inflow and outflow respectively of funds from current business activity) in the amount of € 14.9 m to now € 1.1 m in the first half-year 2010. High tax payments in the first half-year are compensated by clearly disproportionate tax payments in the second half-year. Working capital is increased by approx. € 1 m due to a fixed day effect.

Cash flow from investment activity amounted to € 1.8 m in the reporting period (previous year: € -4.0 m). This was caused by a positive cash flow from the sale of the Italian subsidiary as of June 01, 2010 of approx. € 3.5 m, in addition to lower investments in the business. This is opposite to costs within the scope of the klickTel acquisition in the amount of € 0.8 m in the first six months of the previous year.

The unchanged dividend payment in the amount of € 0.70 per share for the annual year 2009 and almost unchanged net interest income result in a cash flow from financing activity of € -13.6 m, which is roughly at the previous year’s level (previous year: € -13.5 m).

A share repurchase program in the amount of up to 10 percent of the share capital was proposed to the shareholders´ meeting on June 09, 2010. The shareholders´ meeting adopted the proposal for a resolution by the management board and supervisory board with consent of 97.2 percent.

Forecast

Overall, we also expect a virtually unchanged declining classic directory assistance business for the year 2010. Trend of profits in the first six months 2010 is affected by the decline on the highly profitable classic directory assistance market as well as the growth orientation in the advertising sales business connected with high investments. Nevertheless, the company expects to reach earnings (EBITDA) before non-recurring items, which presumably are in the lower area of the forecasted margin of € 23 m - € 27 m. Furthermore, this profit forecast communicated in mid-March was based on a positive contribution to profits of the Italian subsidiary which was sold in the meantime.

Focus was increased on additional cost reductions, in addition to a future margin increase in the Media business with the significant growth of revenues as well as a higher sales efficiency. Among others, a program for optimization of business processes is already in the implementation phase. This should contribute to make the telegate group even more efficient and more powerful in the future.

The advertising sales business in Germany is still focus of the strategic orientation of the telegate group. For example, telegate will develop professional Internet presences for companies and service providers under the name „firmenWEBSITE“. This is based on the known „carefree“ principle and complements the product family of telegate MEDIA in a useful way. In addition, telegate expands the presence of the company and the brands on the various social networks.

Any other income from payments of Deutsche Telekom AG with regard to data cost-claim for repayment actions are disregarded in this forecast.

Segment report

Germany/Austria

The transformation process from a telecommunications specialist to a local search and SME marketing specialist continues to progress in the segment Germany/Austria. For example, the launch of the new product “firmenWEBSITE” (professional Internet presences especially for companies and service providers) was launched in Q2 2010. Thus, telegate continues to expand its product portfolio consequently - in addition to directory advertising and search engine marketing.

The cooperation with the three technology heavyweights - Vodafone, NOKIA, freenet - signed in Q1 2010 started successfully. telegate´s advertisers will benefit from the partnerships, in particular. They can reach new customers with their marketing advertisements in the future also on additional platforms with a great reach.

With regard to revenues, there is a pleasant progress in the advertising sales business again in Q2 2010. Revenues increased by approx. 20 percent compared to the previous quarter. This results in a growth of revenues of 26 percent and € 3.0 m respectively compared to the previous year (basis: first half-year).

The decline in revenues in the classic directory assistance business was partly compensated again (from € 50.1 m to € 41.7 m in the first half-year, corresponding to -16.8 percent) by operative measures - here by increasing revenues per caller, in particular - however, to a lesser extent than in the past, as expected.

Thus, total revenues of the segment Germany fell to € 56. 1 m (previous year: € 61.5 m).

The decline of the directory assistance business with a strong margin is also significantly reflected in earnings before interest, taxes, depreciation and amortization (EBITDA). This cannot be compensated by the advertising sales business which grows strongly in terms of revenues due to the still lower margin. Furthermore, the margin even showed a declining development in the first half-year due to the targeted and significant expansion of field sales. Thus, this results in an overproportional strong decline of EBITDA before non-recurring items from € 17.6 m (€ 0.4 m non-recurring costs integration telegate MEDIA AG + € 1.4 m non-recurring costs Call Center merger) to € 10.7 m, as expected.

Italy/Spain

telegate is still challenged with difficult overall economic conditions in Spain. Call volume is still declining strongly and was only compensated due to higher revenues per caller in terms of revenues. However, the accelerated decline in revenues observed in 2009 slowed down significantly again in the meantime (2009 vs. 2008 -25 percent, first half-year 2010 vs. 2009: -9 percent). The decline in revenues, increased non-recurring expenses due to capacity adjustments as well as various cost reductions resulted in net operating earnings (EBITDA) of € 0.4 m (previous year: € 0.7 m).

The declining classic directory assistance business is reflected in revenues also in Italy in the first five months (€ 6.5 m, previous year: on a 6-months basis: € 10.6 m) and earnings (EBITDA) (€ -0.6 m, previous year: on a 6-months basis: € 1.0 m).

As initially stated, the Italian subsidiary was sold on June 01, 2010 and contributions to revenues, costs and as well as earnings from Italy were reported as so-called discontinued business sector to above the annual net income after taxes, in accordance with IFRS.

Employees

The telegate group employed a total of 2,006 employees (headcount, without trainees and inactive employments, which were added in the previous year) as of June 30, 2010. Thus, the number of employees decreased on a comparable basis compared to the previous year (3,087 in the previous year) by 1,081 persons and 35 percent respectively. The further expansion with qualified employees in advertising sales was opposite to the strong decline of employees due to the sale of our French and Italian companies, in particular.

Planegg-Martinsried, July 28, 2010
The management board

Consolidated Statements of Operations (IFRS)

in kEUR	Quarterly Report (unaudited) Q2 2010	Q2 2009	6-Months Report (unaudited) 6M 2010	6M 2009
Continuing operations				
Revenues	31,281	33,597	61,730	67,732
Cost of revenues	-13,670	-13,461	-27,432	-26,557
Gross Profit (excl. depreciation & amortization)	**17,611**	**20,136**	**34,298**	**41,175**
Advertising costs	-2,509	-2,439	-4,774	-5,496
Personnel costs (only administration & marketing)	-5,739	-6,223	-11,477	-12,075
Depreciation & amortization	-2,411	-2,486	-4,827	-4,954
Other administrative expenses	-3,854	-4,406	-7,245	-7,619
Other operating income / expense	165	115	249	244
Total operating expenses	**-14,348**	**-15,439**	**-28,074**	**-29,900**
Operating income / loss	**3,263**	**4,697**	**6,224**	**11,275**
Interest income / expense	525	482	1,072	1,105
Gain / loss on foreign currency translation	4	-2	4	-2
Financial income	**529**	**480**	**1,076**	**1,103**
Income before income tax	**3,792**	**5,177**	**7,300**	**12,378**
Income tax - current	-1,686	-2,834	-3,510	-3,554
Income tax - deferred	1,695	696	1,695	696
Income tax expense	**9**	**-2,138**	**-1,815**	**-2,858**
Income from continuing operations	**3,801**	**3,039**	**5,485**	**9,520**
Discontinued operations				
Income from discontinued operations	2,407	-3,115	2,417	-2,983
Net income	**6,208**	**-76**	**7,902**	**6,537**
Attributable to:				
Equity holders of the parent	6,208	-76	7,902	6,526
Minority interests	0	0	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)	0.29	0.00	0.37	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)	0.18	0.14	0.26	0.45
Earnings per share for discontinued operations - basic and dilutive, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.11	-0.14	0.11	-0.14

See accompanying notes to the consolidated financial statements.

Consolidated statement of comprehensive income (IFRS)

in TEUR	Quarterly Report (unaudited) Q2 2010	Q2 2009	6-Months Report (unaudited) 6M 2010	6M 2009
Net income	**6,208**	**-76**	**7,902**	**6,537**
Foreign currency translation differences	-2	2	-1	2
Sum of the result which is recorded directly in equity	**-2**	**2**	**-1**	**2**
Total comprehensive income	**6,206**	**-74**	**7,901**	**6,539**
Attributable to:				
Equity holders of the parent	6,206	-74	7,901	6,528
Minority interests	0	0	0	11

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	June 30, 2010	June 30, 2009	Dec 31, 2009
Current assets			
Cash & cash equivalents	49,191	50,870	59,932
Trade accounts receivable	32,316	57,220	48,481
Prepaid expenses & other current assets	5,852	7,094	5,631
Total current assets	**87,359**	**115,184**	**114,044**
Non-current assets			
Goodwill	7,474	7,550	7,474
Intangible assets	33,553	38,171	36,354
Property & equipment	5,450	9,289	7,612
Other financial assets	887	234	733
Deferred tax assets	6,078	4,661	5,421
Total non-current assets	**53,442**	**59,905**	**57,594**
Total assets	**140,801**	**175,089**	**171,638**

Liabilities & shareholders' equity in kEUR	June 30, 2010	June 30, 2009	Dec 31, 2009
Current liabilities			
Trade accounts payable	1,534	25,263	20,396
Accrued liabilities	13,544	24,419	16,835
Provisions	3,914	3,582	4,475
Other current liabilities	18,195	19,482	18,138
Total current liabilities	**37,187**	**72,746**	**59,844**
Non-current liabilities			
Provisions	771	1,421	1,013
Other non-current liabilities	5	464	441
Deferred tax liabilities	12,456	12,820	13,055
Total non-current liabilities	**13,232**	**14,705**	**14,509**
Total liabilities	**50,419**	**87,451**	**74,353**
Shareholders' equity			
Share capital	21,235	21,235	21,235
Additional paid-in capital	29,935	29,753	29,875
Other revenue reserves	34,822	31,174	34,822
Retained earnings	4,390	5,474	11,352
Accumulated other comprehensive income	0	2	1
Equity attributable to equity holders of the parent	**90,382**	**87,638**	**97,285**
Total shareholders' equity	**90,382**	**87,638**	**97,285**
Total liabilities & shareholders' equity	**140,801**	**175,089**	**171,638**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	June 30, 2010	June 30, 2009
Cash flows from operating activities		
Income before income tax from continuing operations	7,300	12,378
Income before income tax from discontinued operations	2,975	-2,260
Income before income tax	10,275	10,118
Adjustments for:		
Depreciation & amortization	5,786	8,775
Gain / loss on disposal of property & equipment	-46	57
Gain / loss from government grants	-29	-19
Interest income / expense	-1,067	-1,091
Gain / loss on foreign currency translation	-4	2
Stock option expense	60	105
Valuation allowance for trade accounts receivable	204	2,772
Gain / loss due to changes in consolidated group	-5,418	0
Other non-cash expenses / income	0	-156
Changes in non-current provisions	-247	-231
Changes in non-current receivables	-164	-162
Operating profit before changes in operating assets & liabilities	***9,350***	***20,170***
Changes in operating assets and liabilities:		
Trade accounts receivable	-8,310	-2,107
Prepaid expenses & other assets	-1,223	65
Trade accounts payable	4,664	1,410
Current provisions	1,445	-662
Accrued expenses & other liabilities	-1,119	1,924
Income taxes paid	-3,706	-5,936
Cash provided by operating activities	**1,101**	**14,864**
Cash flows from investing activities		
Capitalized intangible assets	-931	-2,172
Purchase of property & equipment	-840	-1,037
Proceeds from sale of property & equipment	1	23
Acquisition of a subsidiary, net of cash acquired	0	-76
Purchase of a subsidiary, net of cash purchased	3,505	234
Acquisition of minority interests	0	-952
Proceeds from government grants	29	19
Cash used in / provided by investing activities	**1,764**	**-3,961**
Cash flows from financing activities		
Dividends paid	-14,864	-14,864
Interest received	1,266	1,437
Interest paid	-10	-67
Cash used in financing activities	**-13,608**	**-13,494**
Effects of exchange rates on cash	2	0
Change in cash and cash equivalents	**-10,741**	**-2,591**
Cash & cash equivalents at beginning of reporting period	**59,932**	**53,461**
Cash & cash equivalents at end of reporting period	**49,191**	**50,870**

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	-	-	-	7,902	-	7,902	-	7,902
Foreign currency translation	-	-	-	-	-1	-1	-	-1
Sum of the result which is recorded directly in equity	-	-	-	-	-1	-1	-	-1
Total comprehensive income	**0**	**0**	**0**	**7,902**	**-1**	**7,901**	**0**	**7,901**
Dividends	-	-	-	-14,864	-	-14,864	-	-14,864
Stock option plan	-	60	-	-	-	60	-	60
Balance at June 30, 2010	**21,235**	**29,935**	**34,822**	**4,390**	**0**	**90,382**	**0**	**90,382**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at Jan 1, 2009	**21,235**	**31,800**	**31,174**	**11,883**	**0**	**96,092**	**718**	**96,810**
Net income	-	-	-	6,526	-	6,526	11	6,537
Foreign currency translation	-	-	-	-	2	2	-	2
Sum of the result which is recorded directly in equity	-	-	-	-	2	2	-	2
Total comprehensive income	**0**	**0**	**0**	**6,526**	**2**	**6,528**	**11**	**6,539**
Release of other revenue reserves	-	-1,929	-	1,929	-	0	-	0
Dividends	**-**	-	-	-14,864	-	-14,864	-	-14,864
Stock option plan	**-**	105	-	-	-	105	-	105
Acquisition of minority interests	**-**	-223	-	-	-	-223	-729	-952
Balance at June 30, 2009	**21,235**	**29,753**	**31,174**	**5,474**	**2**	**87,638**	**0**	**87,638**

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. As at June 01, 2010 the Italian subsidiary 'Telegate Italia S.r.L.' was sold, see also note 9 'Discontinued operations'. This subsiadiary was in the operating segment Italy / Spain included. 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 TEUR	Directory Assistance Solutions	Media	sum	Italy/Spain	France	Reconciliation	telegate group
01.01.2010 - 30.06.2010							
Revenues							
External revenues	41,717	14,369	56,086	12,193	-	-6,549	**61,730**
Inter-segment revenues	20	-	20	-	-	-20	**0**
Total revenues	**41,737**	**14,369**	**56,106**	**12,193**	**0**	**-6,569**	**61,730**
Earnings							
EBITDA	19,300	-8,551	10,749	-148	-	450	**11,051**
Depreciation and amortization	-2,776	-1,815	-4,591	-1,195	-	959	**-4,827**
Financial income/ expense	549	533	1,082	-11	-	5	**1,076**
Income before income tax	17,073	-9,833	7,240	-1,354	-	1,414	**7,300**

	Germany / Austria						
	Directory Assistance Solutions	Media	sum	Italy/Spain	France	Reconciliation	telegate group
01.01.2009 - 30.06.2009							
Revenues							
External revenues	50,143	11,392	61,535	16,797	6,247	-16,847	**67,732**
Inter-segment revenues	92	-	92	-	-	-92	**0**
Total revenues	**50,235**	**11,392**	**61,627**	**16,797**	**6,247**	**-16,939**	**67,732**
Earnings							
EBITDA	22,364	-6,574	15,790	1,755	259	-1,575	**16,229**
Depreciation and amortization	-2,991	-1,508	-4,499	-837	-3,439	3,821	**-4,954**
Financial income/ expense	622	619	1,241	-42	-110	14	**1,103**
Income before income tax	19,995	-7,463	12,532	876	-3,290	2,260	**12,378**

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 June 30, 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 June 30, 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 June 30, 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.

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.

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.

Annual improvements process 2008-2010

In May 2010, the IASB has issued Improvements to IFRSs, an omnibus of amendments to its standards and the related basis for conclusions. The improvements project is an annual project that provides a mechanism for making necessary but non-urgent amendments. This document summarises the eleven amendments to six standards and one interpretation.

The amendments basically apply to fiscal years starting on or after January 01, 2011. Diverging regulations are separately marked in the following presentation. An early application is permissible.

telegate currently examines the consequences of the application for the consolidated financial statements and basically expects, unless stated otherwise, no effects on the net worth position, the financial position and the profit position. An assumption to European law is still to be made.

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

IFRS 1 First-time adoption of International Financial Reporting Standards

"Accounting policy changes in the year of adoption"

"Revaluation basis as deemed cost"

"Use of deemed cost for operations subject to rate regulation"

IFRS 3 Business combinations

"Transition requirements for contingent consideration from a business combination that occurred before the effective date of the revised IFRS 3"

Clarifies that the amendments to IFRS 7 Financial instruments: Disclosures, IAS 32 Financial instruments: Presentation and IAS 39 Financial instruments: Recognition and measurement, that eliminate the exemption for contingent consideration, do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3R. (retrospective application)

"Measurement of non-controlling interests"

Limit the scope of the measurement choices that only the components of non-controlling interests that are present ownership interests that entitle their holders to a proportionate share of the entity ´s net assets, in the event of liquidation, shall be measured either at fair value or at the present ownership instruments proportionate share of the acquiree ´s identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value or required by another IFRS. (prospective application from application IFRS 3R)

"Un-replaced and voluntarily replaced share-based payment awards"

Requires an entity (in a business combination) to account for the replacement of the acquiree ´s share-based payment transaction (whether obliged or voluntarily), i.e., split between consideration and post combination expenses. However, if the entity replaces the acquiree ´s awards that expire as a consequence of the business combination, these are recognised as post-combination expenses. Specify the accounting for share-based payment transactions that the acquirer does not exchange for its own awards: if vested – they are part of non-controlling interests and measured at their marked-based measure; if unvested – they are measured at market-based value as if granted at acquisition date, and allocated between non-controlling interests and post-combination expense. (prospective application)

These amendments are applicable to annual periods beginning on or after 1 July 2010.

IFRS 7 Financial instruments: Disclosures

"Clarifications of disclosures"

Emphasise the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments.

Amendments to quantitative and credit risk disclosures are as follows:

- Clarify that only financial assets whose carrying amount does not reflect the maximum exposure to credit risk need to provide further disclosure of the amount that represents the maximum exposure to such risk.
- Requires, for all financial assets, disclosure of the financial effect of collateral held as security and other credit enhancements regarding the amount that best represents the maximum exposure to credit risk (e.g., a description of the extent to which collateral mitigates credit risk).
- Remove disclosure of the collateral held as security, other credit enhancements and an estimate of their fair value for financial assets that are past due but not impaired, and financial assets that are individually determined to be impaired.
- Remove the requirement to specifically disclose financial assets renegotiated to avoid becoming past due or impaired.
- Clarify that the additional disclosure required for financial assets obtained by taking possession of collateral or other credit enhancements are only applicable to assets still held at the reporting date.

(retrospective application)

IAS 1 Presentation of financial statements

"Clarification of statement of changes in equity"

Clarify that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. (retrospective application)

IAS 27 Consolidated and separate financial statements

"Transition requirements for amendments made as a result of IAS 27 Consolidated and separate financial statements"

Clarify that the consequential amendments from IAS 27 made to IAS 21 The effect of changes in foreign exchange rates, IAS 28 Investments in associates and IAS 31 Interests in joint ventures apply prospectively for annual periods beginning on or after July 01, 2009 or earlier when IAS 27 is applied earlier. (retrospective application)

IAS 34 Interim financial reporting

"Significant events and transactions"

Provide guidance to illustrate how to apply disclosure principles in IAS 34 and add disclosure requirements around:

- The circumstances likely to affect fair value of financial instruments and their classification
- Transfers of financial instruments between different levels of the fair value hierarchy
- Changes in classification of financial assets
- Changes in contingent liabilities and assets

(retrospective application)

IFRIC 13 Customer loyalty programmes

“Fair value of award credit”

Clarify that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. (retrospective application)

4 Change in the scope of consolidation

Sale of a company

Telegate Italia S.r.L. was sold as of June 01, 2010. For this purpose, see note 9 “Discontinued operation”.

5 Explanations to the profit and loss statement of the group

In accordance with IFRS 5.34, the items of the group’s profit and loss statements for the fiscal year 2009 were adjusted due to the sale of the Italian subsidiary Telegate Italia S.r.L. in the fiscal year 2010. For this purpose, see also note 9 “Discontinued operation”.

The French subsidiary 118000 SAS (former: telegate 118000 SARL) was sold in the fiscal year 2009 already. Corresponding to IAS 34.6 there are no duplicate information of the impact due to the sell of the French subsidiary within this interim financial reporting, because these information were sufficient provided in the annual financial statements 2009 already.

Therefore the results of discontinued operations include both former subsidiaries.

6 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 half year 2010 and 2009 respectively.

in TEUR	Extented costs of sales method 6M 2010	Reclassification	Cost of sales method (IAS 1.92) 6M 2010
Continuing operations			
Revenues	61,730	0	61,730
Cost of revenues	-27,432	-4,671	-32,103
Gross Profit (excl. depreciation & amortisation)	**34,298**	**-4,671**	**29,627**
Advertising costs	-4,774	-1,806	-6,580
Personnel costs (only administatration & marketing)	-11,477	11,477	0
Depreciation & amortisation	-4,827	4,827	0
Other administrative expenses	-7,245	-9,827	-17,072
Other operating income / expense	249	0	249
Total operating expenses	**-28,074**	**4,671**	**-23,403**
Operating income	**6,224**	**0**	**6,224**
Interest income / expense	1,072	0	1,072
Gain / Loss on foreign currency translation	4	0	4
Financial income	**1,076**	**0**	**1,076**
Income before income tax	**7,300**	**0**	**7,300**
Income tax - current	-3,510	0	-3,510
Income tax - deferred	1,695	0	1,695
Income tax expense	**-1,815**	**0**	**-1,815**
Income from continuing operations	**5,485**	**0**	**5,485**
Discontinued operations			
Income from discontinued operations	2,417	0	2,417
Net income	**7,902**	**0**	**7,902**

The following reclassifications were made as at June 30, 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 4,671) and other administrative expenses (kEUR 156).
2. Allocation of personnel costs between other administrative expenses (kEUR 9,671) and distribution costs (kEUR 1,806).

in TEUR	Extented costs of sales method 6M 2009	Reclassification	Cost of sales method (IAS 1.92) 6M 2009
Continuing operations			
Revenues	67,732	0	67,732
Cost of revenues	-26,557	-4,766	-31,323
Gross Profit (excl. depreciation & amortisation)	**41,175**	**-4,766**	**36,409**
Advertising costs	-5,496	-1,509	-7,005
Personnel costs (only administatration & marketing)	-12,075	12,075	0
Depreciation & amortisation	-4,954	4,954	0
Other administrative expenses	-7,619	-10,754	-18,373
Other operating income / expense	244	0	244
Total operating expenses	**-29,900**	**4,766**	**-25,134**
Operating income	**11,275**	**0**	**11,275**
Interest income / expense	1,105	0	1,105
Gain / Loss on foreign currency translation	-2	0	-2
Financial income	**1,103**	**0**	**1,103**
Income before income tax	**12,378**	**0**	**12,378**
Income tax - current	-3,554	0	-3,554
Income tax - deferred	696	0	696
Income tax expense	**-2,858**	**0**	**-2,858**
Income from continuing operations	**9,520**	**0**	**9,520**
Discontinued operations			
Income from discontinued operations	-2,983	0	-2,983
Net income	**6,537**	**0**	**6,537**
Attributable to:			
Equity holders of the parent	6,526	0	6,526
Minority interests	11	0	11

The following reclassifications were made as at June 30, 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 4,766) and other administrative expenses (kEUR 188).
2. Allocation of personnel costs between other administrative expenses (kEUR 10,566) and distribution costs (kEUR 1.509).

In the following the reconciliation of the results for the second quarter of 2010 and 2009 respectively.

in TEUR	Extented costs of sales method Q2 2010	Reclassification	Cost of sales method (IAS 1.92) Q2 2010
Continuing operations			
Revenues	31,281	0	31,281
Cost of revenues	-13,670	-2,332	-16,002
Gross Profit (excl. depreciation & amortisation)	**17,611**	**-2,332**	**15,279**
Advertising costs	-2,509	-959	-3,468
Personnel costs (only administatration & marketing)	-5,739	5,739	0
Depreciation & amortisation	-2,411	2,411	0
Other administrative expenses	-3,854	-4,859	-8,713
Other operating income / expense	165	0	165
Total operating expenses	**-14,348**	**2,332**	**-12,016**
Operating income	**3,263**	**0**	**3,263**
Interest income / expense	525	0	525
Gain / loss on foreign currency translation	4	0	4
Financial income	**529**	**0**	**529**
Income before income tax	**3,792**	**0**	**3,792**
Income tax - current	-1,686	0	-1,686
Income tax - deferred	1,695	0	1,695
Income tax expense	**9**	**0**	**9**
Income from continuing operations	**3,801**	**0**	**3,801**
Discontinued operations			
Income from discontinued operations	2,407	0	2,407
Net income	**6,208**	**0**	**6,208**

The following reclassifications were made in the second quarter 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 2,332) and other administrative expenses (kEUR 79).
2. Allocation of personnel costs between other administrative expenses (kEUR 4,780) and distribution costs (kEUR 959).

in TEUR	Extented costs of sales method Q2 2009	Reclassification	Cost of sales method (IAS 1.92) Q2 2009
Continuing operations			
Revenues	33,597	0	33,597
Cost of revenues	-13,461	-2,388	-15,849
Gross Profit (excl. depreciation & amortisation)	**20,136**	**-2,388**	**17,748**
Advertising costs	-2,439	-766	-3,205
Personnel costs (only administatration & marketing)	-6,223	6,223	0
Depreciation & amortisation	-2,486	2,486	0
Other administrative expenses	-4,406	-5,555	-9,961
Other operating income / expense	115	0	115
Total operating expenses	**-15,439**	**2,388**	**-13,051**
Operating income	**4,697**	**0**	**4,697**
Interest income / expense	482	0	482
Gain / loss on foreign currency translation	-2	0	-2
Financial income	**480**	**0**	**480**
Income before income tax	**5,177**	**0**	**5,177**
Income tax - current	-2,834	0	-2,834
Income tax - deferred	696	0	696
Income tax expense	**-2,138**	**0**	**-2,138**
Income from continuing operations	**3,039**	**0**	**3,039**
Discontinued operations			
Income from discontinued operations	-3,115	0	-3,115
Net income	**-76**	**0**	**-76**
Attributable to:			
Equity holders of the parent	-76	0	-76
Minority interests	0	0	0

The following reclassifications were made in the second quarter 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 2,388) and other administrative expenses (kEUR 98).
2. Allocation of personnel costs between other administrative expenses (kEUR 5,457) and distribution costs (kEUR 766).

7 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., up to June 1, 2010 a wholly owned subsidiary of telegate AG, generated income from services rendered to the SEAT group of EUR 6.6 million (2009: EUR 10.5 million) in the first 6 months 2010. At the date of selling, Telegate Italia S.r.L. reported receivables towards the SEAT group of EUR 5.3 million (2009: EUR 6.2 million) and liabilities of EUR 22.4 million (2009: EUR 21.8 million). In addition, a receivable existed 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 was then 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.

Effective from June 01, 2010 telegate AG sold the wholly owned subsidiary Telegate Italia S.r.L. to SEAT Pagine Gialle S.p.A.. The purchase price consisted of a one-time fixed payment in the amount of EUR 5.5 million, which was fully paid in form of cash, and a variable share of sales (earn out-component). telegate AG assumed contractual obligations in this connection, which were recognised in accordance with IAS 37.14 in the amount of EUR 0.8 million. For further information see note 9 “Discontinued operation”.

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 with short maturities up to three months at SEAT Pagine Gialle S.p.A since February 2004 and telegate Auskunftsdienste GmbH since September 2009. At the reporting date June 30 , 2010, a total of EUR 48.0 million (2009: EUR 49.0 million), split in several tranches, was deposited with SEAT. For the reporting period 2010, the interest income from this investment amounted to EUR 1.1 million (2009: EUR 1.1 million). As at the balance sheet date, EUR 0.1 million (2009: EUR 0.1 million) of this amount was deferred and reported as a receivable.

Transactions with related persons

At the balance sheet date June 30, 2010, three members of the supervisory board of telegate AG were employees of the SEAT group. As at June 30, 2010, supervisory board remuneration of kEUR 17 (2009: kEUR 17) was due to these individuals, which were recorded correspondingly as a current liability.

8 Dividends paid

The proposed appropriation of earnings of the management board and supervisory board was approved according to the resolution of the shareholders´ meeting of June 09, 2010 and the net earnings 2009 in the amount of kEUR 14,864 were used for the a dividend distribution (2009: kEUR 14,864). This corresponds to a dividend of € 0.70 per individual share certificate.

9 Discontinued operation

Telegate Italia S.r.L.

With effect of June 01, 2010, telegate AG sold the wholly-owned subsidiary Telegate Italia S.r.L. to SEAT Pagine Gialle S.p.A., the majority shareholder of telegate AG; for this purpose, see also note 7 “Related party disclosures”. The purchase price consisted of a one-time fixed payment in the amount of kEUR 5.534, which was fully paid in form of cash, and a variable share of sales (earn-out-component).

At the same time the two call-centers conducted in Italia, in which telegate performed the directory assistance services in the Italian market, passed on to the leading Italian call-center-provider Contacta S.p.A..

The deconsolidation from the telegate group was made correspondingly as of June 01, 2010.

As operating segment Telegate Italia S.r.L. was presented within the reportable operating segment “Italy/Spain” of the group.

Telegate Italia S.r.L. contributed to the earnings of the telegate group until its sale date as follows:

	Quarterly Report (nicht testiert)		**6-Months Report** (nicht testiert)	
in TEUR	**Q2 2010**	**Q2 2009**	**6M 2010**	**6M 2009**
Revenues	2,620	5,542	6,549	10,600
Cost of revenues	-2,090	-4,191	-5,519	-8,069
Gross profit (excl. depreciation and amortization)	**530**	**1,351**	**1,030**	**2,531**
Total operating expenses	**-2,026**	**-833**	**-2,439**	**-1,662**
Operating income	**-1,496**	**518**	**-1,409**	**869**
Financial income	**-1**	**-11**	**-5**	**-15**
Income before income tax	**-1,497**	**507**	**-1,414**	**854**
Income tax expense	**-486**	**-500**	**-559**	**-678**
Income from discontinued operations	**-1,983**	**7**	**-1,973**	**176**
Income from the disposal of the discontinued operation	4,552	0	4,552	0
Net income from the discontinued operation	**2,569**	**7**	**2,579**	**176**

The income from the disposal of the discontinued operation with an amount of kEUR 4.552 includes also direct attributable expenses, which are accrued as a result of the sale of Telegate Italia S.r.L..

Results and subsequent expenses due to the sale of 118000 SAS (former: telegate 118000 SARL) are not included in the above mentioned figures, see also note 5 “Explanations to the profit and loss statement of the group”.

Assets and liabilities on the sale date (without cash)

	kEUR
Current assets	24,992
Non-current assets	609
Current liabilities	26,939
Non-current liabilities	414

Cash provided by the sale

	kEUR
Purchase price included	5,534
Cash sold with the discontinued operation	-1,867
Cash provided (balance)	**3,667**

The net cash flows of the discontinued operations are represented as follows:

in kEUR	**1.1.-01.06.2010**	**1.1.-31.12.2009**
Operating activity	1,865	159
Investing activity	-3	-159
Financing activity	0	0
Net cash flows	**1,862**	**0**

The details are calculated without intercompany-transactions. Telegate Italia S.r.L. was integrated in the cash-pooling of telegate AG up to May 26, 2010.

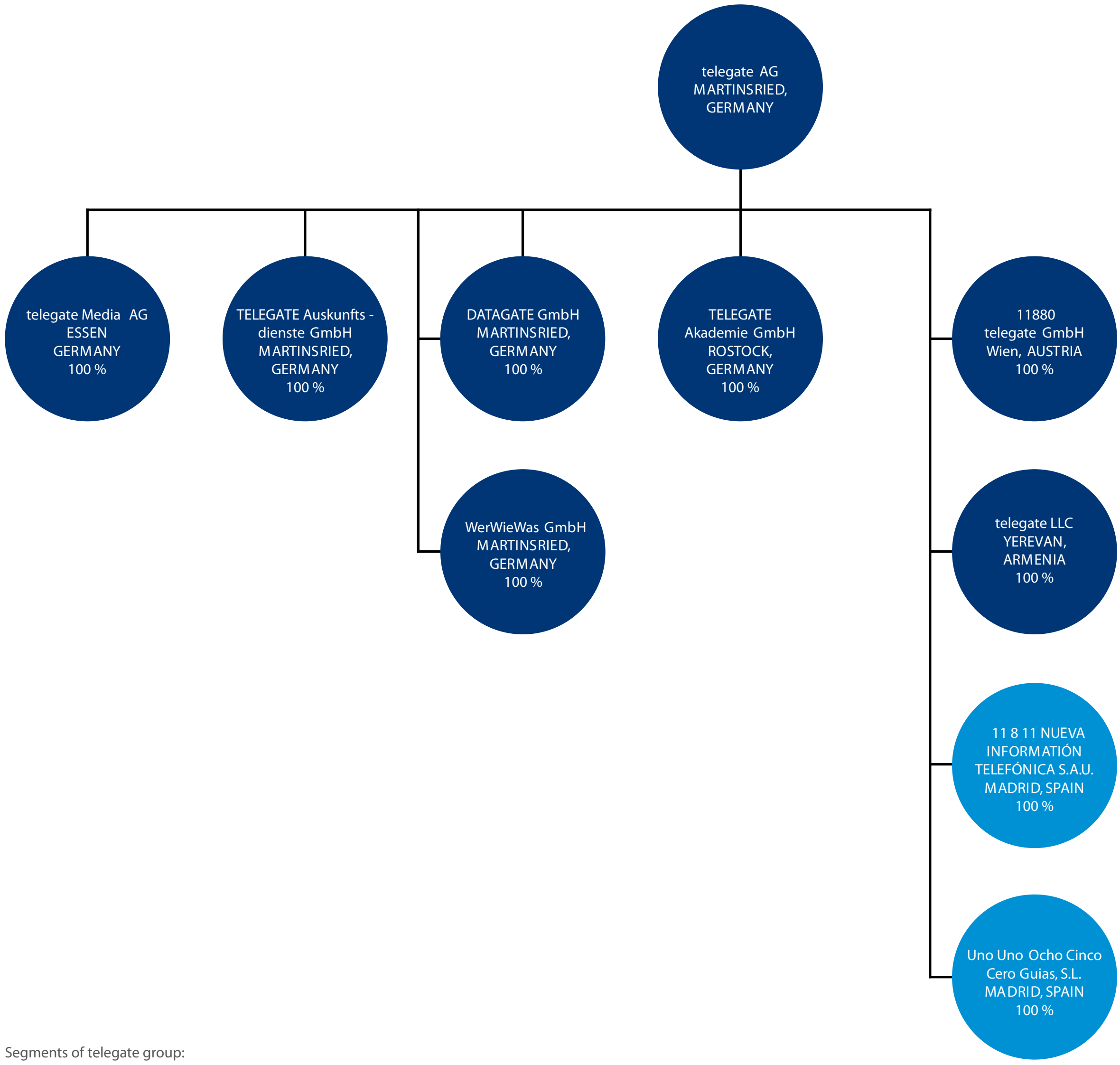
10 German Corporate Governance Code

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, July 28, 2010

The Management Board

Corporate Structure Group



Segments of telegate group: