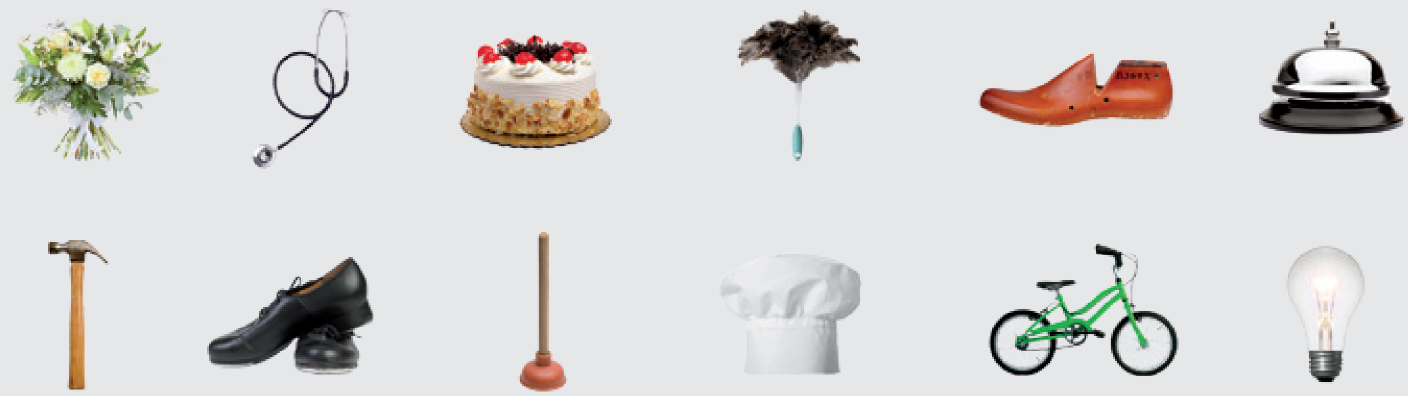


Digital Marketing for small and medium sized Business.

3-Months Report 2011

telegate

A BRAVE NEW WORLD: INTERNET

Letter from the Management Board

Dear shareholders,

telegate made good progress on the way from a directory assistance specialist to a digital expert for SME advertising and local search in the first three months of the current year. This is clearly shown in the development of the share in revenues in group revenues of the Media business as the most important reference value for the progress of our transformation. This share amounted to 25 percent in the annual year 2010, it increased further to 30 percent in the first quarter 2011 compared to 21percent a year ago. It is also very pleasing that we had a very dynamic growth again in the business sector Media with an increase in revenues of 32 percent.

How did we do this? The learning curve of our sales force rises from day to day. And we orientate our marketing portfolio for SMEs increasingly better and more consistently to the demands of the modern “digital advertising world” and the requirements of our customers. Thus, the products “firmenWEBSITE” and Media entry with a video clip, both newly launched in 2010, were successfully integrated in our full service-offer and there is a positive response of our business customers.

„Sales efficiency“ and „increasing customer loyalty“: key topics in the business sector Media

We did a lot in the Media sector and not only „within telegate“: we have also a leading role now externally with our competence in the digital marketing offers sector. Thus, telegate MEDIA is partner of the „ONLINE MOTOR DEUTSCHLAND“. The objective of this trade initiative launched by Google throughout Germany is to make the access to digital Media easier for SMEs in Germany and strengthen their online competitiveness in the long-term. We will be present in 10 German major cities with the „SME roadshow“ during the year.

Apart from the continuous increase of our sales efficiency, the topic “increasing customer loyalty” in the media business is of major importance in 2011. In order to align ourselves to this objective, we established an existing customers team organizationally now in addition to new customers sales. The declared objective is to support our customers with all their requirements in the best possible way over the entire life cycle, to furnish a proof of the success of their online advertising investment transparently by means of statistics („Return-on-advertising“) and thus increasing customer loyalty. All these efforts are made to grow more efficiently and more profitable than before in the business sector Media in the medium term and to significantly increase our margins here. It is very pleasing that we increased the revenues per sales employee in the first quarter of the fiscal year and thus a first “efficiency progress” can be clearly seen.

Extended reach for telegate´s advertisers

telegate also made good progress in terms of users in the B2C sector. For example, the use of the mobile local search services is becoming more and more popular for the users. In March 2011 telegate reached more than 3 m search requests in one month with the mobile Apps for Smartphones for the first time. This is doubling last year’s figures and thus telegate is a leading Content supplier in the “mobile local search” sector in Germany. This contributed decisively to the fact that telegate receives more than 280 m search requests a year via all platforms by now.
In spite of a general positive trend, the declining trend in the classic telephone DA business continues, as already observed in previous years and is also expected to continue this way in the future.

The declining high-margin DA sector still generates higher profit margins currently than the Media sector, despite its dynamic growth. This is also reflected in the profit trend. Overall, EBITDA before non-recurring items in the amount of 3.8 m in the first quarter 2011 are within the scope of profit expectations forecasted for the full year 2011, however, as expected significantly below the previous year’s value of € 5.4 m. Therefore, telegate expects to generate earnings (EBITDA) before non-recurring items in the annual year 2011 within the margin forecasted of € 13 m to € 18 m, which is below last year’s earnings of approx. € 23 m.

Important milestone reached with regard to the data cost reclamation claims

Any income from payments by Deutsche Telekom AG with regard to the data cost reclamation claims is not taken into consideration here. telegate had an important stage win here a few weeks ago: the Higher Regional Court Duesseldorf ordered Deutsche Telekom AG to repay approx. € 45 m including interest in the two actions of datagate GmbH and telegate MEDIA AG. Even though the judgment is not final yet, we now expect positive results with regard to the damage claim suit still pending in the amount of € 52 m plus interest of telegate AG against Deutsche Telekom AG.

Subject to a positive outcome of this remaining damage claim of telegate AG, telegate expects another inflow of liquidity in the amount of approx. € 60 m from all claims - taking into account an already paid advance payment by Deutsche Telekom AG and a corresponding tax expenditure. This would further improve an already very positive liquidity situation and opens a window for further investments and/or distributions to you, our shareholders.
We will presumably know the decision of the Higher Regional Court Duesseldorf on the reclamation claim at our Shareholders´ Meeting in Munich on June 29. We look forward to seeing you there!

Planegg-Martinsried near Munich, May 2011

The Management Board of telegate AG

Key Financial Figures

in m Euro	3M 2011	3M 2010	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	28.3	30.4	-2.1	-6.9%
EBITDA before non-recurring items	3.8	5.4	-1.6	-29.5%
EBITDA[1]	3.5	5.4	-1.8	-34.1%
Operating income / loss (EBIT)	1.5	3.0	-1.5	-50.0%
Income[2]	0.0	0.0	0.0	0.0%
Net income	1.4	1.7	-0.3	-17.4%
Balance Sheet				
Balance sheet total	125.9	171.7	-45.8	-26.7%
Cash & cash equivalents (before short term deposit)	47.4	60.5	-13.1	-21.6%
Equity	76.2	99.0	-22.8	-23.0%
Equity ratio	60.5%	57.7%	2.9%	5.0%
Cash Flow				
Operating cash flow	-0.3	1.0	-1.3	-128.1%
Investments (incl. M&A before short term deposit)	-1.3	-1.1	-0.2	-21.4%
Free Cash Flow (before M&A before short term deposit)	-1.6	0.0	-1.6	-
KPI telegate share				
Earnings per share (in Euro)	0.07	0.08	0.0	-13.1%
Share price (in Euro)[3]	8.02	9.30	-1.3	-13.8%
Market capitalization	153.3	197.5	-44.2	-22.4%
Employees				
Number of employees[4]	1,847	2,801	-954	-34.1%

[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 2011

telegate also worked intensively on the implementation of the company transformation during the first months 2011.
The use of mobile DA services - via the smartphone Apps by klickTel, in particular - becomes more and more popular for the users of DA. As a result, the annual search requests on all telegate platforms increased to 280 m search requests by now.
The „firmenWebsite“ initially launched during 2010 as well as the trade directory advertising with video clips were successfully established in telgate´s product portfolio. Furthermore, the company put a greater focus on the existing customer management due to a growing customer base - extensive process and organizational improvements are being implemented. Thus, an even greater importance shall be attached to customer satisfaction and the associated long-term customer loyalty.

Revenues with the products of the Media business were increased by 32 percent hereby and by an improved sales efficiency compared to the same period of the previous year. With regard to the share in group revenues of the Media business, this share was also significantly increased to 30 percent compared to 21 percent in the first quarter 2010 (full year 2010: 27 percent).

As already observed during the previous years, the declining trend in the classic DA business continued - due to the substitution effect on the Internet.
Earnings before non-recurring items (EBITDA) in the amount of € 3.8 m in the first quarter 2011 are within the forecasted profit expectations for the full year 2011 of € 13 m - € 18 m and, as expected, significantly below the previous year’s figure of € 5.4 m (previous year’s figures without the sold business sector Italy).

Financial Situation

Profit situation

Group revenues in the amount of € 28.3 m in the first quarter 2011 are approx. 7 percent below the previous year’s figure of € 30.4 m (previous year’s figures without the sold business sector Italy). Thus, total revenues are still declining, however, this trend was significantly decelerated with a deviation of still -12 percent compared to the previous year. The declining DA business (revenues 2010: € 23.9 m, revenues 2011: € 19.7 m) is still the reason for lower revenues. On the other hand, the advertising sales business continued to grow to € 8.6 m compared to the same period of the previous year (previous year: € 6.5 m).

The gross earnings margin of 59.2 percent is slightly above the previous year’s level (previous year: 58.9 percent).
Earnings before interest and taxes, amortization and depreciation adjusted by non-recurring items decreased from € 5.4 m to € 3.8 m compared to the same period of the previous year due to lower revenues and higher sales cost (previous year’s figures without the sold business sector Italy).
Analogous to revenues and EBITDA, earnings after taxes were below the previous year’s level and amounted to € 1.4 m by the end of the first quarter 2011 (previous year: € 1.7 m without the sold business sector Italy). The reasons are lower amortization and depreciation as well as deferred tax income during the first quarter 2011.

Net worth and financial position

Investments

Total investments in the first quarter 2011 amounted to € 1.3 m and thus are significantly above the previous year’s level of € 0. 4 m (previous year includes the sold business sector Italy). Fixed assets and intangible assets investments primarily concern a modernization of the technical infrastructure in the classic DA business sector and a modernization of the IT equipment.

Balance Sheet

The balance sheet quality of the telegate group continues to be very solid also in the first quarter of 2011. The equity ratio of the telegate group amounts to 60.5 percent by March 31, 2011 (December 31, 2010: 58.7 percent, March 31, 2010: 57.7 percent. Due to the sale of the Italian subsidiary, the balance sheet total decreased to € 125.9 m by March 31, 2011 (March 31, 2010: € 171.7 m). The amount of liquid assets including fixed-term deposit investments decreased to € 47.4 m (March 31, 2010: € 60.5 m) due to a share repurchase program, in particular.

The sale of the Italian subsidiary resulted in an impairments of assets and intangible assets as well as a reduction of the trade accounts receivable. A decrease of the liabilities side is primarily attributable to a reduction of the accrued liabilities and the trade accounts payable, which also results from the sale of the Italian subsidiary.

Cash flow & Financing

A lower profitability in the first 3 months of 2010 resulted in a decline of the operative cash flow (inflow and outflow of funds respectively) and amounted to € -0.3 m by March 31, 2011 due to a lower profitability, compared to € 1.0 m by March 31, 2010. An operative cash flow tends to be always less in the first quarter than in the subsequent 3 quarters due to annual payments.
Higher investments and a lower profitability in the comparable period resulted in a „free cash flow before short-term fixed deposit investment“ of € -1.6 m (previous year: € 0.0 m). Overall, the above-named items resulted in a slightly negative deviation of cash and cash equivalents including the short-term fixed deposit investments to € 47.4 m by March 31, 2011 (December 31, 2010: € 48.8 m, March 31, 2010: € 60.5 m).

Forecast

As shown by the business development of the first quarter 2011, the growth of revenues clearly outperforms the decline of the DA business on a percentage basis, however, it does not compensate the decline in revenues of the classic DA business yet in absolute figures. As a result, the company expects lower earnings (EBITDA before non-recurring items) compared to the previous year. However, the company expects a stabilization of the earnings level for the annual year 2012.
Any other income from payments of Deutsche Telekom AG regarding the data cost claim for return actions are not taken into consideration in this forecast. In this context, another significant progress was achieved on April 13, 2011. Here, the OLG - Higher Regional Court Duesseldorf fully agreed with telegate AG´s two subsidiaries, Datagate GmbH and telegate MEDIA AG, and adjudged an amount of approx. € 45 m including interest.

Segment report

Germany/Austria

„Online Motor Deutschland“, a big industry initiative by Google in 10 German metropolitan areas, was launched in March 2011 and shall make the entry easier for SMEs to marketing via digital Media. As a digital trade advertising specialist, telegate supports this initiative with its full service-marketing offer based on a partnership and expects a growth of the new customer business.
telegate reached more than 3 m search requests per month with its mobile Apps for the first time in March 2011. This corresponds to double the amount compared to the previous year. Thus, telegate Media is still a leading content provider in the mobile Local search sector in Germany. Within the scope of a greater focus on customer loyalty, the project RoA (return on advertising) was recently started, where the success of online trade advertising is demonstrated to the customer in a transparent method. The project is still limited to customer recovery during the first stage. An expansion to telegate´s entire customer base will presumably follow by the middle of 2011. Revenues of the Media sector showed a growth rate during the first quarter 2011 at the level of the previous quarters. Compared to the same period of the previous year, revenues were increased by 32 percent to € 8.6 m (same period of the previous year: € 6.5 m) due to higher sales capacities and an increased sales efficiency. Earnings before interest and taxes, amortization and depreciation (EBITDA) of the business sector Media amount to € -3.5 m on a full cost basis (previous year: € -4.9 m) in the first quarter and thus also show a significant improvement.
The decline in volume of the classic DA business continues. In terms of revenues, this was marginally compensated by a slight increase of revenues per caller. Thus, revenues of the first quarter 2011 amounted to € 17.4 m compared to € 21.1 m in the same period of the previous year. Earnings before interest and taxes, amortization and depreciation (EBITDA) in the business sector DA solutions with a strong margin amount to € 7.2 m at full cost (previous year: € 10.0 m) in the first quarter 2011.

Spain

telegate´s strategy in Spain is similar to the strategy in Germany. However, the Media business is still being established here. The focus is on the product development and establishment - primarily with external service providers - of a sales force, in particular.
A downward trend of the classic DA results in a decline in revenues from € 2.8 m to € 2.3 m. Operative earnings (EBITDA) amount to € -0.1 m (previous year: € 0.3 m) in the first quarter 2011, whereas non-recurring costs of capacity adjustments of € 0.3 m are included here

Employees

The telegate group employed a total of 1,847 employees (headcount, less trainees, mini-jobs and dormant employments) by March 31, 2010, which corresponds to a decline of 34 percent compared to the previous year (previous year: headcount 2,801). Here, a personnel expansion in the advertising sales sector is opposite to a decline due to the sale of the Italian subsidiary and a declining classic DA business.

Planegg-Martinsried, April 20, 2011
The Management Board

Consolidated Statements of Operations (IFRS)

	3-Months Report (unaudited)	
in kEUR	3M 2011	3M 2010
Continuing operations		
Revenues	28,343	30,449
Cost of revenues	-11,574	-12,516
Gross Profit	**16,769**	**17,933**
Selling and distribution costs	-11,522	-11,063
General administrative expenses	-3,695	-3,993
Other operating income	0	113
Other operating expense	-43	-29
Operating income	**1,509**	**2,961**
Interest income	539	589
Interest expense	-23	-42
Gain (loss) on foreign currency translation	-3	0
Financial income	**513**	**547**
Income before income tax	**2,022**	**3,508**
Income tax - current	-1,137	-1,824
Income tax - deffered	514	0
Income tax expense	**-623**	**-1,824**
Income from continuing operations	**1,399**	**1,684**
Discontinued operations		
Income from discontinued operations	0	10
Net income	**1,399**	**1,694**
Attributable to:		
Owners of the parent	1,399	1,694
Non-contolling interests	0	0
Earnings per share - basic and dilutive, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.07	0.08
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)	0.07	0.08

See accompanying notes to the consolidated financial statements.

Consolidated statement of comprehensive income (IFRS)

in kEUR	3-Months Report (unaudited) 3M 2011	3M 2010
Net income	**1,399**	**1,694**
Foreign currency translation differences	1	1
Sum of the result which is recorded directly in equity	**1**	**1**
Total comprehensive income	**1,400**	**1,695**
Attributable to:		
Owners of the parent	1,400	1,695
Non- controlling interests	0	0

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Current assets			
Cash and cash equivalents	3,396	60,456	48,768
Trade accounts receivable	33,030	49,062	33,666
Current tax assets	5	1,673	0
Other financial assets	45,103	1,080	970
Other current assets	2,829	3,878	1,993
Total current assets	**84,363**	**116,149**	**85,397**
Non-current assets			
Goodwill	7,474	7,474	7,474
Intangible assets	20,920	34,864	22,101
Property and equipment	5,091	6,947	4,669
Other financial assets	502	444	549
Other non-current assets	350	366	330
Deferred tax asset	7,213	5,421	6,938
Total non-current assets	**41,550**	**55,516**	**42,061**
Total assets	**125,913**	**171,665**	**127,458**

Liabilities & shareholders' equity in kEUR	Mar 31, 2011	Mar 31, 2010	Dec 31, 2010
Current liabilities			
Trade accounts payable	1,571	19,290	2,489
Accrued liabilities	14,462	13,634	15,811
Provisions	2,901	4,205	2,843
Current tax liabilities	999	738	1,996
Other financial liabilities	575	684	751
Other current liabilities	19,287	19,650	18,583
Total current liabilities	**39,795**	**58,201**	**42,473**
Non-current liabilities			
Provisions	729	940	748
Other non-current liabilities	0	440	0
Deferred tax liability	9,151	13,055	9,390
Total non-current liabilities	**9,880**	**14,435**	**10,138**
Total liabilities	**49,675**	**72,636**	**52,611**
Equity			
Share capital	19,111	21,235	21,235
Additional paid in capital	32,059	29,924	29,935
Treasury shares	0	0	-14,951
Other revenue reserves	22,798	34,822	37,758
Retained earnings	2,269	13,046	870
Accumulated other comprehensive income	1	2	0
Equity attributable to owners of the parent	**76,238**	**99,029**	**74,847**
Total shareholders' equity	**76,238**	**99,029**	**74,847**
Total liabilities & shareholders' equity	**125,913**	**171,665**	**127,458**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	Mar 31, 2011	Mar 31, 2010
Cash flows from operating activities		
Income before income tax from continuing operations	2,022	3,508
Income before income tax from discontinued operations	0	82
Income before income tax	**2,022**	**3,590**
Adjustments for:		
Amortisation and impairment of intangible assets	1,562	1,697
Depreciation and impairment of property and equipment	475	875
Gain / loss on disposal of property and equipment	29	0
Gain / loss from goverment grants	-13	-9
Interest income	-539	-590
Interest expense	23	45
Gain / loss on foreign currency translation	3	0
Stock option expense	0	49
Valuation allowance for trade accounts receivable	40	-371
Changes in non-current provisions	-20	-77
Changes in other non-current and financial assets	33	-82
Operating profit before changes in operating assets & liabilities	***3,615***	***5,127***
Changes in operating assets and liabilities:		
Trade accounts receivable	375	-397
Other current and financial assets	-743	-940
Trade accounts payable	-691	-255
Current provisions	58	-270
Accrued expenses, other current and financial liabilities	-749	58
Income taxes paid	-2,155	-2,291
Cash used in / from operating activities	**-290**	**1,032**
Cash flows from investing activities		
Capitalized intangible assets	-382	-748
Purchase of property and equipment	-956	-333
Proceeds from sale of property and equipment	23	0
Proceeds from government grants	13	9
Net change in short-term fixed deposit investments (> 3 months)	-44,000	0
Cash used in investing activities	**-45,302**	**-1,072**
Cash flows from financing activities		
Purchase of treasury shares	-12	0
Interest received	243	575
Interest paid	-9	-11
Cash from financing activities	**222**	**564**
Effects of exchange rates on cash and cash equivalents	**-2**	**0**
Change in cash and cash equivalents	**-45,372**	**524**
Cash & cash equivalents at beginning of reporting period	**48,768**	**59,932**
Cash & cash equivalents at end of reporting period	**3,396**	**60,456**
Cash and cash equivalents (< 3 months) as well as short-term fixed deposit investments (> 3 months) at the end of reporting period	*47,396*	*60,456*

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity (IFRS)

in kEUR	Share capital	Additional paid-in capital	Treasury shares	Other revenue reserves	Retained earnings	Accum. other comprehen-sive income (loss)	Total	Non-controlling interests	Total equity
	Equity attributable to equity holders of the parent								
Balance at Jan 1, 2011	**21,235**	**29,935**	**-14,951**	**37,758**	**870**	**0**	**74,847**	**0**	**74,847**
Net income	-	-	-	-	1,399	-	1,399	-	1,399
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**	**0**	**1,399**	**1**	**1,400**	**0**	**1,400**
Purchase of treasury shares	-	-	-9	-	-	-	-9	-	-9
Redemption of treasury shares	-2,124	2,124	14,960	-14,960	-	-	-	-	-
Balance at Mar 31, 2011	**19,111**	**32,059**	**0**	**22,798**	**2,269**	**1**	**76,238**	**0**	**76,238**
Balance at Jan 1, 2010	**21,235**	**29,875**	**0**	**34,822**	**11,352**	**1**	**97,285**	**0**	**97,285**
Net income	-	-	-	-	1.694	-	1.694	-	1.694
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**	**0**	**1.694**	**1**	**1.695**	**0**	**1.695**
Stock option plan	-	49	-	-	-	-	49	-	49
Balance at Mar 31, 2010	**21,235**	**29,924**	**0**	**34,822**	**13,046**	**2**	**99,029**	**0**	**99,029**

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 historically developed regional segmentation of Germany/Austria and Spain, an additional subdivision is made within the segment Germany/Austria, according to directory assistance solutions and Media. The business segment „directory assistance solutions" offers the user information and directory assistance services via various service channels in Germany and Austria. The business segment „Media" provides advertising services for SMEs mainly in Germany. The business segment „Spain" comprises now all activities on the Spanish market, which almost exclusively take place in the directory assistance solutions sector. The business segment Italy that was assigned to the segment „Italy/Spain" was sold as of June 01, 2010. Revenues and costs for the business segment Italy are 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 indicators (up to EBITDA) and allocations of investments. Control of capital allocation (debts and assets) at business sector level is not made within the segment Germany/Austria. Sales between the 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	Spain	Reconciliation	telegate group
01.01.2011 - 31.03.2011						
Revenues						
External revenues	17,389	8,620	26,009	2,334	-	**28,343**
Inter-segment revenues	4	-	4	-	-4	**0**
Total revenues	**17,393**	**8,620**	**26,013**	**2,334**	**-4**	**28,343**
Earnings						
EBITDA	7,161	-3,487	3,674	-128	-	**3,546**
Depreciation and amortization	-1,057	-904	-1,961	-76	-	**-2,037**
Financial income/expense	249	256	505	8	-	**513**
Income before income tax	6,353	-4,135	2,218	-196	-	**2,022**

	Germany / Austria					
in kEUR	Directory Assistance Solutions	Media	sum	Italy / Spain	Reconciliation	telegate group
01.01.2010 - 31.03.2010						
Revenues						
External revenues	21,066	6,537	27,603	6,775	-3,929	**30,449**
Inter-segment revenues	10	-	10	-	-10	**0**
Total revenues	**21,076**	**6,537**	**27,613**	**6,775**	**-3,939**	**30,449**
Earnings						
EBITDA	9,996	-4,855	5,141	476	-240	**5,377**
Depreciation and amortization	-1,401	-900	-2,301	-271	156	**-2,416**
Financial income/expense	281	277	558	-13	2	**547**
Income before income tax	8,876	-5,478	3,398	192	-82	**3,508**

See accompanying notes to the consolidated financial statement.

Notes to the Consolidated Financial Statements

1. Description of consolidated financial statements

The business operations of telegate AG comprises the performance of telecommunications services of all kinds, the design and marketing of information data bases, the creation and marketing of digital local advertising 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) and the International Financial Reporting Standards (IFRS) - as applicable in the European Union - by March 31, 2011.

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, 2011 were complied with.

The consolidated interim financial report of telegate AG (hereinafter also the group/telegate/telegate group/company) is stated in Euro (EUR). Unless stated otherwise, all values were rounded to thousand (kEUR). Preparation of the consolidated financial statements is basically made by using the acquisition cost concept.

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

The consolidated annual financial statements and corporate management report prepared by December 31, 2010 will be submitted to the provider of the electronic Federal Official Gazette and electronically published 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, 2010 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 2011. There were no effects on the financial position and condition or profitability due to the application, unless stated otherwise. However, they resulted in additional information.

IAS 24 Related party disclosures

The definition of related parties is clarified due to the amendment, in order to make the establishment of such relations easier and to remove inconsistencies regarding the application. It is a content of the amendment to make the disclosure requirements of companies easier which are related to government authorities.

The amended standard was published in November 2009 and is effective for reporting periods starting on or after January 01, 2011.

IAS 32 Financial instruments: presentation

Here, the definition of a financial liability is amended in so far that subscription rights (and certain options or warrants) shall be classified as equity instruments, if such rights give a right to acquire a fixed number of equity instruments of the company at a fixed amount in any currency and the company offers it to all present owners of the same category of its non-derivative equity instruments.

The amendments of IAS 32 were published in October 2009 and shall be obligatory with the start of the first annual year starting after January 31, 2010.

IFRIC 14 The limit on a defined benefit asset, minimum funding requirements and their interaction

The amendment includes guidelines for the determination of the realizable amount of a net pension asset. The amendment enables companies to treat the advance payments within the scope of minimum funding requirements as an asset.

The amendment was published in November 2009 and is obligatory effective as of January 01, 2011. The amendment shall be applied retrospectively as of the earliest comparative period presented.

IFRIC 19 Extinguishing financial liabilities with equity instruments

The interpretation clarifies, that equity instruments delivered to a creditor for extinguishing of a financial liability, shall be classified as paid remuneration. The equity instruments delivered are valued with their fair value. If this value cannot be determined reliably, the fair value of the extinguished liability shall be the basis of the valuation. Profits and losses are immediately recorded affecting the current-period result.

IFRIC 19 was published in November 2009 and shall be compulsory for periods starting on or after July 01, 2010.

Improvements in IFRS 2010

The amendments to the IFRS were published in May 2010 and shall be applied for the first time for annual years starting on or after July 01, 2010 and January 01, 2011 respectively.

- IFRS 3 Business combinations
- IFRS 7 Financial instruments: disclosures
- IAS 1 Presentation of financial statements
- IAS 27 Consolidated and separate financial statements
- IFRIC 13 Customer loyalty programs

4. Cash and cash equivalents

Cash and cash equivalents decreased from December 31, 2010 to March 31, 2011 by EUR 45 m and in return the other financial assets increase by EUR 44 m in the same time frame.

As of January 2011 telegate AG made use of the possibility to invest fixed-term deposits with SEAT Pagine Gialle S.p.A. with durations up to 5 months in order to receive more attractive interest terms. Because these fixed-term deposits have a longer duration that 3 months, telegate does not show these amounts as cash and cash equivalents in accordance with IAS 7.6 any more but as other financial assets.

For further information see note 6.

5. Shareholders' equity

With shareholders´ resolution of June 09, 2010 the company was authorized to purchase own shares according to section 71 subsequent 1 number 8 AktG (Stock Corporation Act). Subject to the Supervisory Board´s approval the Management Board was authorized to redeem the purchased shares without further shareholders´ resolution. On basis of said authorization the company has acquired own shares and deducted from equity in the fiscal year 2010. Processing and entry of the capital decrease in the commercial register was still to be expected on December 31, 2010 and was therefore not effective.

On January 24, 2011 the processing of the capital decrease took place. The own shares were collected via simple capital decrease in accordance with section 237 subsection 3 number 2, subsections 4 and 5 AktG (Stock Corporation Act). The entry of the capital decrease in the commercial register was done on February 15, 2011.

The company ´s capital stock of kEUR 21,235 (corresponds to 21,234,545 individual share certificates) was reduced by kEUR 2,124 (corresponds 10 % of the capital stock before collection and capital decrease respectively 2,123,454 individual share certificates) to kEUR 19,111 (corresponds to 19,111,091 individual share certificates) and an amount equal to the notional shares capital represented by the redeemed shares was contributed to the additional paid in capital according to section 237 subsection 5 AktG (Stock Corporation Act) in the amount of kEUR 2,124. The other revenue reserves were reduced total by kEUR 14,960.

telegate AG has no own shares any more after this collection and has individual share certificates without par value in the amount of 19,111,91 pieces, which were issued in total, fully paid-up and in circulation.

6. 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.

Telegate Holding GmbH, Planegg, holds a majority interest (as of December 31, 2010: 55.02 percent, after capital decrease: 61.13 percent) in telegate AG. SEAT Pagine Gialle S.p.A. is directly (as of December 31, 2010: 14.61 percent, after capital decrease: 16.24 percent) and indirectly via Telegate Holding GmbH (as of December 31, 2010: 55.02 percent, after capital decrease: 61.13 percent) participated in telegate AG.

On February 15, 2011 the entry of the capital reduction in the commercial register took place, for further information see note 5.

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

Fixed deposit investments

Since February 2004, telegate AG (from June 2009 until June 2010 telegate Auskunftsdienste GmbH as well) invested in fixed-term deposits with short durations of no more than 3 months with SEAT Pagine Gialle S.p.A. Since January 2011 telegate AG invested in also fixed-term deposits with durations over 3 months with SEAT Pagine Gialle S.p.A., in order to receive more attractive interest terms.

The following table shows the fixed-term deposits and the respective interest income as at March 31, 2011 (March 31, 2010):

in EUR m	Invested amounts		Interest income		Accrued interest income (Disclosure under other financial assets)	
	2011	2010	2011	2010	2011	2010
Cash equivalents (Duration up to 3 months)	2.0	56.5	0.1	0.6	0.0	0.3
Other financial assets (Duration over 3 months)	44.0	0.0	0.4	0.0	0.4	0.0
Total	**46.0**	**56.5**	**0.5**	**0.6**	**0.4**	**0.3**

Services rendered or received

The total amount of the transactions from services with the SEAT Group as at is listed below by March 31, 2011 (March 31, 2010):

in EUR m	telegate AG		Telegate Italia S.r.L. *	
	2011	2010	2011	2010
Revenues	0.0	0.0	0.0	3.9
Trade accounts receivable	0.1	0.1	0.0	5.5
Trade accounts payable	0.0	0.0	0.0	17.3
Other current assets	0.0	0.0	0.0	0.6

* The positions of Telegate Italia S.r.L shall be until their respective date of sale by June 01, 2010, whereby the receivables and liabilities were disposed and revenues are shown in the income from discontinued operations. Other current assets represent a net tax claim towards the Italian tax authorities. Due to the establishment of a corporation tax group with SEAT , this claim now also addresses this company.

Transactions with related persons

At the balance sheet date March 31, 2011, three members of the supervisory board of telegate AG were employees of the SEAT group. As at March 31, 2011, supervisory board remuneration of kEUR 35 (2010: kEUR 42) was due to these individuals, which were recorded correspondingly as a current liability.

7. Legal disputes

On April 13, 2011 the Higher Regional Court Duesseldorf adjudged Deutsche Telekom AG in both actions of Datagate GmbH and telegate Media AG, by reason of improper overcharged costs for use of costs for data of participants in the years 2000 until 2004, to repay the excessively invoiced costs for data of participants. The appeal against the judgments was not permitted. The judgments are not yet valid.

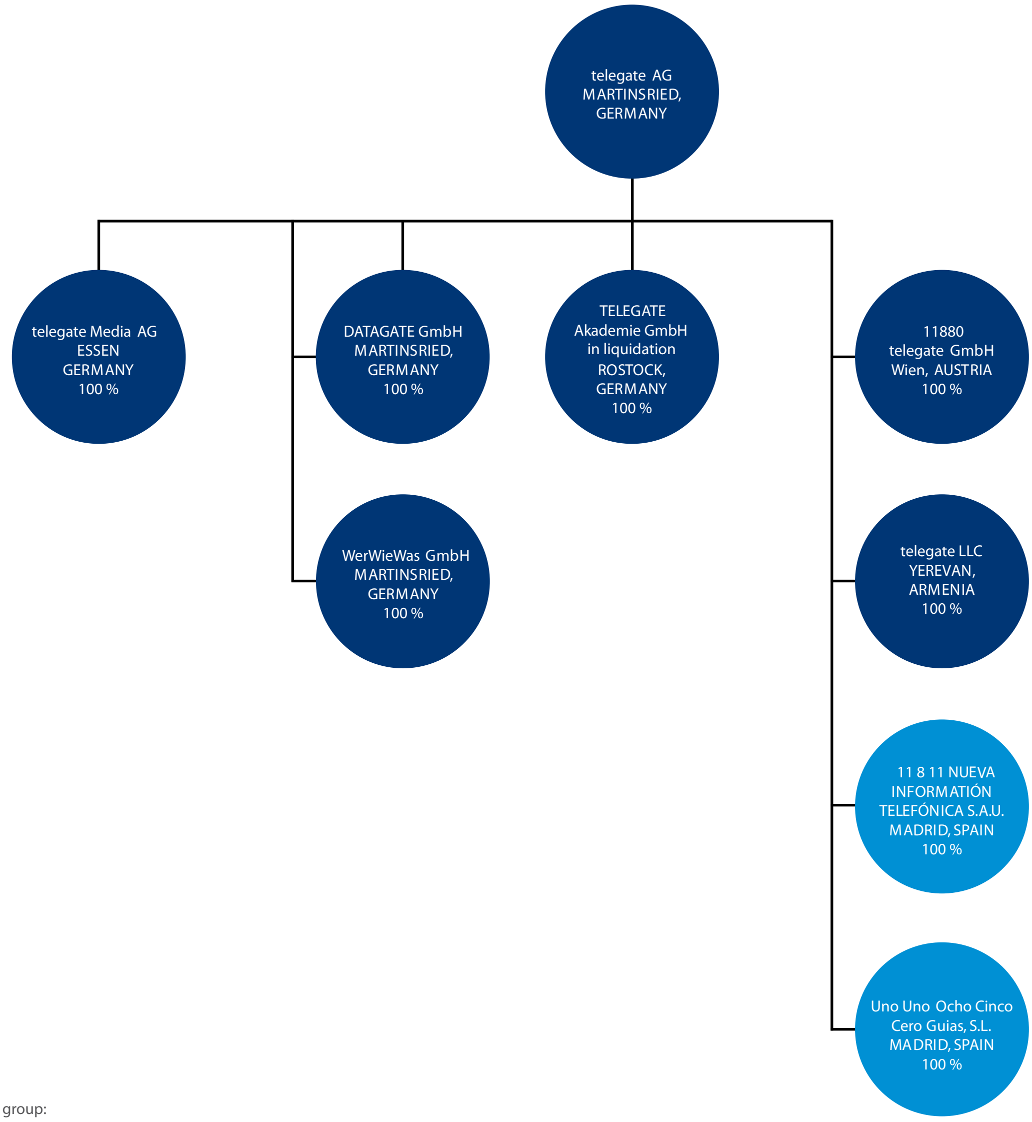
8. German Corporate Governance Code

The joint declaration of compliance by the management board and supervisory board of telegate AG, in accordance with section 161 AktG (Stock Corporation Law), relating to the Corporate Governance Code, was declared on December 09, 2010. The exact wording of the declaration can be retrieved under www.telegate.com.

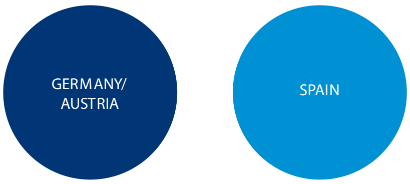
Planegg-Martinsried, April 20, 2011

The Management Board

Corporate Structure Group



Segments of telegate group:



www.telegate.com

telegate AG • Fraunhoferstraße 12a • 82152 Martinsried