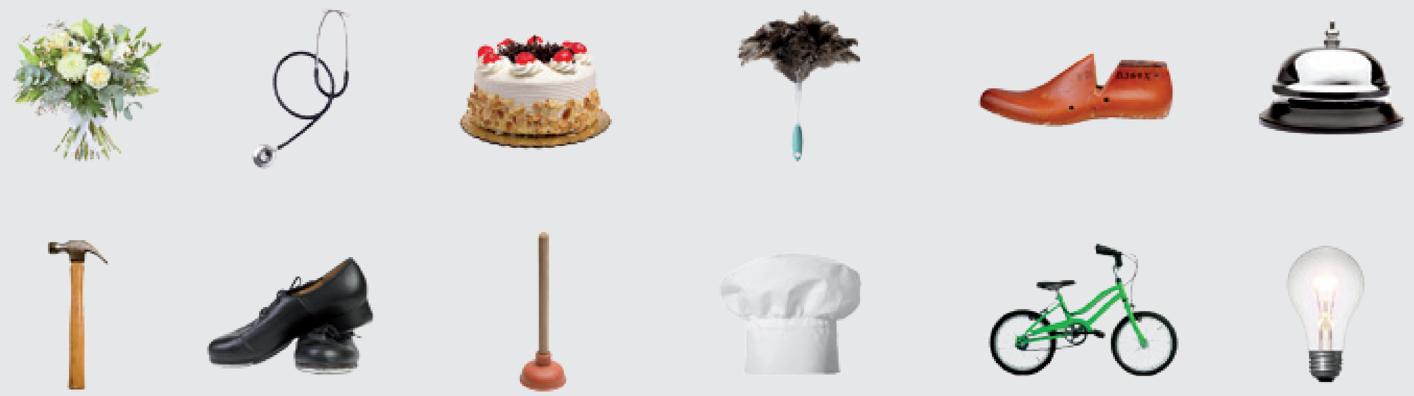


Digital Marketing for small and medium sized Business.

6-Months Report 2011

telegate

A BRAVE NEW WORLD: INTERNET

Letter from the Management Board

Dear Shareholders,

The second quarter 2011 was clearly marked by one topic which is of particular interest for you as our shareholders: the positive decisions regarding the data cost reclamation claims for repayment actions against Deutsche Telekom AG. After many years of a legal dispute, the former monopolist now has to repay a total of approx. 94 m including interest for improperly excessive data costs from all actions of the telegate group. The Higher Regional Court Duesseldorf most recently adjudicated basically in our favour regarding the largest claim for repayment action.

What do the very positive judgments on the data cost reclamation claims mean for you our shareholders? We receive inquiries from our investors over and over again such as „When do we finally receive the money?" Our answer is: "The judgments are not final yet!". Deutsche Telekom filed a "non-admission complaint" following a non-admission of an appeal in the proceedings and thus it will take more months until an actual repayment will be received, according to our estimation. According to the current state – this is beyond our control – we expect a conclusion of all actions by mid-2012 at the latest. And the data cost reclamation claims actions do not mark the end of this lengthy legal dispute yet. Based on the positive decisions on the claim for repayment actions, we will now also press ahead with our further damage claims against Deutsche Telekom of more than € 100 m.

Another question often raised in this connection is: "When will we receive an extra dividend?" You will certainly understand that we cannot make a reliable statement yet on a utilization of the repayments because the judgments haven't become res judicata. We expect another inflow of liquidity in the amount of approx. € 50 m net from the three reclamation claims – this will further improve telegate´s already very positive liquidity situation. Basically, different options for the utilization of funds are available here: more investments in the operative business including M&A, a special distribution of funds in form of a share repurchase program or an extra dividend. Optionally, mixed variants are also possible, of course.

Transformation on the right course

„Back to business": In operative terms, the company's transformation from a pure DA specialist to a Local Search and SME marketing specialist still made good progress during the previous months. The share of the Media business in group sales is an important reference for the progress in the transformation of our business model: this share amounts to 31 percent by now in the first half-year. It amounted to only 23 percent in the previous year period. The growth dynamic continued with an increase in revenues of 23 percent. This time, it should be noted here that we changed the realization of revenues in the Media sector and we account marginally lower revenues and earnings than previously due to this effect only shown in the balance sheet.

A number of measures contribute to the positive trend in the Media sector: a further increase in efficiency of sales processes, a slight expansion YOY of sales capacities and a consequent orientation of the range of products towards the demands of our customers. Thus, the newly designed range of products for digital advertising satisfies the different demands of our customers even more. For example, we decided to offer our customers two further versions of the "firmenWEBSITE" with reduced functions, in addition to the „all-inclusive" version. Thus, we also address with our product "small businesses" with a small budget now and could further expand both our customer base and the revenues volume regarding the offering of websites for SMEs.

User: strong demand for telegate´s mobile apps

For end consumers, too, we redesign our digital range of products and services constantly to the demands of our users. With the new "Favourites function" which we put on the market in June, there is a convenient solution now for the first time to constantly transmit current contact details from the Internet directly to the telephone book of the mobile device. We receive more than 3.5 m search requests via our mobile applications every month by now. Thus, we help our business customers, who booked an online entry at telegate MEDIA, to generate customer leads and improve the overall attractiveness of our advertising product. Fortunately, we increased significantly also in the online sector with our portals klicktel.de and 11880.com in terms of access numbers contrary to the market trend and still are head-to-head with GelbeSeiten.de for the leading position in the Local Search sector.
We are happy to achieve the leading position in July with approx. 10 Mio. Visits.

Notwithstanding this positive trend, the declining trend in the classic DA business continues, as observed in the previous years, and resulted in a sales decline of 18 percent of the business sector DA solutions with a strong margin in the first half-year.

Outlook second half-year: transparent proof of performance for Media customers from now on

Customer retention measures and efficiency measures in the Media sector will continue to be the operative focus of the second half-year. For example, our advertisers can check transparently how successful their investment in the online advertising offer is provided by us via a statistics database provided in the third quarter. And this is available immediately after the booking of a MEDIA entry. This measure shall contribute to increase customer loyalty in the medium-term and thus generate higher margins and contribution margins per customer. In addition, we expect an improved customer loyalty in the medium-term from organizational and procedural improvements in customer support implemented recently.

Unchanged profit guidance for the fiscal year 2011

As shown by the trend during the first six months of the annual year and as expected, a strong growth in the business sector Media cannot compensate a decline in the highly profitable classic DA business yet. Thus, earnings of the first half-year (EBITDA before non-recurring items) in the amount of € 7.2 m are significantly below the previous year's level of € 11.0 m. In spite of the slightly negative effects of the changed realization of revenues in the Media sector, we still expect to achieve EBITDA before non-recurring items within the guidance of € 13 m to € 18 m.

We will also press ahead with telegate AG's transformation to a digital expert for SME marketing with all our power in the second half-year 2011. And we are working hard to increase the efficiency and profitability of advertising sales and thus our general profitability with appropriate measures. Our key objective is to stabilize our earnings in 2012 after four declining fiscal years and thus to initiate a turn-around. We would be pleased if you keep accompanying us on this way as a shareholder!

Planegg-Martinsried near Munich, August 2011

The Management Board of telegate AG

Key Financial Figures

in m Euro	6M 2011	6M 2010	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	55.9	61.3	-5.4	-9%
EBITDA before non-recurring items	7.2	11.0	-3.8	-35%
EBITDA[1]	6.2	11.0	-4.9	-44%
Operating income / loss (EBIT)	2.1	6.2	-4.1	-66%
Income[2]	0.0	2.4	-2.4	-100%
Net income	2.2	7.9	-5.7	-72%
Balance Sheet				
Balance sheet total	118.1	143.2	-25.1	-18%
Cash & cash equivalents (incl. financial assets available for sale & deposit)	37.4	49.2	-11.8	-24%
Equity	61.1	84.6	-23.5	-28%
Equity ratio	51.7%	59.1%	-7.3%	-12%
Cash Flow				
Operating cash flow	-0.4	1.1	-1.5	-135%
Capex	-2.2	-1.7	-0.5	-29%
Free Cash Flow (before M&A & financial assets available for sale & deposit)	-2.6	-0.6	-2.0	-312%
KPI telegate share				
Earnings per share (in Euro)	0.11	0.37	-0.3	-69%
Share price (in Euro)[3]	7.75	7.09	0.7	9%
Market capitalization	148.1	150.6	-2.4	-2%
Employees				
Number of employees[4]	1,837	1,980	-143	-7%

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 2011

The company is still working on the transformation of the business model. However, the second quarter 2011 is dominated by the positive decisions regarding data cost actions against Deutsche Telekom AG. telegate was awarded a total of approx. € 94 m in three proceedings for improperly excessive costs of provision of subscriber data. Thus, the company also sees a good basis for the other actions for damages.

As of June 30, 2011, telegate changed the revenue recognition of the business sector Media. So far, telegate realized the revenues Media in accordance with IAS 18.21 in connection with IAS 18.24 (c) by reference to the stage of completion, which was determined on cost base. Initiating with the present financial statement IAS 18.24 (b) is applied, which realizes revenues according to the so-called performance progression method. This results in slightly lower revenues in the reporting period as well as for the same period last year. Further explanations are included in the notes to the financial statements in item 3 “Amendments of accounting and valuation methods”.

Focus of the business sector Media is still on an improved sales efficiency and a sustainable existing customer management. Thus, Media revenues were increased by 23 percent to a total of € 17.2 m in the first half-year compared to the previous year. This corresponds to a share of 31 percent in group revenues (previous year´s period: 23 percent).

There was still a declining trend in the classic DA business due to substitution on the Internet. Thus, revenues decreased by 18 percent in the first half-year compared to the previous year. Here, a declining volume trend was partly thwarted by higher revenues per caller.

Earnings before non-recurring items (EBITDA) in the amount of € 7.2 m in the first half-year are within the expected margin of € 13 m - € 18 m for the full year, however, significantly below the previous year’s figure of € 11.0 m. Non-recurring items (costs of € 1.1 m) primarily concerned capacity adjustments in the DA business, in Germany and in Spain in the first half-year 2011.

Financial situation

Profitability

Group revenues in the amount of € 55.9 m were 9 percent below the previous year’s figure of € 61.3 m. As expected, the decline of the classic DA business across the group could not be compensated in spite of the Media business with a higher growth (in percent).

The decline in revenues resulted in a minor reduction of the gross earnings margin from 59.2 percent to 58.1 percent due to fixed cost of revenues.

Earnings before interest, taxes, amortization and depreciation (EBITDA), adjusted by non-recurring items, slightly decreased from € 11.0 m to € 7.2 m (previous year’s figures without the sold business sector Italy) due to a lower level of revenues and slightly increased sales costs. Cost reductions in the amount of approx. € 1.5 m in the fixed costs sector compensated this effect to a minor extent.

The significant decline of earnings after taxes from € 7.9 m to € 2.2 m is primarily attributable to lower operating earnings. Lower amortization and depreciation and a lower tax yield compensated this decline to a minor extent in the reporting period.

Net worth and financial position

Investments

Total investments amount to € 2.3 m (previous year: € 1.4 m) in the first half-year. The major part of investments is attributable to a modernization of the technology of the classic DA business, in addition to acquisitions in the CRM system (Customer-Relationship-Management-System) sector.

Balance sheet

The balance sheet quality of the telegate group is also very solid after the first 6 months 2011. Thus, the equity ratio of the telegate group amounts to 51.7 percent as of June 30, 2011 (December 31, 2010: 52.6 percent, June 30, 2010: 59.1 percent). The balance sheet total in the amount of € 118.1 m decreased significantly by € 25.1 m compared to the reporting period of the previous year (June 30, 2010: € 143.2 m). On the assets side, there is a decline of intangible assets, in particular, in addition to a decline of liquid assets. The decline of intangible assets primarily results from a value adjustment of a customer base in the “Media” sector in the fourth quarter 2010 acquired within the scope of the acquisition of telegate Media AG in 2008. The decline on the liabilities side is primarily attributable to an equity reduction due to a share repurchase program and a dividend payment made in June 2011.

Cash flow & Financing

The operating cash flow (inflow and outflow of funds respectively from current business activity) in the amount of - € 0.4 m (previous year: + € 1.1 m) in the reporting period - as already in the previous year - is significantly weaker than profitability (EBITDA: € 6.2 m). This is primarily attributable to an increase of the “working capital” by € 3.8 m and subsequent payments of taxes of the previous year.

Cash flow from investment activity before financial assets available for sale & deposit amounted to - € 2.2 m in the first six months (previous year: € 1.8 m). An inflow of funds in the amount of € 3.5 m from the sale of the Italian subsidiary is included in the first half-year of the previous year.

A reduced dividend per share (€ 0.50 compared to € 0.70 in the previous year) and a lower number of shares bearing dividend due to redemption of shares acquired within the scope of a share repurchase program result in a significantly improved cash flow from investment activity in the amount of - € 8.7 m compared to - €13.6 m in the previous year.

The above-named items, according to plan, resulted in a reduction of cash and cash equivalents incl. financial assets available for sale & deposit to € 37.4 m as of June 30, 2011 (December 31, 2010: € 48.8 m, June 30, 2010: € 49.2 m).

Forecast

The trend of the first six months shows that, as expected, the income growth of the Media sector cannot compensate the decline in the classic DA business yet. We continue to work with all our energies to transform the company into a „Local Search“ provider in the second half-year. Here, profitability of the business sector Media shall be increased by a higher sales efficiency and an improved customer loyalty. In spite of a slightly negative effect on profits from the changed realization of revenues, the company confirms the profit guidance for the full year (EBITDA) before non-recurring items within a margin of € 13 m - € 18 m. A stabilization of the profit situation is still expected for 2012.

Segment report

Germany/Austria

After the project RoA (Return on Advertising) was successfully started in the customer recovery sector, the go ahead was given for a roll-out to the entire new customer business. Thus, the success of an advertising effort can now be shown to each new customer in a transparent way. This shall contribute to increase the long-term customer loyalty and thus to generate a higher margin per customer. Roll-out to the company´s existing customers is scheduled during the second half-year.

The trade initiative „Online Motor Deutschland“ initiated by Google, a marketing campaign for SMEs on the topic online trade advertising, proved to be a complete success for telegate as cooperation partner. We succeeded in winning a large part of the businesspersons for the free „Media entry light“. The company expects a growth of the existing customer business in the long-term due to appropriate Upselling measures.

We expanded our range of services for SMEs by an important basic product with the product „Creation and operation of websites“ in the previous year. In order to meet customer demands even better, the company decided on a product diversification in the second quarter 2011. Thus, businesspersons now can also book two lower versions with reduced functionalities, in addition to the most powerful version of the Firmenwebsite. We can now cover different customer demands even better in this market with the expanded range of products.

There is a positive trend in the Media sector in terms of revenues in the first half-year 2011. Revenues already amounted to € 17.2 m in the first six months 2011 compared to € 14.0 m in the same period of the previous year. This corresponds to a growth of 23 percent (previous year: 26 percent). A slightly lower growth dynamic compared to previous periods is also attributable to a minor reduction of the sales capacity of Telesales, among others.

In terms of full cost factors, half-year earnings before interest, taxes, amortization and depreciation (EBITDA) before non-recurring items of the business sector Media amount to - € 7.9 m and thus show also an improvement (previous year: - € 8.6 m). We will also focus on the profitability of the business sector Media in the future.

Revenues of the classic DA business decreased by -18 percent to € 34.0 m compared to the previous year (previous year: € 41.7 m). The decline in volume (more than 20 percent year-on-year) was partly compensated again by higher revenues per caller. Earnings before interest, taxes, amortization and depreciation (EBITDA) before non-recurring items on a full cost basis decreased by 27 percent to € 14.0 m in the first six months (previous year: € 19.3 m).

There was a new but positive trend with regard to the topic data cost actions in the second quarter 2011. telegate and its subsidiaries were awarded a total of € 94 m including interest payable as from commencement of proceedings for improperly excessive costs of provision of subscriber data by Deutsche Telekom AG. An appeal from the judgment was not admitted. DTAG filed an appeal against non-admission in the meantime. telegate is very optimistic that the judgments will become final in the next 6 to 12 months.

Spain

A change of the DA market can still be observed in Spain. Therefore, telegate pursues a strategy similar to the German core market. However, the company is still in an early development phase in the advertising sales business at the present time. Product development, establishment of a sales force and extension of the coverage of our products all progress successfully. For example, coverage of the online trade DA was increased by 172 percent compared to the previous year. Our Local Search platform reached more than 2 m visits for the first time in May 2011 and thus is the number 2 on the Spanish Local Search market (in terms of search requests for business customers).

The company responds to a decline in CV with strict adjustments on the cost side and an increase of revenues per caller. Operating earnings (EBITDA) before non-recurring items in the amount of € 0.36 m remained at the previous year's level (previous year: € 0.43 m).

Employees

The telegate group employed a total of 1,837 employees (headcount, without trainees, mini-jobs and inactive employments). The number of employees primarily decreased due to adjustments in the classic DA sector by 7 percent from 1,980 employees compared to the previous year.

Planegg-Martinsried, August 5, 2011

The Management Board

Consolidated Income Statement (IFRS)

in kEUR	Quarterly Report (unaudited) Q2 2011	Q2 2010*	6-Months Report (unaudited) 6M 2011	6M 2010*
Continuing operations				
Revenues	27,673	30,890	55,889	61,348
Cost of revenues	-11,845	-12,538	-23,419	-25,054
Gross Profit	**15,828**	**18,352**	**32,470**	**36,294**
Selling and distribution costs	-11,880	-11,106	-23,384	-22,129
General administrative expenses	-3,228	-4,224	-6,924	-8,217
Other operating income	1	161	1	274
Other operating expense	-2	4	-45	-25
Operating income	**719**	**3,187**	**2,118**	**6,197**
Interest income	540	545	1,079	1,134
Interest expense	-27	-20	-50	-62
Gain (loss) from financial assets and marketable securities	5	0	5	0
Gain (loss) on foreign currency translation	0	4	-3	4
Financial income	**518**	**529**	**1,031**	**1,076**
Income before income tax	**1,237**	**3,716**	**3,149**	**7,273**
Income tax - current	-1,017	-1,686	-2,154	-3,510
Income tax - deferred	641	1,698	1,210	1,698
Income tax expense	**-376**	**12**	**-944**	**-1,812**
Income from continuing operations	**861**	**3,728**	**2,205**	**5,461**
Discontinued operations				
Income from discontinued operations	0	2,407	0	2,417
Net income	**861**	**6,135**	**2,205**	**7,878**
Attributable to:				
Owners of the parent	861	6,135	2,205	7,878
Non-contolling interests	0	0	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)	0.05	0.29	0.11	0.37
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)	0.05	0.18	0.11	0.26

* Amounts changed according to IAS 8 (see note 3)

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

	Quarterly Report (unaudited)		6-Months Report (unaudited)	
in kEUR	Q2 2011	Q2 2010*	6M 2011	6M 2010*
Net income	**861**	**6,135**	**2,205**	**7,878**
Foreign currency translation differences	-1	-2	0	-1
Sum of the result which is recorded directly in equity	**-1**	**-2**	**0**	**-1**
Total comprehensive income	**860**	**6,133**	**2,205**	**7,877**
Attributable to:				
Owners of the parent	860	6,133	2,205	7,877
Non-contolling interests	0	0	0	0
	860	**6,133**	**2,205**	**7,877**

* Amounts changed according to IAS 8 (see note 3)
See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	June 30, 2011	June 30, 2010*	Dec 31, 2010*	Jan 1, 2010*
Current assets				
Cash and cash equivalents	2,924	49,191	48,768	59,932
Trade accounts receivable	34,359	32,316	33,666	48,481
Current tax assets	23	1,675	0	957
Available for sale financial assets	23,503	0	0	0
Other financial assets	11,823	861	970	1,129
Other current assets	5,543	5,746	4,703	5,620
Total current assets	**78,175**	**89,789**	**88,107**	**116,119**
Non-current assets				
Goodwill	6,675	7,474	7,474	7,474
Intangible assets	19,946	33,553	22,101	36,354
Property and equipment	5,029	5,450	4,669	7,612
Other financial assets	455	519	549	369
Other non-current assets	321	368	330	364
Deferred tax asset	7,546	6,084	6,950	5,437
Total non-current assets	**39,972**	**53,448**	**42,073**	**57,610**
Total assets	**118,147**	**143,237**	**130,180**	**173,729**

Liabilities & shareholders' equity in kEUR	June 30, 2011	June 30, 2010*	Dec 31, 2010*	Jan 1, 2010*
Current liabilities				
Trade accounts payable	2,068	1,534	2,489	20,396
Accrued liabilities	14,512	12,605	15,811	15,758
Provisions	2,753	3,914	2,843	4,475
Current tax liabilities	860	939	1,996	1,077
Other financial liabilities	0	0	751	0
Other current liabilities	30,207	28,983	30,532	28,544
Total current liabilities	**50,400**	**47,975**	**54,422**	**70,250**
Non-current liabilities				
Provisions	710	771	748	1,013
Other non-current liabilities	0	5	0	441
Deferred tax liability	5,906	9,871	6,520	10,483
Total non-current liabilities	**6,616**	**10,647**	**7,268**	**11,937**
Total liabilities	**57,016**	**58,622**	**61,690**	**82,187**
Shareholders' equity				
Share capital	19,111	21,235	21,235	21,235
Additional paid in capital	32,059	29,935	29,935	29,875
Treasury shares	0	0	-14,951	0
Other revenue reserves	22,798	34,822	37,758	34,822
Retained earnings	-12,837	-1,377	-5,487	5,609
Accumulated other comprehensive income	0	0	0	1
Equity attributable to owners of the parent	**61,131**	**84,615**	**68,490**	**91,542**
Total shareholders' equity	**61,131**	**84,615**	**68,490**	**91,542**
Total liabilities & shareholders' equity	**118,147**	**143,237**	**130,180**	**173,729**

* Amounts changed according to IAS 8 (see note 3)
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	6M 2011	6M 2010*
Cash flows from operating activities		
Income before income tax from continuing operations	3,149	7,273
Income before income tax from discontinued operations	0	2,975
Income before income tax	**3,149**	**10,248**
Adjustments for:		
Amortisation and impairment of intangible assets	3,102	3,400
Depreciation and impairment of property and equipment	949	2,386
Gain / loss on disposal of property and equipment	30	-46
Gain / loss from goverment grants	-19	-29
Interest income	-1,079	-1,134
Interest expense	50	67
Gain / loss from financial assets and marketable securities	-5	0
Gain / loss on foreign currency translation	3	-4
Stock option expense	0	60
Valuation allowance for trade accounts receivable	459	204
Gain / loss due to changes in consolidated group	0	-5,418
Changes in non-current provisions	-39	-247
Changes in other non-current and financial assets	116	-164
Operating profit before changes in operating assets & liabilities	***6,716***	***9,323***
Changes in operating assets and liabilities:		
Trade accounts receivable	-1,374	-8,310
Other current and financial assets	-584	-1,578
Trade accounts payable	-220	4,664
Current provisions	-90	1,445
Accrued expenses, other current and financial liabilities	-1,507	-737
Income taxes paid	-3,328	-3,706
Cash used in / from operating activities	**-387**	**1,101**
Cash flows from investing activities		
Capitalized intangible assets	-937	-931
Purchase of property and equipment	-1,361	-840
Proceeds from sale of property and equipment	29	1
Disposal of a subsidiary, net of cash disposed of	0	3,505
Proceeds from government grants	19	29
Purchase of available for sale financial assets	-23,498	0
Net change in short-term fixed deposit investments (> 3 months)	-11,000	0
Cash used in / from investing activities	**-36,748**	**1,764**
Cash flows from financing activities		
Purchase of treasury shares	-12	0
Dividends paid	-9,555	-14,864
Interest received	881	1,266
Interest paid	-21	-10
Cash used in financing activities	**-8,707**	**-13,608**
Effect of exchange rate changes on cash and cash equivalents	-2	2
Change in cash and cash equivalents	**-45,844**	**-10,741**
Cash and cash equivalents at the beginning of reporting period	**48,768**	**59,932**
Cash and cash equivalents at the end of reporting period	**2,924**	**49,191**
Cash and cash equivalents (< 3 months), short-term fixed deposit investments (> 3 months) as well as short-term available for sale financial assets at the end of reporting period	*37,427*	*49,191*

* Amounts changed according to IAS 8 (see note 3)

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	Total equity
	Equity attributable to owners of the parent							
Balance at Jan 1, 2011	**21,235**	**29,935**	**-14,951**	**37,758**	**-5,487**	**0**	**68,490**	**68,490**
Net income	-	-	-	-	2,205	-	2,205	2,205
Foreign currency translation	-	-	-	-	-	0	0	0
Sum of the result which is recorded directly in equity	-	-	-	-	-	0	0	0
Total comprehensive income	**0**	**0**	**0**	**0**	**2,205**	**0**	**2,205**	**2,205**
Dividends	-	-	-		-9,555	-	-9,555	-9,555
Purchase of treasury shares	-	-	-9	-	-	-	-9	-9
Redemption of treasury shares	-2,124	2,124	14,960	-14,960	-	-	-	-
Balance at June 30, 2011	**19,111**	**32,059**	**0**	**22,798**	**-12,837**	**0**	**61,131**	**61,131**
Balance at Jan 1, 2010 (reported)	**21,235**	**29,875**	**0**	**34,822**	**11,352**	**1**	**97,285**	**97,285**
Changes according to IAS 8	-	-	-	-	-5,743	-	-5,743	-5,743
Balance at Jan 1, 2010 (adjusted)	**21,235**	**29,875**	**0**	**34,822**	**5,609**	**1**	**91,542**	**91,542**
Net income	-	-	-	-	7,878	-	7,878	7,878
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**	**7,878**	**-1**	**7,877**	**7,877**
Dividends	0	0	0	0	-14,864	0	-14,864	-14,864
Stock option plan	0	60	0	0	0	0	60	60
Balance at June 30, 2010	**21,235**	**29,935**	**0**	**34,822**	**-1,377**	**0**	**84,615**	**84,615**

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
01.01.2010 - 30.06.2011						
Revenues						
External revenues	34,045	17,191	51,236	4,653	-	**55,889**
Inter-segment revenues	5	-	5	-	-5	**0**
Total revenues	**34,050**	**17,191**	**51,241**	**4,653**	**-5**	**55,889**
Earnings						
EBITDA	14,008	-7,915	6,093	76	-	**6,169**
Depreciation and amortization	-2,085	-1,815	-3,900	-151	-	**-4,051**
Financial income/ expense	506	517	1,023	8	-	**1,031**
Income before income tax	12,429	-9,213	3,216	-67	-	**3,149**

	Germany / Austria					
in kEUR	Directory Assistance Solutions	Media	sum	Italy / Spain	Reconciliation	telegate group
01.01.2010 - 30.06.2010*						
Revenues						
External revenues	41,717	13,955	55,672	12,225	-6,549	**61,348**
Inter-segment revenues	20	-	20	-	-20	**0**
Total revenues	**41,737**	**13,955**	**55,692**	**12,225**	**-6,569**	**61,348**
Earnings						
EBITDA	19,300	-8,611	10,689	-115	450	**11,024**
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	-9,893	7,180	-1,321	1,414	**7,273**

* Amounts changed according to IAS 8 (see note 3)

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 June 30, 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 June 30, 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). For computational reasons, rounding differences of the mathematically exact values may occur in tables and references.

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 are 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 new standards and interpretations and amendments respectively for the first time in the annual year 2011. There were no effects from this application on the group´s net worth, financial and earnings situation. Furthermore, telegate made changes in the revenue recognition in the fiscal year 2011, whose effects are explained in the following paragraph.

Revenue recognition

In accordance with IAS 8.14 (b) telegate changes for the first time their accounting policy for revenue recognition in the area of Media products (advertising sales) as at June 30, 2011. The telegate – group realized the revenues Media in accordance with IAS 18.21 in connection with 18.24 (c) by reference to the stage of completion so far, which was determined by the proportion that costs incurred to date bear to the estimated total costs of the transaction. Initiating with the present financial statement IAS 18.24 (b) will be applied, as determining the stage of completion on the basis of services performed to date as a percentage of total services to be performed will be determined. This entails, that the mentioned revenues will be accrued, correspondingly of the providing over the contract period (generally twelve months).

SEAT Pagine Gialle S.p.A. (Milan), parent company of telegate, changes as well their revenue recognition for similar products as at June 30, 2011. Due to the change of accounting policy, telegate can now comply with the group standardised accounting within the SEAT – group in according to IAS 27.24 and 27.25.

By changing the method of evaluation the stage of completion it will achieved, that the user of financial statements receive meaningful and more relevant information about the financial statements. Therewith it will be point out on the one hand telegate´s future contractual obligation beyond of over the respective reporting date and on the other hand the allocation of revenues is equal to the contract duration of the customer contracts. Additionally a better comparability is given with market-listed companies with similar or other branches, which uses these accounting methods.

The change has effects on telegate´s group net worth and earnings situation as well as the presentation of the financial situation, because now the above described revenues and also their direct attributable contract expenses (direct distribution costs) will be allocated over the contract duration.

In accordance with IAS 8.29 (c) the effects on the affected positions of the consolidated balance sheet and the consolidated income statement will be disclosed in the following:

Consolidated opening balance sheet	as at January 1, 2010		
in kEUR	before change	Change according IAS 8	after change
Assets			
Other current assets	3,545	2,075	5,620
Deferred tax assets	5,421	16	5,437
Liabilities			
Other current liabilities	18,138	10,406	28,544
Deferred tax liability	13,055	-2,572	10,483
Retained earnings	11,352	5,743	5,609

In accordance with IAS 1.39 the complete beginning balance sheet as at January 01, 2010 is disclosed in the consolidated balance sheet.

Consolidated balance sheet	as at June 30, 2010			as at December 31, 2010		
in kEUR	before change	Change according IAS 8	after change	before change	Change according IAS 8	after change
Assets						
Other current assets	3,316	2,430	5,746	1,993	2,710	4,703
Deferred tax assets	6,078	6	6,084	6,938	12	6,950
Liabilities						
Other current liabilities	18,195	10,788	28,983	18,583	11,949	30,532
Deferred tax liability	12,456	-2,585	9,871	9,390	-2,870	6,520
Retained earnings	4,390	-5,767	-1,377	870	-6,357	-5,487

Consolidated income statement	01.04. - 30.06.2010 quarterly report			01.01. - 30.06.2010 6-months report		
in kEUR	before change	Change according IAS 8	after change	before change	Change according IAS 8	after change
Revenues	31,281	-391	30,890	61,730	-382	61,348
Selling and distribution costs	-11,421	315	-11,106	-22,484	355	-22,129
Deferred income tax	1,695	3	1,698	1,695	3	1,698
Net income	6,208	-73	6,135	7,902	-24	7,878

The effects due to the retrospective application in the year 2010 had no effects on the earnings per share for the shown reporting periods.

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 IASB published the third collection of standards of the annual amendment procedure, under which minor amendments of minor urgency are made to the IFRS. 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

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). This option, however, was not exercised by June 30, 2011.

telegate examines the effects from the application to these provisions at the moment and basically does not expect any effect on the group´s net worth, financial and earnings situation.

IAS 1 Presentation of financial statements

With the amendments to IAS 1 new regulations for presenting of other comprehensive income are implemented. They retain the one or two statement approach at the option of the entity and only revise the way other comprehensive income is presented requiring separate subtotals for those elements which may be recycled (e.g. foreign currency translation) and those elements that will not.

The amendments on IAS 1 were issued in June 2011 and are applicable for financial years beginning on or after 1 July 2012. An early adoption is permitted. Incorporation in European law is still to be expected.

IAS 19 Employee benefits

The IASB issued amendments to IAS 19. Actuarial gains and losses will be recognised immediately in other comprehensive income, i. e. the so-called corridor method will be disposed. Other changes affect the presentation of changes in net assets and net liabilities arising from defined benefit plans and enhanced disclosures about defined benefit plan. Modify accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.

The amendments on IAS 19 were issued in June 2011 and are applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

IFRS 10 Consolidated financial statements

IFRS 10 superseded the guidelines in respect of control and consolidation contained in IAS 27 *Consolidated and separate financial sta*tements and SIC-12 *Consolidation – special purpose entities*. The objective is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. The Standard defines the principle of control and establishes control as the basis for consolidation. It will set out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. Furthermore the accounting requirements for the preparation of consolidated financial statements will set out.

IFRS 10 was issued in May 2011 and is applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

IFRS 11 Joint Arrangements

IFRS 11 supersedes IAS 31 *Interests in joint ventures* and SIC-13 *Jointly controlled entities – Non-monetary contributions by ventures*. Core principle is that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. There is more focusing on the rights and obligations of the arrangement, rather than its legal form.

IFRS 11 was issued in May 2011 and is applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

IFRS 12 Disclosure of interests in other entities

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows. The standard is required to be applied by entities that have interest in subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities.

IFRS 12 was issued in May 2011 and is applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

IFRS 13 Fair value measurement

IFRS 13 defines fair value, sets out in a single IFRS a framework for measuring fair value and requires disclosures about fair value measurements. The standard applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except for share-based payment transactions within the scope of IFRS 2 *Share-based payment*, leasing transactions within the scope of IAS 17 *Leases and measurements* that have some similarities to fair value but that are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 Impairment of Assets. Additional exemptions apply to the disclosures required by IFRS 13.

IFRS 13 was issued in May 2011 and is applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

IAS 27 Separate financial statements and IAS 28 Investments in associates and joint ventures

As a consequence of the new IFRS 10, IFRS 11, IFRS 12, the IASB also issued amended and retitled IAS 27 and IAS 28.

They are applicable for financial years beginning on or after 1 January 2013. An early adoption is permitted. Incorporation in European law is still to be expected.

4 Paid dividend

In accordance with a resolution of the shareholders' meeting of June 29, 2011, the management board's and supervisory board's proposal for the use of earnings was complied with and net earnings 2010 in the amount of kEUR 9,555 (2010: kEUR 14,864) were used for the distribution of a dividend. This corresponds to a dividend of EUR 0.50 per individual share certificate (2010: EUR 0.70 per individual share certificate).

5 Cash and cash equivalents

The cash and cash equivalents decreased from December 31, 2010 to June 30, 2011. In return, the other financial assets and the assets available for sale increased in the same time frame.

In the actual fiscal year 2011 telegate invested on the one hand in fixed-term deposits with a duration over three months with SEAT Pagine Gialle S.p.A. in the amount of EUR 11 m, which are disclosed in other financial assets and on the other hand telegate invested in liquid money market funds in the amount of EUR 24 m, which are disclosed in assets available for sale.

6 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 19,111,091 pieces, which were issued in total, fully paid-up and in circulation.

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.

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 6.

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

telegate AG (from June 2009 until June 2010 telegate Auskunftsdienste GmbH as well) invests in fixed-term deposits with SEAT Pagine Gialle S.p.A. Short time fixed-term deposits with a duration of no more than three months are shown as liquid assets under cash equivalents and fixed-term deposits with a duration over three months under other financial assets.

At the reporting date June 30, 2011, with SEAT Pagine Gialle S.p.A. were invested fixed-term deposits (duration up to three months) in the amount of EUR 2.5 m (2010: EUR 48.0 m) and fixed-term deposits (duration over three months) in the amount of EUR 11.0 m (2010: 0.0 m). In the reporting period the interest income for fixed-term deposits amounted to EUR 1.0 m (2010: EUR 1.1 m). As of the balance sheet date, EUR 0.2 m (2010: EUR 0.1 m) were accrued and shown as other financial assets.

Sale of subsidiary

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 m, which was fully paid in monetary form and a variable part of sales (earn-out-component).

Services rendered or received

As of the balance sheet date telegate AG has receivables in the amount of EUR 0.1 m (2010: EUR 0.0 m) against the SEAT – group.

In the first six months of the fiscal year 2010 Telegate Italia S.r.L. generated income from service rendered to the SEAT – group of EUR 6.6 m and showed besides against the SEAT - group receivables in the amount EUR 5.3 m, liabilities in the amount of EUR 22.4 m and other short term assets in the amount of EUR 0.6 m*. The positions of Telegate Italia S.r.L. shall be understood until their respective date of sale, whereby the receivables and liabilities were disposed and revenues are shown in the income from discontinued operations.

Transactions with related persons

At the balance sheet date June 30, 2011, four members of the supervisory board of telegate AG were employees of the SEAT group. As at June 30, 2011, supervisory board remuneration of kEUR 43 (2010: kEUR 17) was due to these individuals, which were recorded correspondingly as a current liability.

8 Legal disputes

Already on April 13, 2011, the Higher Regional Court Duesseldorf adjudged Deutsche Telekom AG in both claims of Datagate GmbH and telegate Media AG, by reason of improper overcharged costs for the use of data of participants in the years 2000 until 2004, to repay the excessively invoiced costs.

On June 08, 2011, the Higher Regional Court Duesseldorf adjudged Deutsche Telekom AG also in the claim of telegate AG by reason of improper overcharged costs for use of data of participants in the years 1997 until 2001, to repay the excessively invoiced costs.

The appeal against the judgments was not permitted. The judgments are not yet valid.

** 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.*

9 Goodwill

telegate AG entered into an obligation to pay for purchase of shares within the acquisition of telegate Media AG in the year 2008, whose claiming was related to future events (earn-out-model). This circumstance could be finalised now.

This contingent purchase price payment within the scope of business combinations is subject of the old regulation of IFRS 3 (rev. 2004), wherefore the amount which not end up in a payout, resulted in an adjustment of the goodwill in accordance with IFRS 3.33 (old version). Therefore the goodwill was reduced from kEUR 7,474 by kEUR 799 to kEUR 6,675 as at June 30, 2011.

10 Restructuring measures

For improvement of the economic efficiency as well as for optimisation of the cost structure of the business sector directory assistance solutions, a merger of a call center with two further ones was started in the fiscal year 2010. In this connection additional costs arose in the first half of the year 2011. Therefore the restructuring costs amount to kEUR 621 (2010: kEUR 1,117).

11 Capacity adjustments

In the actual fiscal year 2011 capacity adjustments were made. Expenses in the amount kEUR 429 arose in this connection, mainly in the segment Spain.

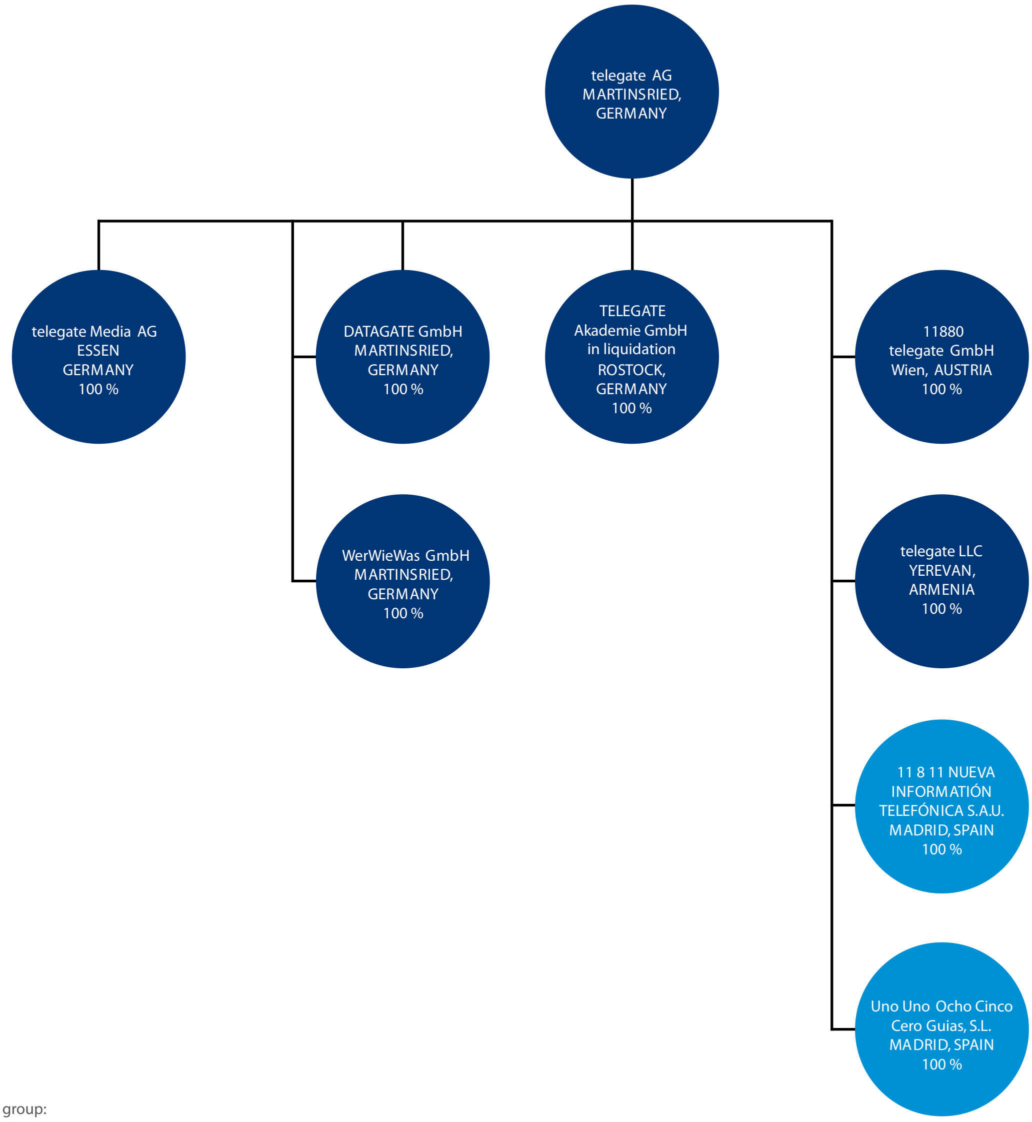
12 German Corporate Governance Code

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.

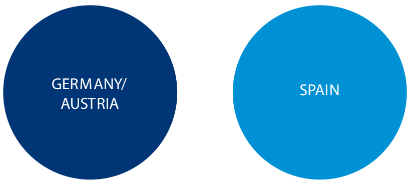
Planegg-Martinsried, August 05, 2011

The Management Board

Corporate Structure Group



Segments of telegate group:



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