9-Months Report 2012

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Letter from the Management Board

Dear shareholders, dear customers and business partners,

The third quarter of the running financial year 2012 was a very special one for telegate AG. After nine years of a judicial tug-of-war with Deutsche Telekom AG the ex-monopolist had to pay slightly less than 100 million Euros of damages to our company. These most recent decisions of the Federal Court of Justice make us confident that we will win the two pending damage suits, as the circumstances of the cases are of the same nature. We proceed on the assumption that we will be in a position to inform you of our decision regarding the use of the liquid funds at the beginning of the coming business year.

In the operative business sector, too, we have good news for you. As per 30th September 2012 we are fully in line with our budget. We were able to drastically increase the financial performance in the media business, improve the cost structure and reduce the churn rate. We scaled down the sales force and increased at the same time its efficiency. And we have been able to lay the foundation for more successful marketing by developing a new product strategy. With immediate effect our customers are granted a cost-free website for their company in conjunction with their media registration under 11880.com or klicktel.de. But that is not all - we design their online presence according to our customers' special requirements, take care of hosting and maintenance as well as of search engine optimisation of the internet sites. Our offer is absolutely unique in the German market and we are convinced that we will be able to offer the small and medium-sized companies a substantial added value. In future this new additional service in combination with greater utilisation of our internet yellow pages and the appropriate mobile apps will make it much easier for smaller and medium-sized companies in Germany to go from an entry in the printed yellow pages to online advertising offered by telegate.

The media business already contributes with around 40 per cent to our total turnover. We are delighted about this development as the conventional telephone inquiry business is further declining. We are observing this decline very closely and are continuously making adaptations with regard to our capacities.

In the coming and last quarter of the current financial year our focus will be on further increasing the financial performance in the media business. At the same time we are waiting for the first reactions to our new product offer, and are convinced that it will be an absolute success.

Thank you for your confidence in us.

Yours sincerely,

Elio Schiavo
CEO of telegate AG

Key Financial Figures

in m Euro	9M 2012	9M 2011	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	66.4	76.8	-10.3	-13%
EBITDA[1] before non-recurring items	7.6	10.5	-2.9	-28%
EBITDA	37.2	9.7	27.5	283%
Operating income / loss (EBIT)	32.0	3.9	28.1	714%
Income / loss from continuing operations	23.3	3.9	19.4	504%
Income / loss from discontinued operations	0.0	-0.7	0.7	-
Net income / loss	23.3	3.1	20.1	642%
Balance Sheet				
Balance sheet total	139.9	119.2	20.7	17%
Cash & cash equivalents[2]	74.8	41.8	33.0	79%
Equity	78.9	62.1	16.9	27%
Equity ratio	56%	52%	-	-
Cash flow				
Operating Cash flow	36.2	4.6	31.6	683%
Investments	-2.7	-3.1	-0.5	-15%
Net Cash flow[3]	42.4	2.6	39.9	1541%
KPI telegate share				
Earnings per share (in Euro)	1.22	0.16	1.05	-
Share price[4] (in Euro)	5.74	5.79	-0.05	-1%
Market capitalization	109.7	110.7	-1.0	-1%
Employees				
Number of employees[5]	1,303	1,779	-476	-27%

[1] Earnings before interest, tax and depreciation
[2] Cash and cash equivalents at the end of the reporting period
[3] Operating CF + investing CF +/- interest income/expenses
[4] XETRA-closing prices as of last trading day
[5] Headcount as of September 30

Management Report

At a glance: 9-months report 2012

The third quarter was marked by the positive outcome of the data cost claims. tg AG`s subsidiaries datagate GmbH and telegate Media AG won the first two legal actions in the amount of approx. € 47 m including interest. On November 2, 2012 the Federal Court of Justice furthermore dismissed the appeal against the non-admission of DTAG in the third ruling instituted by telegate AG. Pursuant to IAS 37.35 the appropriate proceeds were not reported in the third, but in the fourth quarter 2012. Further receivables of telegate AG result from this legal action in the amount of approx. € 50 m including interest. The amount due as a result of the outcome of the first two legal actions of € 47 m was paid by Deutsche Telekom in August.

The development of the operational business is still marked by the transformation of the business model. Focus is still on measures to improve the profitability of the Media business – like the improvement of customer loyalty and a simultaneous reduction of the cost base.

The 9-months result (EBITDA) before non-recurring items in the business sector Media improved visibly by 26 percent compared to the previous year. The main reason for this positive development is a further improved customer loyalty which was achieved primarily by optimized sales processes as well as consistent commitment of existing customers. Due to the alignment of the Media business to a greater sustainability, paired with a reduction of sales capacities, it was not possible to reach the growth rates of revenues as observed in previous quarters. After the first nine months the Media revenues were approximately at pre-year level.

Within the field of the classic DA business, revenues are further declining - a situation which has also had an impact on results. Profitability dropped by 27 percent compared to the previous year, which is due to a further substitution of the classic DA business. As observed in the previous quarters, the different margins of the two business sectors all in all led to a declining profitability. Despite distinctly lower loss contribution the Media business is not able to compensate the decline of the high-margin business of the classic DA sector. The group's EBITDA before non-recurring items declined by € 2.9 m resp. 28 percent in the first nine months in comparison with the pre-year period. Due to the more or less unchanged revenues in the Media sector and the limited opportunities to counteract the reduced volumes in the classic DA business, total group revenues dropped by 13 percent vis-à-vis the pre-year period. The Media business meanwhile contributes 39 percent to the total group revenues.

Despite declining profitability the earnings after the first 9 months are within the scope of the profit guidance of € 10 – 12 m delivered at the beginning of the year – even without the positive extraordinary effect of the data cost actions (guidance for full year including profit-contribution from Spain).

Financial situation

Profit situation

In comparison with the first nine months of the pre-year period the group revenues dropped by 13 percent to € 66.4 m (prev. year: € 76.8 m). As the Media revenues remained almost unchanged in comparison to the previous year, the decline is all in all higher compared to previous periods.

Due to the higher margins in the classic DA business, as well as non-recurring items, the decline in revenues also led to a reduced gross margin from 59.8 to 56.1 percent. However, adjusted by non-recurring items, the gross margin is approx. at the level of previous year. The EBITDA adjusted by non-recurring items dropped vis-à-vis the previous year primarily due to the lower revenue level from € 10.5 m to € 7.6 m. Non-recurring items in 2012 are significantly positive and total € +29.7 m in the first nine months. These are expenses for capacity adaptations in the administration and sales sector of € -1.8 m, € -1.2 m restructuring expenses for the merger of the Call Centers Stralsund with Rostock and Neubrandenburg, as well as positive non-recurring items in the amount of € +32.7 m within the scope of winning the data cost claims. In the comparative pre-year period negative non-recurring items in the amount of € -0.8 m accrued which were primarily due to restructuring expenses in the classic DA business in Germany.

In the first nine months of 2012, earnings after taxes from discontinued operations is € 0.0 m (previous year: € -0.7 m). The positive non-recurring items from the first two data cost actions led to record earnings after taxes in the first nine months of € 23.3 m (previous year: € 3.1 m). It should be taken into account, that profit-related expenses within the scope of data cost actions, as well as an additional tax reserve for the currently pending company audit is already contained in that amount. Due to the lower operational result, the earnings after taxes adjusted by the non-recurring effect of data cost actions is below the level of previous year.

Net worth and financial position

Investments

In the first nine months investments amounted to € 2.5 m (previous year: € 3.2 m). Besides purchases within the scope of modernising the infrastructure in the classic DA business, expenditures were also done in the field of modernising the IT systems in the administrative sectors. In this connection, it should be noted that € 0.2 m of the business segment Spain "held for sale" are included in investments (previous year: € 0.2 m).

Balance sheet

The total assets of the telegate Group rose considerably as per 30.09.2012 to € 139.9 m (30.09.2011: € 119.2 m). This is primarily due to the successful outcome of the first two damage claims. The changes on the asset side are primarily due to an increase of cash and cash equivalents due to the incoming liquidity from the data cost actions as well as the decrease in deferred tax assets. On the liabilities side an increase in income tax liabilities was registered as a result of this circumstance. Besides that, the equity ratio corresponds to 56.4 percent as per 30.09.2012, thus exceeding the pre-year level of 52.1 percent (54.0 percent as per 31.12.2011).

Cash flow & Financing

As a result of the positive effect of data cost claims the operating cash flow (cash inflow and outflow from current business activities) in the first nine months rose considerably from the last-year level of € 4.6 m to € 36.2 m in 2012. The fact that the share of payments from data cost suits of € 8.6 m as shown in the interest income is not shown in the operating cash flow shall be taken into account. The operating cash flow adjusted by the extraordinary effect of the data cost claims is € 3.6 m and is thus only marginally below the pre-year level of € 4.6 m. A further aspect to be considered is the fact that additional tax payments from earlier periods are contained therein.

The cash flow from investing activities in the first nine months was € -2.7 m, thus marginally below the pre-year level of € -3.1 m.

The cash flow from financing activities improved compared to the previous year from € -8.5 m to € 2.2 m. A reason for the positive development results from the disclosure of € 8.6 m of cash provided by inflow of funds from the data cost actions in the interest income. The cash flow in 2012 dropped to € -6.4 m after being adjusted by this effect. The reduced cash outflow is primarily due to the lower dividend payment compared to the previous year (€ 0.35 per share in 2012 versus € 0.50 per share in 2011).

The net cash flow (operating cash flow + cash flow from investment activities +/- interest income/expenses) rose significantly in the first nine months from the last-year level of € 2.6 m to € 42.4 m in the current year. Adjusted by the effect of data cost claims the net cash flow corresponds to € 1.2 m.

The position of cash and cash equivalents rose significantly to € 74.8 m (31.12.2011: € 39.0 m, 30.09.2011 € 41.8 m). For the overall fiscal year the company in total counts on a positive net Cash flow even without including the liquidity effect resulting from the data cost actions.

Segment report

Germany/Austria

Focus in the further course of the year is on further improving the profitability of the Media business. The measures initiated in the previous quarters to improve customer loyalty are developing in a positive direction. Thanks to the extensive and personal customer service the churn rate is declining continuously, besides that the share of 24-month contracts not only in the new customer business sector, but also among existing customers was additionally raised.

In September telegate launched its revised product portfolio. This aims at making a further step towards offering „added value“ to customers and users. This strategy focuses on offering the customer a free website as an add-on for each concluded MEDIA entry. We expect a higher number of contracts and further positive impulses to improve customer loyalty by offering this „add-on service“.

A central issue on the user side is furthermore traffic generation. Here, we were able to register a clear plus of 38 percent in the total search requests compared to the first nine months of the previous year. In the mobile sector a plus of 178 percent was registered (from 30.7 to 85.4 million search requests). The rise in the app downloads deserves special attention. By the end of September 2012 telegate registered a total of over 1.67 million downloads (previous year: 1.10 million) and with this benchmark lies clearly in front of its competitor “Gelbe Seiten”. telegate was able to confirm its position as market leader in the local search in Germany once again.

The previous growth rates in Media sales could not be reached in the last quarter. Due to focusing on greater sustainability in the sales process as well as a marginally reduced, but more efficient sales team, the revenues in the pre-year comparison of the first nine months declined marginally by 1 percent to € 25.7 m (previous year: € 26.1 m). A further improvement in the cost situation paired with a reduced churn rate led to a visible improvement of the 9-month result on full-cost basis (EBITDA) before non-recurring items and is about 26 percent higher than the pre-year comparison period with its € -8.3 m compared to the pre-year level of € -11.2 m.

Revenues in the classic DA business dropped by 20 percent in the pre-year comparison to € 40.7 m (previous year: € 50.7 m). In order to offset the effect in part, priority was given to once again optimising the capacity costs. The result on full-cost basis (EBITDA) before non-recurring items reduced in the first nine months by 27 percent to € 15.9 m (previous year: € 21.8 m).

Due to the opposite development of both business segments the revenue share of the Media business compared to the total segment Germany/Austria increased to a level of meanwhile 39 percent (previous year: 34 percent).

Total segment revenues dropped by € 10.3 m resp. 13 percent to € 66.4 m (previous year: € 76.8 m). The EBITDA before non-recurring items decreased in the first nine month 2012 by € 3.0 m to € 7.6 m (previous year: € 10.6 m).

Spain

The Spanish subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. are classified as discontinued operations since June 30, 2012 pursuant to IFRS 5.

The declining volume trend on the market of classic DA is continuing in the third quarter. As a result of a higher level in revenue per call, it has been possible to partially counteract the volume trend on the revenues side.

The total revenues of Spain correspond to € 4.8 m in the first nine months 2012, thus reflecting a reduction by € 2.0 m compared to the previous year (previous year: € 6.9 m). The EBITDA before non-recurring items amounts to € 0.6 m and is slightly above the pre-year level despite lower revenues. The reason therefore is the highly variable cost structure as well as the realisation of further savings, primarily in the sector of human resources and advertising costs associated with a visibly raised revenue per call.

Outlook

Focus for the remaining months of the fiscal year 2012 is furthermore on improving the profitability of the Media business. Besides that measures have been planned in the medium and long term to lead this business sector to a healthy and consistent revenue growth. This objective is to be achieved with the new product offer which is adapted in a much better way to the customer requirements. At the same time focus is on achieving further growth in the sector of traffic and users - above all in the mobile sector. Here we want to maintain our excellent market position in the competitive environment of local search.

In the sector of classic DA business, declining call volumes and revenues are also expected in the future. At the same time all possibilities are being exploited to at least partially offset the drop in revenues on the profitability side by a further reduction of structural costs. Throughout the whole group we will continue to develop and to improve measures to enable further cost saving potentials.

All in all the company confirms the profit guidance (EBITDA) before non-recurring items within the scope of € 10 – 12 m delivered at the beginning of the year, even without the positive extraordinary effect of the data cost actions (guidance did include profit-contribution from Spain).

Employees

The telegate Group employed by Sept. 30, 2012 a total of 1,303 employees (headcount, without trainees, mini-jobs and dormant employees), which corresponds to a decline of 27 percent compared to the previous year (previous year: 1,779). The decline is primarily due to capacity adjustments in the declining DA business.

Planegg-Martinsried, November 2, 2012
The Management Board

Consolidated Statements of Operations (IFRS)

	Quarterly Report (unaudited)		9-Months Report (unaudited)	
in kEUR	Q3 2012	Q3 2011*	9M 2012	9M 2011*
Continuing operations				
Revenues	21,361	25,514	66,426	76,750
Cost of revenues	-9,878	-9,951	-29,189	-30,850
Gross Profit	**11,483**	**15,563**	**37,237**	**45,900**
Selling and distribution costs	-9,576	-10,946	-28,885	-32,585
General administrative expenses	-3,653	-2,827	-10,657	-9,352
Other operating income	40,872	0	40,874	1
Other operating expense	-6,536	-1	-6,548	-31
Operating income (loss)	**32,590**	**1,789**	**32,021**	**3,933**
Interest income	8,645	159	8,870	1,238
Interest expense	-13	-22	-39	-67
Gain (loss) from financial assets and marketable securities	0	19	0	24
Gain (loss) on foreign currency translation	-1	0	-2	-3
Financial income	**8,631**	**156**	**8,829**	**1,192**
Income (loss) before income tax	**41,221**	**1,945**	**40,850**	**5,125**
Current income tax	-10,832	-1,073	-11,523	-3,227
Deferred income tax	-6,850	772	-6,028	1,961
Income tax	**-17,682**	**-301**	**-17,551**	**-1,266**
Income (loss) from continuing operations	**23,539**	**1,644**	**23,299**	**3,859**
Discontinued operation				
Income (loss) from discontinued operation	502	-715	-44	-725
Net income	**24,041**	**929**	**23,255**	**3,134**
Attributable to:				
Owners of the parent	24,041	929	23,255	3,134
Non-controlling interests	0	0	0	0
	24,041	**929**	**23,255**	**3,134**
Earnings per share - basic and dilutive, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	1.26	0.05	1.22	0.16
Earnings per share for continuing operations - basic and dilutive, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	1.23	0.09	1.22	0.20
Earnings per share for discontinued operation - basic and dilutive, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.03	-0.04	0.00	-0.04

* Amounts adjusted according to IFRS 5.34 (see note 9).

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in TEUR	Quarterly Report (unaudited) Q3 2012	Q3 2011	9-Months Report (unaudited) 9M 2012	9M 2011
Net income	**24,041**	**929**	**23,255**	**3,134**
Foreign currency translation differences	0	-1	1	0
Sum of the result which is recorded directly in equity	**0**	**-1**	**1**	**0**
Total comprehensive income (loss)	**24,041**	**928**	**23,256**	**3,134**
Attributable to:				
Owners of the parent	24,041	928	23,256	3,134
Non-controlling interests	0	0	0	0
	24,041	**928**	**23,256**	**3,134**

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	Sept 30, 2012	Sept 30, 2011	Dec 31, 2011
Current assets			
Cash and cash equivalents	74,795	41,811	39,048
Trade accounts receivable	28,264	32,662	32,988
Current tax assets	1,154	14	647
Other financial assets	1,085	779	1,342
Other current assets	6,396	4,700	4,325
Assets of disposal group classified as held for sale	2,683	0	0
Total current assets	**114,377**	**79,966**	**78,350**
Non-current assets			
Goodwill	6,731	6,715	6,715
Intangible assets	14,185	19,062	17,692
Property and equipment	3,816	4,824	4,120
Other financial assets	208	407	358
Other non-current assets	312	303	348
Deferred tax asset	274	7,878	7,919
Total non-current assets	**25,526**	**39,189**	**37,152**
Total assets	**139,903**	**119,155**	**115,502**

Liabilities and shareholders' equity in kEUR	Sept 30, 2012	Sept 30, 2011	Dec 31, 2011
Current liabilities			
Trade accounts payable	1,079	1,807	1,961
Accrued liabilities	13,817	15,620	14,576
Provisions	1,826	2,828	1,622
Current tax liabilities	11,521	875	8
Other current liabilities	27,846	29,926	29,320
Liabilities directly associated with the assets classified as held for sale	560	0	0
Total current liabilities	**56,649**	**51,056**	**47,487**
Non-current liabilities			
Provisions	260	691	628
Deferred tax liability	4,081	5,348	5,040
Total non-current liabilities	**4,341**	**6,039**	**5,668**
Total liabilities	**60,990**	**57,095**	**53,155**
Shareholders' equity			
Share capital	19,111	19,111	19,111
Additional paid in capital	32,059	32,059	32,059
Other revenue reserves	24,401	22,798	24,401
Retained earnings	3,342	-11,908	-13,223
Accumulated other comprehensive income	0	0	-1
Equity attributable to owners of the parent	**78,913**	**62,060**	**62,347**
Total shareholders' equity	**78,913**	**62,060**	**62,347**
Total liabilities and shareholders' equity	**139,903**	**119,155**	**115,502**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	9M 2012	9M 2011
Cash flows from operating activities		
Income (loss) before income tax from continuing operations	40,850	5,125
Income (loss) before income tax from discontinued operations	449	-864
Income (loss) before income tax	**41,299**	**4,261**
Adjustments for:		
Amortisation and impairment of intangible assets	4,301	4,609
Depreciation and impairment of property and equipment	1,104	1,399
Gain (loss) on disposal of property and equipment	13	30
Gain (loss) from goverment grants	-9	-26
Interest income	-8,870	-1,238
Interest expense	44	74
Gain (loss) from financial assets and marketable securities	0	-24
Gain (loss) on foreign currency translation	2	3
Valuation allowance for trade accounts receivable	4	561
Changes in non-current provisions	-362	-59
Changes in other non-current and financial assets	196	187
Operating profit before changes in operating assets and liabilities	***37,722***	***9,777***
Changes in operating assets and liabilities:		
Trade accounts receivable	2,740	221
Other current and financial assets	-2,098	186
Trade accounts payable	-240	-460
Current provisions	204	-15
Accrued expenses and other current liabilities	-1,746	-727
Income taxes paid	-350	-4,357
Cash provided by operating activities	**36,232**	**4,625**
Cash flows from investing activities		
Capitalized intangible assets	-1,303	-1,557
Purchase of property and equipment	-1,379	-1,628
Proceeds from sale of property and equipment	12	29
Proceeds from government grants	9	26
Purchase of available for sale financial assets	0	-25,495
Proceeds from sale of available for sale financial assets	0	25,519
Cash used in investing activities	**-2,661**	**-3,106**
Cash flows from financing activities		
Purchase of treasury shares	0	-12
Dividends paid	-6,690	-9,555
Interest received	8,882	1,122
Interest paid	-10	-31
Cash provided by (used in) financing activities	**2,182**	**-8,476**
Effect of exchange rate changes on cash and cash equivalents	**-2**	**0**
Change in cash and cash equivalents	**35,751**	**-6,957**
Cash and cash equivalents at the beginning of reporting period	**39,048**	**48,768**
Cash and cash equivalents at the end of reporting period	**74,799**	**41,811**

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 shareholders` equity
	Equity attributable to owners of the parent							
Balance at Jan 1, 2012	**19,111**	**32,059**	**0**	**24,401**	**-13,223**	**-1**	**62,347**	**62,347**
Net income	-	-	-	-	23,255	-	23,255	23,255
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**	**23,255**	**1**	**23,256**	**23,256**
Dividends					-6,690		-6,690	-6,690
Balance at Sept 30, 2012	**19,111**	**32,059**	**0**	**24,401**	**3,342**	**0**	**78,913**	**78,913**
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 Sept 30, 2011	**19,111**	**32,059**	**0**	**22,798**	**-11,908**	**0**	**62,060**	**62,060**

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 all activities on the Spanish market, which almost exclusively take place in the directory assistance solutions sector. In the second quarter 2012, the segment 'Spain' was classified as discontinued operations, therefore the respective income and expenses were eliminated within the reconciliation. The prevailing measurement standards of the Management Board correspond basically 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 [1]	telegate group
01.01.2012 - 30.09.2012						
Revenues						
External revenues	40,744	25,682	66,426	4,835	-4,835	**66,426**
Inter-segment revenues	4	0	4	0	-4	**0**
Total revenues	**40,748**	**25,682**	**66,430**	**4,835**	**-4,839**	**66,426**
Earnings						
EBITDA	14,036	-9,403	4,633	593	32,019	**37,245**
Depreciation and amortization	-2,677	-2,547	-5,224	-181	181	**-5,224**
Financial income	94	107	201	49	8,579	**8,829**
Income (loss) before income tax	11,453	-11,843	-390	461	40,779	**40,850**

	Germany / Austria					
	Directory Assistance Solutions	Media	sum	Spain	Reconciliation [1]	telegate group
01.01.2011 - 30.09.2011						
Revenues						
External revenues	50,696	26,054	76,750	6,865	-6,865	**76,750**
Inter-segment revenues	7	0	7	0	-7	**0**
Total revenues	**50,703**	**26,054**	**76,757**	**6,865**	**-6,872**	**76,750**
Earnings						
EBITDA	21,186	-11,397	9,789	-705	628	**9,712**
Depreciation and amortization	-3,057	-2,722	-5,779	-229	229	**-5,779**
Financial income	581	593	1,174	11	7	**1,192**
Income (loss) before income tax	18,710	-13,526	5,184	-923	864	**5,125**

[1] The results out of the gained data cost claims in the fiscal year 2012 are not part of the segment results, because of their amount and their specific feature the informational value of the segment development would be influenced. An EBITDA in the amount of kEUR 32,654, an interest income in the amount of kEUR 8,574 and an income before income tax in the amount of kEUR 41,228 resulted out of the data cost claims.
All other items in the reconciliation relate to the elimination of the income and expenses of the discontinued operations, because this is shown separate in the consolidated income statement as "income (loss) from discontinued operations".

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 and marketing advertisements as well as the performance of DA services (directory assistance services) via the subscribers in public telephone networks and other DA 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, 2012.

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 IFRS Interpretations Committee (formerly IFRIC), that were mandatory applicable per September 30, 2012, 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, 2011 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 2011 except for the changes which are explained as follows.

3. Changes of accounting and valuation principles

IFRS 7 Financial instruments: disclosures

The amendments make it possible for users of financial statements, to get a better insight into transactions for the purpose of the transfer of assets (e.g. securitizations), including an insight into possible effects of the risks still remaining with the delivering company. ´The amendments of IFRS 7 were published in October 2010 and shall be applied for the first time for annual years starting on or after July 01, 2011. There were no effects on the net worth position, the financial position and the profit position of the group due to the initial application, because the standard concerns the disclosure requirement.

4. Future changes of accounting and valuation principles

IAS 1 Presentation of financial statements

The amendments of IAS 1 introduce new instructions for the presentation of the other comprehensive income. Thus, the user has the option to either use one individual comprehensive income calculation or present a list of income components (separate profit and loss statement) and a transition to the total comprehensive income showing the components of the other income. Only the presentation of the other comprehensive income was amended to the effect that a subtotal is required for recyclable items (e.g. foreign currency translations) and non-recyclable items.
The amendment of IAS 1 was published in June 2011 and shall be applied for the first time for annual years starting on or after July 01, 2012. An early application shall be permissible. This amendment only concerns the presentation method in the consolidated financial statements and thus has no effect on the group´s net worth, financial and profit positions.

IAS 12 Income taxes

The amendment provides that deferred tax assets and deferred tax liabilities of certain assets (real estate with fair value valuation according to IAS 40) are measured based on the refutable assumption that the book value of these assets is fully recovered full by the sale. For non-depreciable property, plant and equipment measured according to the revaluation method, sales shall be presumed at any time. The amendment of IAS 12 was published in December 2010 and shall be applied for the first time for annual years starting on or after January 01, 2012; however incorporation in European law has not taken place till now. There would be no effects on the group´s net worth, financial and profit positions from the application of this amendment, because these facts currently do not concern telegate.

Annual improvements to IFRS – the 2009–2011 cycle

The International Accounting Standards Board has issued on May 2012 the *Annual Improvements to IFRSs - 2009-2011 Cycle*, which contains amendments to its standards and the related basis for conclusions. This publication summarises the amendments to the following five standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The effective date for the amendments is for annual periods beginning on or after 1 January 2013. Earlier application is permitted in all cases. This option was not exercised by telegate as of September 30, 2012. Incorporation in European law is still to be expected.

The amendments only concern the presentation method in the consolidated financial statements and the volume of disclosure requirements thus have no effect on the group's net worth, financial and profit positions.

IAS 19 Employee benefits (revised 2011)

The IASB published extensive amendments to IAS 19. Actuarial losses and profits shall be directly recorded in the other comprehensive income in the future, e.g. the so-called corridor approach will be abolished. Other amendments concern the presentation of changes in net liability and net assets respectively of defined benefit pension schemes and further disclosures in the notes of such defined schemes. Accounting of compensation performances including a differentiation between performances in exchange for services rendered and performances in return for termination of employment is changed which effects the measurement and valuation of compensation performances.

The amendments of IAS 19 were published in June 2011 and shall be applied for the first time for annual years starting on or after January 01, 2013. An early application shall be admissible.
telegate currently applies the corridor approach, e.g. in accordance with IAS 19.93 only the balance is recorded of the cumulated and not-recorded actuarial profits and losses of the previous period, should this balance exceed the higher of the following two amounts: 10 percent of defined liability and 10 percent of the fair value of plan assets. The amendment of IAS 19 has the effect that actuarial losses and profits are no longer recorded in the profit and loss statements on a pro rata basis affecting current-period result, but fully in the other comprehensive income in the period when they accrue. The effects of the change on net worth, financial and profit positions are currently being assessed.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (changed 2012)

The IASB has issued "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)".

In this connection the transition guidance in IFRS 10 are clarified and provide additional relief in all three standards by limiting the requirement to provide adjusted comparative information to only the preceding comparative period.

The changes were published in June 2012 and shall be applied for the first time for annual years starting on or after January 01, 2013 (analogue first application IFRS 10, IFRS 11 and IFRS 12). Incorporation in European law is still to be expected.

telegate expects no effects on the net worth, financial and profit positions because the consolidation scope is not affected, neither associated companies nor joint ventures are included in the consolidated financial statements and IFRS 12 is affecting only the disclosures.

5. Change in consolidation

The merger of Datagate GmbH to telegate Media AG became effective retrospectively as of January 01, 2012 by the registration in the commercial register on August 03, 2012. Both companies are wholly-owned subsidiaries of telegate AG.

According to IFRS 3.2c, this transaction within the group as a business combination under common control is not covered by the scope of application of IFRS 3 „Business combinations". Accounting of this transaction was based on the entity point of view at group level, and thus the book values were carried on. Thus, the merger did not have any effects on the consolidated financial statements.

6. Data cost claim

On April 13, 2011, the Higher Regional Court Duesseldorf adjudged Deutsche Telekom AG in two claims of Datagate GmbH and telegate Media AG, to pay compensation for improper overcharged costs for the use of data of participants in the years 2000 until 2004. The appeal against the judgments was not permitted. Deutsche Telekom appealed against the non-admission at the Federal High Court of Justice.

The Federal High Court of Justice dismissed with its resolutions from July 16, 2012 the respective non-admissions of Deutsche Telekom. The judgments made by the Higher Regional Court Duesseldorf on April 13, 2011 are therefore effective.

From both claims for compensation for overcharged data costs of Datagate GmbH and telegate Media AG arose an amount in total of approx. EUR 47 m including interest payable as from commencement of the proceedings.

Due this data cost claims an income of kEUR 41,228 (net of expenses) resulted on the earnings before taxes (of which interest income in the amount of kEUR 8,574). This amount includes besides the compensation amount also reimbursement claims for court costs and attorney's fees and is reduced by the costs directly related to the data cost claim such as input taxes, performance based fees related to these lawsuits and contractually committed payments in the case of success.

These amounts are included in the profit and loss statement primarily in the other operating income respectively expenses, in interest income and in cost of sales, selling expenses and general administrative expenses.

7. Restructuring measures

In the second quarter 2012, a detailed and formal restructuring plan for improvement of the economic efficiency as well as for optimization of the cost structure of the business sector directory assistance solutions was announced for the purpose of the combination of a call center with two further ones. Implementation of this plan was already started. The restructuring measure will presumably be completed at the end of January 2013.

There was already a combination of a call center in the previous annual year that was started in the fiscal year 2010. This restructuring was successfully completed in November 2011.

The costs, which are directly linked to the restructuring measures, amounted in the first 3 quarters 2012 to kEUR 1,182 (2011: kEUR 612) and are shown in the cost of revenues.

8. Capacity adjustments

Capacity adjustments were made in the current fiscal year 2012. The resulting of this non-recurring item of the profit and loss statement amounts to kEUR 1,779 (2011: kEUR 158) and is included in cost of revenues, selling and distribution costs and general administrative expenses.

9. Discontinued operation

In the second quarter 2012, management was committed to a plan to sell the Spanish subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L., wholly owned subsidiaries of telegate AG, and an active programme to locate a buyer had been initiated.

As at 30 June 2012, 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. were classified as disposal group held for sale and as discontinued operation according to *IFRS 5 Non-current assets held for sale and discontinued operations*.

11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. form the separate reportable operating segment "Spain" of the group and act mainly in the directory assistance solution sector. With the proposed sale of the operating segment "Spain" intends the group to place the greater focus on the German market.

The major classes of assets and liabilities of 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. classified as held for sale are as follows:

in kEUR	Sept 30, 2012
Assets	
Cash and cash equivalents	4
Trade accounts receivable	1,547
Current tax assets	13
Other current assets	49
Intangible assets	379
Property and equipment	527
Deferred tax asset	164
Asset of disposal group classified as held for sale	**2,683**
Liabilities	
Trade accounts payable	51
Accrued liabilities	386
Other current liabilities	123
Liabilities directly associated with the assets classified as held for sale	**560**

As at 30 September 2012, the fair value of disposal group less costs to sell approximates to its carrying amount therefore there was no demand of impairment for the disposal group.

The results of the discontinued operation are presented below:

in kEUR	Quarterly Report		9-Months Report	
	1.7. - 30.9.2012	1.7. - 30.9.2011	1.1. - 30.9.2012	1.1. - 30.9.2011
Revenues	1,518	20,212	4,835	6,865
Expenses	-1,015	-3,045	-4,386	7,729
Income (loss) before income tax from discontinued operation	503	-833	449	-864
Income tax	-1	118	-493	139
Income (loss) from discontinued operation	**502**	**-715**	**-44**	**-725**

The net cash flows incurred by 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. are as follows:

in kEUR	1.1. - 30.9.2012	1.1. - 30.9.2011
Operating activities	609	466
Investing activities	-330	-156
Financing activities	0	0
Net cash flows	**279**	**310**

Both companies are integrated in the cash-pooling of telegate AG.

10. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at September 30, 2012:

in kEUR	Sep 30, 2012
Cash and cash equivalents attributable to continued operations	74,795
Cash and cash equivalents attributable to discontinued operation	4
Total	**74,799**

11. Paid dividend

In accordance with a resolution of the shareholders' meeting of June 27, 2012, the management board's and supervisory board's proposal for the use of earnings was complied with and net earnings 2011 in the amount of EUR 6,688,881.85 (2011: EUR 9,555,545.50) were used for the distribution of a dividend. This corresponds to a dividend of EUR 0.35 per individual share certificate (2011: EUR 0.50 per individual share certificate).

12. Reserve for tax risks

At telegate AG a tax audit takes place for the audit period 2006 until 2009 since October 2011. This is up to the present day not yet completed. Due to the current status of the tax audit as well as the ongoing discussions with the tax authority the company view however the risk of a back tax which is primarily based on the application of the letter from the Federal Ministry of Finance of March 29, 2011 ("application of paragraph 1 foreign transaction tax law to cases of current-value depreciation and other decreases in value of loans to affiliated foreign companies"): In the audit period waiver of receivables towards the former French subsidiary were granted; the deduction of expenses for taxable purposes will possibly not accepted by the tax authority due to the former named letter from the Federal Ministry of Finance despite judgment of Federal Finance Court from January 14, 2009, I R 52/08, (current-value depreciation on so called replacing equity loans). Despite the outcome of the tax audit, which is still open, as well as the contrary legal view of the company the enterprise provided protection against risk in the amount of EUR 4 m in the reporting period.

13. Related party disclosures

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

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

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

Terms and conditions of related party transactions

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

Transactions with related companies

<u>Fixed deposit investments</u>

telegate AG invested fixed-term deposits with SEAT Pagine Gialle S.p.A. until mid of the year 2011. Current fixed-term deposits with a term of no more than 3 months were shown as liquid assets in cash equivalents and fixed-term deposits with a term of more than 3 months were shown in other financial assets.

At 30 September last year there were no fixed deposits invested by SEAT. The interest income from previous fixed-term deposits amounted to EUR 1.1 m.

Also in the actual reporting period there were unchanged no fixed-term deposit investments by SEAT.

Services rendered or received

As at September 30, 2012, telegate AG has receivables in the amount of EUR 0.1 m (2011: EUR 0.1 m) against the SEAT group.

Transactions with related persons

As of September 30, 2012, employees of the SEAT group were members of telegate AG´s Supervisory Board. These persons are entitled to Supervisory Board payments in the amount of kEUR 32 (2011: kEUR 33), which were recorded correspondingly as current liabilities.

14. Events after the balance sheet date

On June 08, 2011, the Higher Regional Court Duesseldorf adjudged Deutsche Telekom AG in the claims of telegate AG, to pay compensation for improper overcharged costs for the use of data of participants in the years 1997 until 2001. The appeal against the judgment was not permitted. Deutsche Telekom appealed against the non-admission at the Federal High Court of Justice.

The Federal High Court of Justice dismissed with its resolution published on November 02, 2012 the non-admissions of Deutsche Telekom. The judgment made by the Higher Regional Court Duesseldorf on June 08, 2011 is therefore effective.

From the claim for compensation for overcharged data costs of telegate AG arises a receivable in total of approx. EUR 50 m including interest payable as from commencement of the proceedings. The inflow of liquidity from this receivable will be reduced by tax expenditure as well as success-related payments.

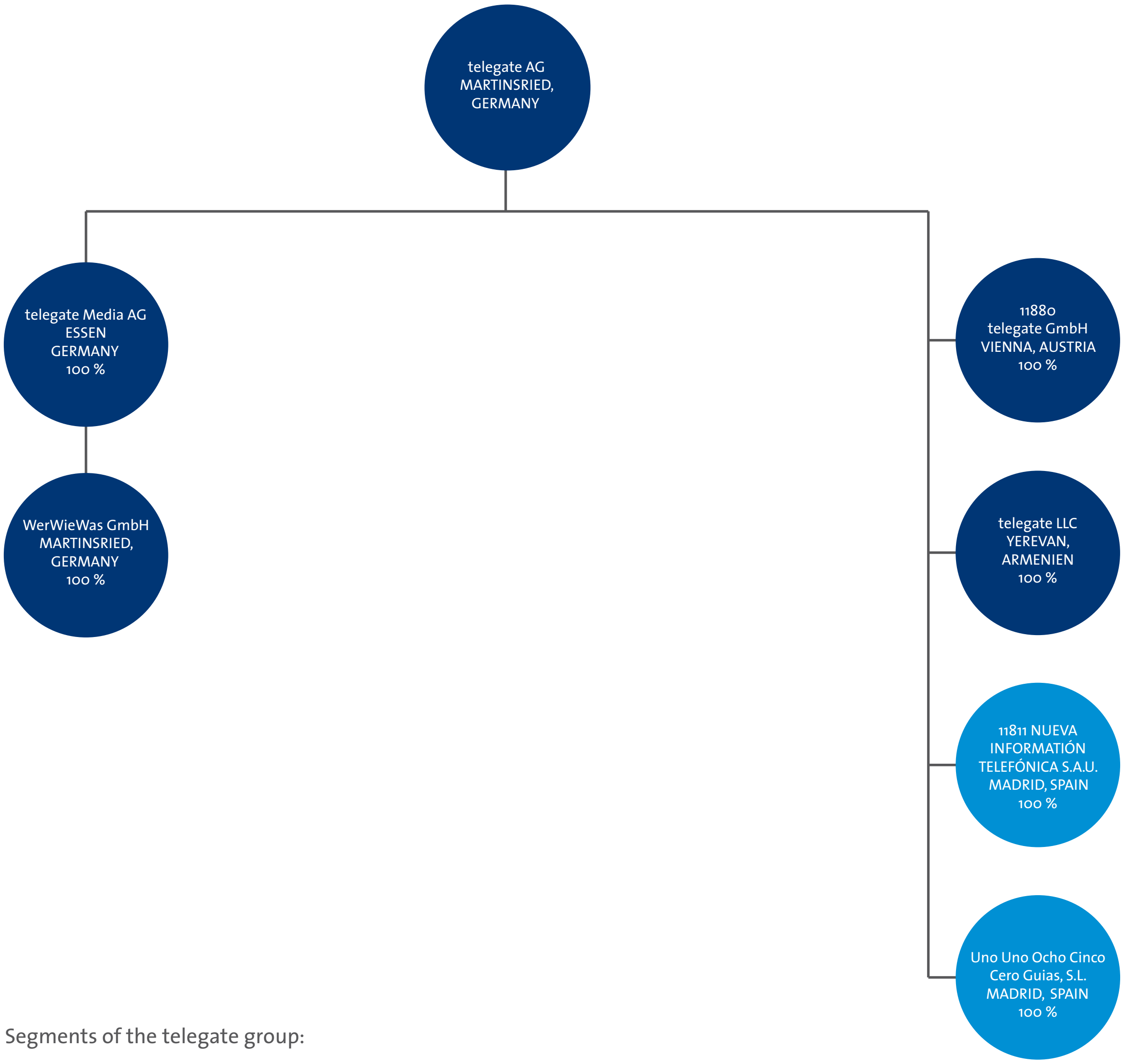
15. German Corporate Governance Code

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 07, 2011. The exact wording of the declaration can be retrieved under www.telegate.com.

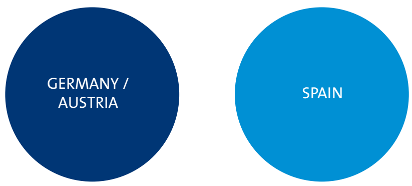
Planegg-Martinsried, November 02, 2012

The Management Board

Corporate Structure telegate Group



Segments of the telegate group:



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