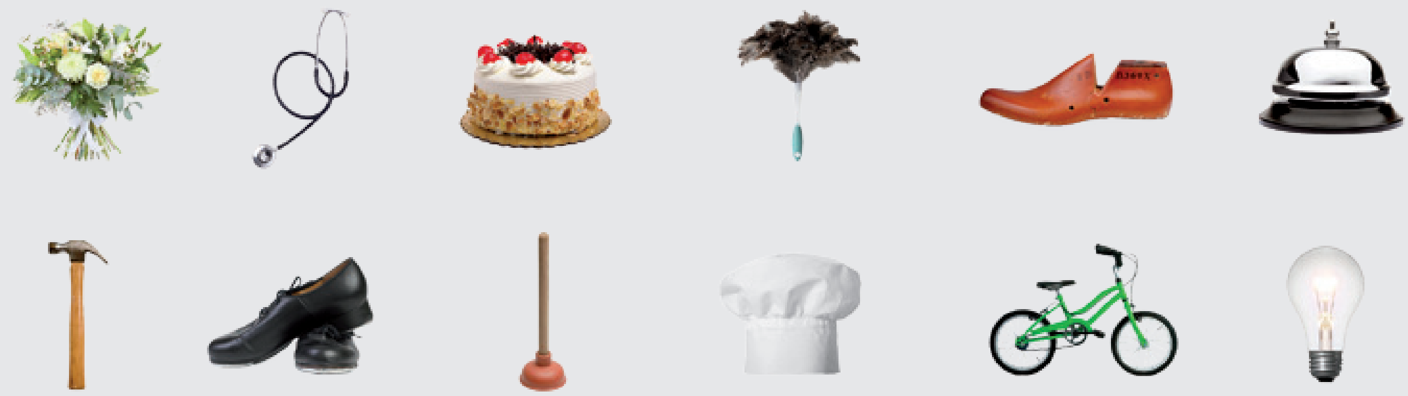


Digital Marketing for small and medium sized Business.

9-Months Report 2011

telegate

A BRAVE NEW WORLD: INTERNET

Letter from the Management Board

Dear shareholders,

Did you know that the topic marketing is of increasing importance for small and medium-sized businesses (SMEs) in Germany? However, only 40 percent evaluate the efficiency and success of their advertising investment. And did you know that online marketing gains increasing importance and online yellow pages replaced printed yellow pages as the most popular advertising medium for SMEs by now? And can you imagine that social networks and active referral marketing are of no importance for SME´s even today and that online voucher and coupon systems much-discussed among experts are mainly not even known in this sector? These are some of the key results of the study 'SMEs and advertising' carried out by the marketing research institute psyma commissioned by telegate for the second time this year.
On the other hand, the majority of customers of SMEs are already using digital Media for Local search. A current study by GfK commissioned by telegate AG shows that already more than 50 percent of German consumers search for regional companies and service providers via the Internet. And almost one in four of these search requests is made mobile with Smarthphones.
The current results of the studies show that there is still considerable catch-up demand for SMEs regarding digital marketing and targeted addressing of prospective customers. Furthermore, the relevance of the local SME-advertising market is often underestimated: according to the German Institute for SME Research, this market comprises approx. 3.5 m SMEs.

Great potential, but also great challenges for telegate

The Local marketing market is large and far from being partitioned or saturated. This offers us great potential as Internet marketing specialist and with a sales force tailored to the requirements of SMEs and thus we shall be determined in opening up this potential. There is market potential and we have the competence and „manpower“. However, for service providers as telegate money is not lying all over the streets. It requires persuasive communication at the point of sale to convince the individual small businessperson of this topic on the phone or in person. In principle, the medical specialist, craftsperson or owner of a flower shop is often sceptical about the success of advertising in general and the wide range of new opportunities on the web. Thus, the SMEs adheres to the traditional advertising behaviour.
In view of the special features of the SME-advertising business, the transformation of our business model from a pure DA specialist to a Local search and Internet marketing expert is a great challenge for us that requires patience and “stamina”. We moved important steps forward again this year. Thus, the present business figures show that the share of the Media business in group revenues increased to 31 percent by now and the business sector Media has grown by 22 percent compared to the previous year. That is fine, but we would have preferred an even stronger dynamic. Even more important is efficiency for the new Media sector, in addition to growth. We limited the contribution to losses compared to the previous year, however, are still further away than we expected from reaching the breakeven point currently. Progress is all the more important considering that the business volume of the classic and highly-profitable DA business continued to decline by 19 percent, as expected. This has contributed that telegate's group earnings decreased by a total of one third on a 9-months level.

Outlook: targets 2011 within sight

Considering earnings of the first 9 months, we are confident to reach the profit target we set ourselves which provided EBITDA before non-recurring items within a margin of € 13 m to € 18 m for the full year 2011.
In focus of our operational business are still measures that enable us to attract additional new customers for Media sales, in particular. In addition, there is a diverse range of activities with the objective to retain existing customers over a long customer life cycle. Thus, there will be even greater focus of our sales strategy on the establishment and expansion of Internet presences for small and medium-sized businesses, after a positive market feedback on the product area “company website”. It is important for the existing customer business to continue to work on presenting advertisers the success of their advertising in a transparent way, gradually improving customer loyalty and thus reducing the churn rate.
At the same time, we work continuously on cushioning a decline in revenues and earnings in the classical DA business by an optimum capacity control. Ultimately, additional cost reductions shall contribute to work even more profitable and to improve efficiency of Media sales, in particular.

We wish that you end the year 2011 successfully and would be pleased if you continue to support and accompany us as shareholder actively during our ongoing transformation process!

Planegg-Martinsried, November 2011

The Management Board of telegate AG

Key Financial Figures

in m Euro	9M 2011	9M 2010	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	83.6	92.8	-9.2	-10%
EBITDA before non-recurring items	11.2	16.8	-5.6	-34%
EBITDA[1]	9.1	16.8	-7.7	-46%
Operating income / loss (EBIT)	3.1	9.6	-6.5	-68%
Income[2]	0.0	2.4	-2.4	-100%
Net income	3.1	10.9	-7.8	-72%
Balance Sheet				
Balance sheet total	119.2	148.2	-29.1	-20%
Cash & cash equivalents	41.8	57.9	-16.1	-28%
Equity	62.1	87.6	-25.5	-29%
Equity ratio	52.1%	59.1%	-7.0%	-12%
Cash Flow				
Operating cash flow	4.6	10.3	-5.7	-55%
Capex	-3.1	-2.6	-0.5	19%
Free Cash Flow (before M&A)	1.5	7.7	-6.2	-80%
KPI telegate share				
Earnings per share (in Euro)	0.16	0.51	-0.3	-68%
Share price (in Euro)[3]	5.79	7.11	-1.3	-19%
Market capitalization	110.7	151.0	-40.3	-27%
Employees				
Number of employees[4]	1,779	2,019	-240	-12%

[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 3rd quarter
[4] Headcount as of Sep 30

Management Report

At a glance: 9-months report 2011

The transformation of the business model continued to progress also in the third quarter, however, growth dynamic of the business sector Media decreased compared to the previous quarters. Whereas the Media business achieved an increase in revenues of 21.5 percent compared to the first 9 months of the previous year, revenues of the classic DA business decreased by 19.4 percent, as expected. Thus, group revenues decreased by 9.9 percent and € 9.2 m respectively in the first 9 months compared to the previous year. Here, focus in the business sector Media is still on two measures:

- A continuous improvement of sales efficiency across all sales channels which shall be particularly achieved by a product portfolio more tailored to the customer and a targeted use of instruments and data bases which make the success of an advertising investment transparent to the advertiser.
- A gradual improvement of customer loyalty and thus reduction of the churn rate which is being implemented by a further development of the already existing customer process.

This shall improve profitability of this business sector significantly.

There is a similar situation in the classic DA business sector as in previous quarters. A decline in volume was partly compensated in terms of revenues by slightly higher revenues per caller.

Earnings of the first 9 months before non-recurring items (EBITDA) of € 11.2 m are according to plan within a margin communicated of € 13 m - € 18 m for the full year, however, also significantly below the previous year's level of € 16.8 m, as expected. Non-recurring items in the total amount of € 2.1 m accrued in the first 9 months which are primarily attributable to capacity adjustments in the DA business in Germany and Spain. Thus, the entire operational sectors of the Call Center business in Spain were outsourced at the beginning of October. Ultimately, this significantly reduced the cost base and made it more flexible.

Financial situation

Profitability

Group revenues decreased by 9.9 percent compared to the first 9 months of the previous year to € 83.6 m (previous year: € 92.8 m). Thus, a growth in revenues of the Media business compensated declining revenues of the classic DA sector only partially.

A decrease in revenues compared to the previous year resulted in a decrease of the gross earnings margin from 59.9 percent to 57.5 percent due to higher margins in the classic DA business compared to the Media business and fixed cost of revenues. Adjusted by non-recurring items, earnings before interest, taxes, depreciation and amortization (EBITDA) decreased compared to the previous year from € 16.8 m to € 11.2 m due to lower revenues and slightly higher sales costs. Cost reductions in the fixed costs sector in the amount of approx. € 1.8 m compensated this item only partially.

A decline in earnings after taxes from € 10.9 m to € 3.1 m is attributable to lower operating earnings, in particular. Lower amortization and depreciation and lower tax expenditure compensated the decline very partially in the reporting period. Furthermore there has to be considered a profit contribution in the amount of € 2.4 m from discontinued operations in the result of the previous year (sale of the Italian subsidiary).

Net worth and financial position

Investments

Investments in the amount of € 3.1 m were made in the first 9 months of the current annual year (previous year: € 2.6 m). The largest part was invested in a modernisation of technology of the classic DA business. Furthermore, purchases were made within the Customer-Relationship-Management system and the IT equipment and infrastructure were modernised.

Balance sheet

The balance sheet quality of telegate is very solid after the first 9 months 2011, whereas the balance sheet total decreased significantly from € 148.2 m to € 119.2 m compared to the previous year. Here, intangible assets were declining on the assets side, in particular, in addition to a decline in liquid assets. This primarily results from a value adjustment on the customer base in the "Media" segment in the fourth quarter 2010 which was acquired within the scope of the acquisition of telegate Media AG (formerly klickTel AG) 2008. A decline of the liabilities side is primarily attributable to an equity reduction due to a share repurchase program and a dividend payment made in June 2011. The equity ratio of the telegate group amounts to 52.1 percent as of September 30, 2011 (December 31, 2010: 52.6 percent, September 30, 2010: 59.1 percent).

Cash flow & Financing

The operating cash flow (inflow and outflow of funds respectively from current business activity) decreased from € 10.3 m to € 4.6 m compared to the previous year due to a lower profitability and payment of taxes for the previous year.

The cash flow from investment activity (investments and M&A activities) amounted to € -3.1 m (previous year: € 0.9 m) during the reporting period. An inflow of funds from the sale of the Italian subsidiary in the amount of € 3.5 m is included in the first 9 months of the previous year.

The cash flow from financing activity in the amount of € -8.5 m improved significantly compared to € -13.2 m in the previous year. This is a result of a reduced dividend per share (€ 0.50 compared to € 0.70 in the previous year) and a lower number of shares entitled to dividend due to redemption of shares acquired within the scope of the share repurchase program.

Cash and cash equivalents decreased to € 41.8 m as of the fixed day due to the above-named items (December 31, 2010: € 48.8 m, September 30, 2010: € 57.9 m).

Forecast

As shown by the current trend, revenue dynamics of the business sector Media slowed down in the third quarter. To provide a new impulse in the new customer business, in particular, the business sector was launched with a revised product concept in October. The aim is to bundle the central advertising offers and thus to satisfy the individual customer needs even more. Focus of the new sales strategy and new combination products is the offering of website products. The new main range of products can be supplemented from now on by booking of different versions of the Media entry and search engine advertising via Google AdWords. This offer shall support SME businesspersons to make use of online advertising at telegate as required and completely. We continue to work on further optimizing the existing customer management and optimizing the customer loyalty strategy, in addition to the measures in the new customer business. In the medium-term, this shall result in a significant increase of the profitability-driving renewal revenues with a strong margin. An increasing churn rate to be observed during the previous year was stabilised by now and shall be improved continuously, as described, in the medium-term.

In spite of measures initiated in the Media sector and as expected, the company expects that the item of declining revenues in the DA business with a strong margin will exceed the item of increasing revenues in the advertising business.
However, in an overall consideration the company confirms the profit guidance for the full year (EBITDA) before non-recurring items with a margin from € 13 m to € 18 m.

Segment report

Germany/Austria

The company's transformation process still continues to progress even if the third quarter was affected by a weaker growth of the Media business. It is especially pleasing that the two Local search portals www.11880.com and www.klicktel.de set new all-time highs with approx. 10.6 m visits in September 2011 (+40 percent compared to 2010). Thus, the online services of „telegate Media“ are clearly ahead of the online offer of the GelbeSeiten-publishing houses again in terms of popularity among users. Furthermore, telegate also recorded a rapidly growing number of search requests via its mobile Local search Apps under the brand „klickTel“. The applications exceeded the threshold of 1 m downloads recently.

A product diversification implemented in the sector „Creation and operation of websites“ in the second quarter proved to be a complete success. It became apparent that businesspersons increasingly request one of the two lower-priced basic versions with functionalities reduced accordingly, in addition to the powerful version of the product “firmenWEBSITE”. Fortunately, there is almost no cannibalization of the premium product and thus the sales rates increased across the entire range of products.

The rollout was launched for the project ROA (instrument to measure Return on Advertising for the advertiser) for all existing customers in August. The company expects positive effects in the medium-term on customer loyalty and thus renewal revenues as well as to open up additional Upselling potential by a higher level of transparency for the customer regarding the efficiency of his/her advertising campaign.

There is still a positive trend in the Media sector in the current reporting period. Nevertheless, quarterly growth was weaker in the third quarter compared to the previous periods. Revenues in the first 9 months were increased by 21.6 percent to € 26.1 m compared to the previous year (previous year's period: € 21.4 m). The share of the digital sector (Media business) in total revenues Germany amounts to 33.9 percent on a 9-month basis by now (previous year: 25.4 percent) and 34.7 percent in the third quarter (previous year: 26.1 percent). Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items improved only slightly to € -11.2 m (previous year: € -13.4 m) in a full cost consideration.

A decline in revenues in the classic DA business was partly compensated again in the first 9 months 2011 by an increase of revenue per caller, in particular. However, revenues declined significantly compared to the previous year's period by 19.4 percent to € 50.7 m (previous year: € 62.9 m).

Earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items continued to decrease to € 21.8 m compared to the previous year (previous year: € 29.1 m) in a full cost consideration.

Thus, total revenues of the segment Germany decreased by € 7.6 m and 9.0 percent respectively to € 76.8 m (previous year: € 84.3 m). Segment earnings (EBITDA) before non-recurring items decreased by € 5.1 m to € 10.6 m compared to the previous year (previous year: € 15.7 m).

Spain

The declining volume trend of the classic DA business also continues in Spain, however, we were able to partly compensate a decline in volume by an increase of revenue per caller. telegate also pursues a strategy here similar to Germany. Thus, we were able in Spain to position the online offer with more than 2 m search requests per month at number two in the sector Local search for commercial offers within a short time. telegate also expects increasing user figures in the booming Mobile search sector in the future with a successful launch of Local search Apps for iPhone, Android and iPad. Establishment of a very small and focused sales force is still at a very early stage currently and thus revenues of advertising sales are still moderate.

A big step was made towards a sustainable securing of profitability by outsourcing the call handling of the DA business. Transfer to the outsourcer and the subsequent closure of the own Call Center in Madrid was already fully implemented at the beginning of October. This ensures that a large part of the costs of the business will be fully variable in the future and, in addition, these costs were reduced significantly.

In fact, earnings before interest, taxes, depreciation and amortization (EBITDA) before non-recurring items of € 0.6 m were below the previous year's figure of € 1.1 m in the period under review. However, we expect a significant improvement in earnings again due to a realization of cost reductions in the fourth quarter 2011 (in the capacity cost sector, in particular). Thus, the negative deviation in earnings shall be reduced significantly compared to the previous year.

Employees

The telegate group employed a total of 1,779 employees (headcount, without trainees and part-time and dormant employments) as of September 30, 2011. The number of employees decreased by 12 percent compared to the previous year (2,019 employees) primarily due to adjustments in the classic DA business.

Planegg-Martinsried, October 28, 2011

The Management Board

Consolidated Statements of Operations (IFRS)

in kEUR	Quarterly Report (unaudited) Q3 2011	Q3 2010*	9-Months Report (unaudited) 9M 2011	9M 2010*
Continuing operations				
Revenues	27,726	31,423	83,615	92,771
Cost of revenues	-12,093	-12,132	-35,512	-37,186
Gross Profit	**15,633**	**19,291**	**48,103**	**55,585**
Selling and distribution costs	-11,649	-12,504	-35,033	-34,633
General administrative expenses	-3,011	-3,469	-9,935	-11,686
Other operating income	0	119	1	393
Other operating expense	-15	-30	-60	-55
Operating income	**958**	**3,407**	**3,076**	**9,604**
Interest income	159	536	1,238	1,670
Interest expense	-24	-26	-74	-88
Gain (loss) from financial assets and marketable securities	19	0	24	0
Gain (loss) on foreign currency translation	0	-4	-3	0
Financial income	**154**	**506**	**1,185**	**1,582**
Income before income tax	**1,112**	**3,913**	**4,261**	**11,186**
Income tax - current	-1,073	-1,662	-3,227	-5,172
Income tax - deffered	890	726	2,100	2,424
Income tax expense	**-183**	**-936**	**-1,127**	**-2,748**
Income from continuing operations	**929**	**2,977**	**3,134**	**8,438**
Discontinued operations				
Income from discontinued operations	0	8	0	2,425
Net income	**929**	**2,985**	**3,134**	**10,863**
Attributable to:				
Owners of the parent	929	2,985	3,134	10,863
Non-controlling 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	0.14	0.16	0.51
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	0.14	0.16	0.39

* 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)		9-Months Report (unaudited)	
in TEUR	Q3 2011	Q3 2010*	9M 2011	9M 2010*
Net income	**929**	**2,985**	**3,134**	**10,863**
Foreign currency translation differences	-1	1	0	0
Sum of the result which is recorded directly in equity	**-1**	**1**	**0**	**0**
Total comprehensive income	**928**	**2,986**	**3,134**	**10,863**
Attributable to:				
Owners of the parent	928	2,986	3,134	10,863
Non-contolling interests	0	0	0	0
	928	**2,986**	**3,134**	**10,863**

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

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	Sep 30, 2011	Sep 30, 2010*	Dec 31, 2010	Jan 1, 2010*
Current assets				
Cash and cash equivalents	41,811	57,882	48,768	59,932
Trade accounts receivable	32,662	32,238	33,666	48,481
Current tax assets	14	0	0	957
Other financial assets	779	972	970	1,129
Other current assets	4,700	4,877	4,703	5,620
Total current assets	**79,966**	**95,969**	**88,107**	**116,119**
Non-current assets				
Goodwill	6,715	7,474	7,474	7,474
Intangible assets	19,062	32,225	22,101	36,354
Property and equipment	4,824	5,008	4,669	7,612
Other financial assets	407	595	549	369
Other non-current assets	303	385	330	364
Deferred tax asset	7,878	6,577	6,950	5,437
Total non-current assets	**39,189**	**52,264**	**42,073**	**57,610**
Total assets	**119,155**	**148,233**	**130,180**	**173,729**

Liabilities & shareholders' equity in kEUR	Sep 30, 2011	Sep 30, 2010*	Dec 31, 2010	Jan 1, 2010*
Current liabilities				
Trade accounts payable	1,807	1,541	2,489	20,396
Accrued liabilities	15,620	13,037	15,811	15,758
Provisions	2,828	3,790	2,843	4,475
Current tax liabilities	875	1,311	1,996	1,077
Other financial liabilities	0	806	751	0
Other current liabilities	29,926	29,800	30,532	28,544
Total current liabilities	**51,056**	**50,285**	**54,422**	**70,250**
Non-current liabilities				
Provisions	691	741	748	1,013
Other non-current liabilities	0	5	0	441
Deferred tax liability	5,348	9,637	6,520	10,483
Total non-current liabilities	**6,039**	**10,383**	**7,268**	**11,937**
Total liabilities	**57,095**	**60,668**	**61,690**	**82,187**
Shareholders' equity				
Share capital	19,111	21,235	21,235	21,235
Additional paid in capital	32,059	29,899	29,935	29,875
Treasury shares	0	0	-14,951	0
Other revenue reserves	22,798	34,822	37,758	34,822
Retained earnings	-11,908	1,608	-5,487	5,609
Accumulated other comprehensive income	0	1	0	1
Equity attributable to owners of the parent	**62,060**	**87,565**	**68,490**	**91,542**
Total shareholders' equity	**62,060**	**87,565**	**68,490**	**91,542**
Total liabilities & shareholders' equity	**119,155**	**148,233**	**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	Sep 30, 2011	Sep 30, 2010*
Cash flows from operating activities		
Income before income tax from continuing operations	4,261	11,186
Income before income tax from discontinued operations	0	2,983
Income before income tax	**4,261**	**14,169**
Adjustments for:		
Amortisation and impairment of intangible assets	4,609	5,087
Depreciation and impairment of property and equipment	1,399	3,076
Gain / loss on disposal of property and equipment	30	-43
Gain / loss from goverment grants	-26	-48
Interest income	-1,238	-1,670
Interest expense	74	93
Gain / loss from financial assets and marketable securities	-24	0
Gain / loss on foreign currency translation	3	0
Stock option expense	0	60
Valuation allowance for trade accounts receivable	561	708
Gain / loss due to changes in consolidated group	0	-5,419
Changes in non-current provisions	-59	-278
Changes in other non-current and financial assets	187	-261
Operating profit before changes in operating assets & liabilities	***9,777***	***15,474***
Changes in operating assets and liabilities:		
Trade accounts receivable	221	-8,737
Other current and financial assets	186	-739
Trade accounts payable	-460	4,970
Current provisions	-15	1,321
Accrued expenses, other current and financial liabilities	-727	1,315
Income taxes paid	-4,357	-3,320
Cash from operating activities	**4,625**	**10,284**
Cash flows from investing activities		
Capitalized intangible assets	-1,557	-1,560
Purchase of property and equipment	-1,628	-1,146
Proceeds from sale of property and equipment	29	25
Disposal of a subsidiary, net of cash disposed of	0	3,505
Proceeds from government grants	26	48
Purchase of available for sale financial assets	-25,495	0
Net change in short-term fixed deposit investments (> 3 months)	25,519	0
Cash used in / from investing activities	**-3,106**	**872**
Cash flows from financing activities		
Purchase of treasury shares	-12	-36
Dividends paid	-9,555	-14,864
Interest received	1,122	1,703
Interest paid	-31	-12
Cash used in financing activities	**-8,476**	**-13,209**
Effect of exchange rate changes on cash and cash equivalents	**0**	**3**
Change in cash and cash equivalents	**-6,957**	**-2,050**
Cash and cash equivalents at the beginning of reporting period	**48,768**	**59,932**
Cash and cash equivalents at the end of reporting period	**41,811**	**57,882**

* 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	-	-	-	-	3,134	-	3,134	3,134
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**	**3,134**	**0**	**3,134**	**3,134**
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	-	-	0	0
							-	-
Balance at Sep 30, 2011	**19,111**	**32,059**	**0**	**22,798**	**-11,908**	**0**	**62,060**	**62,060**
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	-	-	-	-	10,863	-	10,863	10,863
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**	**10,863**	**0**	**10,863**	**10,863**
Dividends	-	-	-	-	-14,864	-	-14,864	-14,864
Stock option plan	-	60	-	-	-	-	60	60
Purchase of treasury shares	**-**	-36	-	-	-	-	-36	-36
Balance at Sep 30, 2010	**21,235**	**29,899**	**0**	**34,822**	**1,608**	**1**	**87,565**	**87,565**

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 TEUR	**Directory Assistance Solutions**	**Media**	**sum**	**Spain**	**Reconciliation**	**telegate group**
01.01.2011 - 30.09.2011						
Revenues						
External revenues	50,696	26,054	76,750	6,865	-	**83,615**
Inter-segment revenues	7		7		-7	**0**
Total revenues	**50,703**	**26,054**	**76,757**	**6,865**	**-7**	**83,615**
Earnings						
EBITDA	21,186	-11,397	9,789	-705	-	**9,084**
Depreciation and amortization	-3,057	-2,722	-5,779	-229	-	**-6,008**
Financial income / expense	581	593	1,174	11	-	**1,185**
Income before income tax	18,710	-13,526	5,184	-923	-	**4,261**

	Germany / Austria					
	Directory Assistance Solutions	**Media**	**sum**	**Italy / Spain**	**Reconciliation**	**telegate group**
01.01.2010 - 30.09.2010*						
Revenues						
External revenues	62,874	21,433	84,307	15,013	-6,549	**92,771**
Inter-segment revenues	25	-	25	-	-25	**0**
Total revenues	**62,899**	**21,433**	**84,332**	**15,013**	**-6,574**	**92,771**
Earnings						
EBITDA	29,087	-13,416	15,671	686	451	**16,808**
Depreciation and amortization	-4,028	-2,817	-6,845	-1,318	959	**-7,204**
Financial income / expense	808	787	1,595	-18	5	**1,582**
Income before income tax	25,867	-15,446	10,421	-650	1,415	**11,186**

* 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 September 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 September 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 fiscal year 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 fiscal 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 changed 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 IAS 18.24 (c) by reference to the stage of completion until then, which was determined by the proportion that costs incurred to date bear to the estimated total costs of the transaction. Initiating with the financial statement as at June 30, 2011, IAS 18.24 (b) was 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, changed as well their revenue recognition for similar products as at June 30, 2011. Due to the change of accounting policy, telegate can comply with the group standardised accounting within the SEAT – group in according to IAS 27.24 and IAS 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 September 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	2,337	2,540	4,877	1,993	2,710	4,703
Deferred tax assets	6,564	13	6,577	6,938	12	6,950
Liabilities						
Other current liabilities	18,473	11,327	29,800	18,583	11,949	30,532
Deferred tax liability	12,361	-2,724	9,637	9,390	-2,870	6,520
Retained earnings	7,658	-6,050	1,608	870	-6,357	-5,487

Consolidated income statement	01.07. - 30.09.2010 quarterly report			01.01. - 30.09.2010 9-months report		
in kEUR	before change	Change according IAS 8	after change	before change	Change according IAS 8	after change
Revenues	31,961	-538	31,423	93,691	-920	92,771
Selling and distribution costs	-12,613	109	-12,504	-35,097	464	-34,633
Deferred income tax	580	146	726	2,275	149	2,424
Net income	3,268	-283	2,985	11,170	-307	10,863

	01.07. - 30.09.2010 quarterly report			01.01. - 30.09.2010 9-months report		
in EUR	before change	Change according IAS 8	after change	before change	Change according IAS 8	after change
Earnings per share - basic and dilutive, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.15	-0.01	0.14	0.53	-0.02	0.51
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)	0.15	-0.01	0.14	0.41	-0.02	0.39

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 September 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 Changes in consolidation

Dissolution company

The final consolidation of telegate Akademie GmbH i.L. was performed as of August 31, 2011. The cancellation of telegate Akademie GmbH i.L. was registered in the commercial register on September 08, 2011.

5 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).

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) invested in fixed-term deposits with SEAT Pagine Gialle S.p.A. in the past. 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 September 30, 2011, with SEAT Pagine Gialle S.p.A. were invested fixed-term deposits (duration up to three months) in the amount of EUR 0 m (2010: EUR 56.0 m). In the reporting period the interest income for fixed-term deposits amounted to EUR 1.1 m (2010: EUR 1.6 m). As of the balance sheet date, EUR 0 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.

Up to June 01, 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 September 30, 2011, four members of the supervisory board of telegate AG were employees of the SEAT group. As of balance sheet date supervisory board remuneration of kEUR 33 (2010: kEUR 25) 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

Within the acquisition of telegate Media AG in the year 2008 telegate AG entered into agreements, whose claiming was related to future events (earn-out-model) and which could be completed now.

These contingent purchase price payments within the scope of business combinations are subject of the old regulation of IFRS 3 (rev. 2004), wherefore in the amount, which resulted due to the occurrence of the events, an adjustment of the goodwill in accordance with IFRS 3.33 (old version) is do be made.

The goodwill reduced from kEUR 7,474 by kEUR 759 to kEUR 6,715 as at September 30, 2011.

Restructuring measures and special item within the income statement

In September 2011 the restructuring plan for improvement of the economic efficiency as well as for optimisation of the cost structure of the business sector directory assistance solutions was accounced to the employees of the Spanish subsidiary 11811 Nueva Información Telefónica S.A.U. The restructuring measurement in form of outsourcing of the operative call center region will be expectedly completed in October 2011.

In the fiscal year 2010 a merger of a call center of telegate AG with two further ones was started. In connection with this restructuring measurement additional costs arose in the fiscal year 2011.

Therefore the entire restructuring costs amount to kEUR 1.925 (2010: kEUR 1,117).

Beyond that capacity adjustments were made in the actual fiscal year 2011. The special item resulting from this on the income statement amounts to kEUR 158.

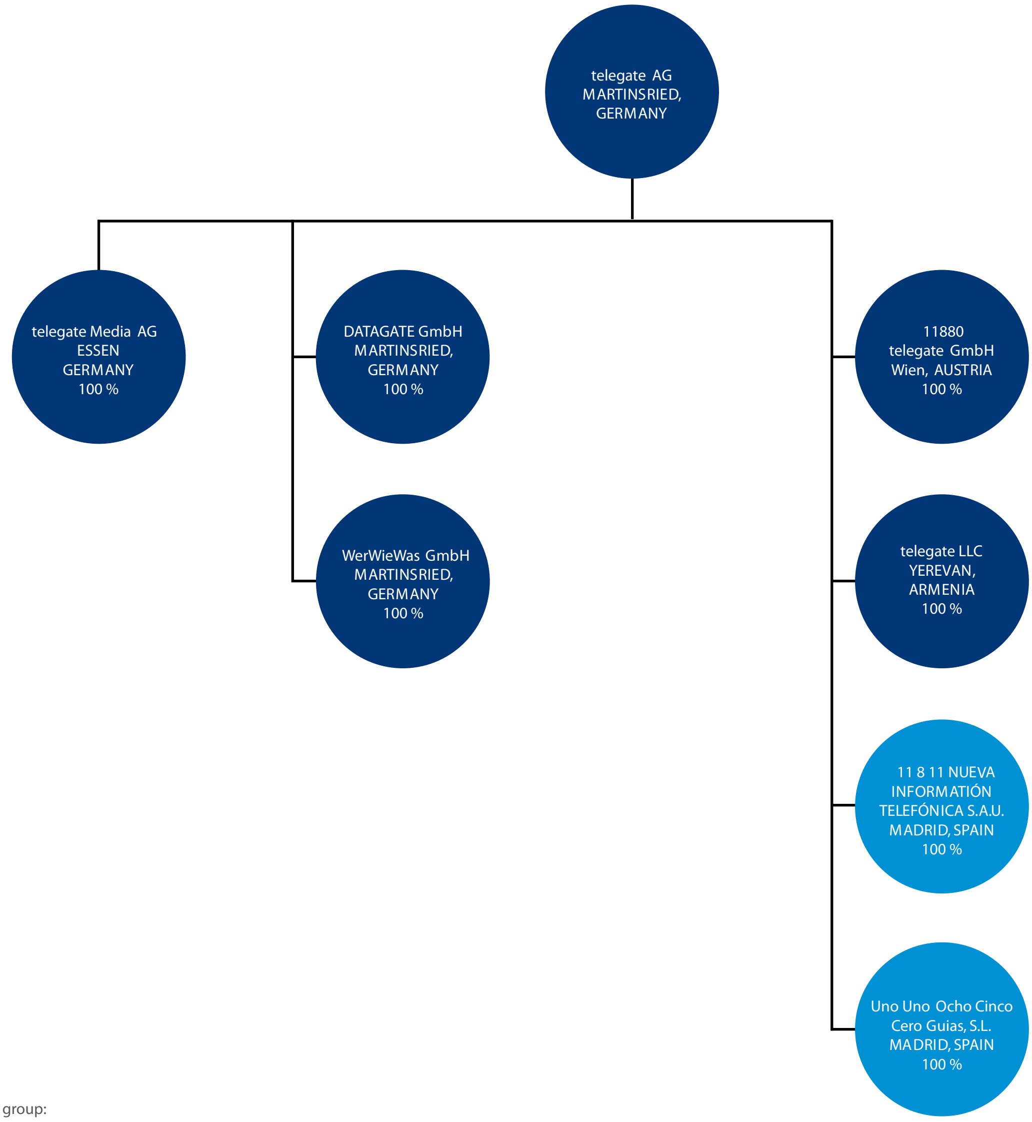
10 German Corporate Governance Code

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.

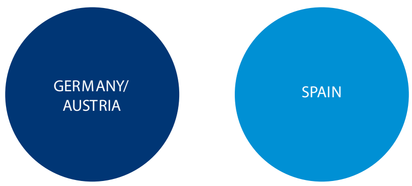
Planegg-Martinsried, October 28, 2011

The Management Board

Corporate Structure Group



Segments of telegate group:



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