3-Months Report 2013

telegate

11880.com

klickTel
Find people and places.

Letter from the Management Board

Dear shareholders, customers and business partners,

We started the 2013 financial year full of enthusiasm and energy. In the first three months, we have focused intensively on launching two pivotal products for our business customers at the start of the second quarter.

We are now offering our customers regular analyses which show them the precise equivalent value of their invested advertising budget. These reports tell our customers how often consumers have clicked on their telegate media package, what content they viewed, how they found the listing and where they live in Germany. As a special highlight, the analysis reveals the exact number of telephone calls and e-mails that our customers have received through their telegate media package. Our transparent analysis system is truly something special – there is no more precise way for businesses to measure the advertising effect of their online presence.

Additionally, we are entering into an extensive partnership with AroundMe, a globally popular app provider, at the start of the second quarter. With last-minute discounts and special deals offered through our 11880.com and klickTel apps as well as AroundMe, we will bring our customers and consumers together intelligently. Both sides will benefit from this: Our small and medium-sized business customers will be able to boost their sales quickly and easily, while consumers will enjoy spontaneous special offers which would otherwise be much more expensive. All three apps receive well over five million local search queries per month in Germany. Since consumers don't pay anything until they take advantage of an offer, there are no complicated payment and settlement processes. We are convinced that the simplicity and clear mutual advantages of our product will set us well apart from all other coupon providers and enable us to rapidly penetrate the market.

In the media business we strongly focus on increasing the business customers' satisfaction, which is attended by a decreasing churn rate. Therefore, we are proud to announce that we succeeded in reducing the churn rate by around 25 percent compared to last year. In the coming quarters we will keep on working for a further improvement of customer retention.

Launching new products and improving customer loyalty will help us grow our media business and bring us much closer to our goal of reaching the profit zone in this segment. We expect to reach this goal until year-end 2013.

In the second quarter of 2013, we plan to promote our new media products and convince German consumers that telegate is a true partner who offers real added value to its customers – on the phone and online.

Thank you for your continued trust.

Planegg-Martinsried, May 7, 2013

Elio Schiavo
CEO of telegate AG

Ralf Grüßhaber
CFO of telegate AG

Key Financial Figures

in m Euro	3M 2013	3M 2012	Variance absolute	Variance in Percent
Revenues & profit Group				
Revenues	19.9	25.2	-5.3	-21%
EBITDA[1]	2.9	3.1	-0.2	-8%
EBITDA[1] before non-recurring items	3.3	3.9	-0.7	-17%
Non-recurring items from data cost claims	-0.1	0.0	-0.1	-
Non-recurring items from adaption of structural costs	0.5	0.8	-0.3	-34%
Net income	0.1	0.2	0.0	-25%
Details Segment Germany / Austria				
Revenues Media	7.9	8.8	-0.9	-11%
EBITDA[1] before non-recurring items Media	-0.9	-1.7	0.8	46%
Revenues Classic DA	10.8	14.6	-3.7	-26%
EBITDA[1] before non-recurring items Classic DA	3.8	5.6	-1.7	-31%
Balance Sheet				
Balance sheet total	129.6	94.1	35.6	38%
Cash & cash equivalents	82.3	37.6	44.8	119%
Equity	101.2	60.9	40.3	66%
Equity ratio (in percent)	78%	65%	-	-
Cash flow				
Operating Cash flow	-7.5	-1.1	-6.4	-596%
Operating Cash flow adjusted by effects from data cost claims	0.0	-1.1	1.1	-
Net Cash flow[2]	-10.9	-1.5	-9.4	-640%
Net Cash flow[2] adjusted by effects from data cost claims	-3.4	-1.5	-2.0	-134%
KPI telegate share				
Earnings per share (in Euro)	0.01	0.01	0.00	24%
Share price[3] (in Euro)	8.10	6.00	2.10	35%
Market capitalization	154.8	114.6	40.2	35%
Employees				
Number of employees[4]	1,203	1,431	-228	-16%

[1] Earnings before interest, tax and depreciation
[2] Operating CF + investing CF +/- interest income/expenses
[3] XETRA-closing prices as of last trading day
[4] Headcount as of March 31

Management Report

In summary: 3-month report 2013

telegate continues to pursue its transformation strategy and has started the new financial year as planned. First-quarter earnings (EBITDA) before non-recurring effects are within the range of the guidance published at the start of the year. The capitalisation of sales commission in the Media business has resulted in the adjustment of the EBITDA guidance from € 8–10 million to € 11–13 million. Investments plus depreciation and amortisation will also increase by the same amount in the current financial year; this will not affect net profit for the year.

In the first quarter of 2013, consolidated revenue declined by 21 percent as a result of the ongoing company transformation. In traditional voice-based directory inquiries, the downward trend seen in previous years continued, with revenue thus falling by 27 percent. In the Media business, revenue declined by 11 percent year-on-year, in line with planning to accommodate greater sustainability in the sales process. This is a consequence of the strategy to concentrate on sustainability and profitability. Thanks to focussing efforts, a significant reduction of around 46 percent was again achieved in the deficit generated by the Media business. The proportion of Media business in consolidated revenue has risen again and now constitutes 40 percent at the Group level – and no less than 42 percent of German revenue.

The product portfolio expanded in 2012 by free website services has established itself well in the first quarter. In addition, all new customers since January 2013 now also receive a free mobile version of their website and so are ideally positioned in the fast-growing market for location-aware mobile search. After all, almost a third of all German citizens now use the mobile web – with numbers set to increase. This trend is also noticeable in the volume of mobile search queries on telegate's platforms, where a substantial 23 percent year-on-year increase has been seen.

Financial situation

Financial performance

Year-on-year, first-quarter consolidated revenue has decreased by 21 percent to € 19.9 million (previous year: € 25.2 million). The decline in revenue for the traditional directory inquiries business was 27 percent and thus comparable to figures seen in previous years. Actions implemented to boost revenue per caller resulted in a partial compensation of the decrease in call volume in terms of revenue. Year-on-year, revenue from the Media business has declined by 11 percent. This decline is due to an increased focus on greater sustainability and efficiency in the sales process, a focus highlighted by a 46 percent improvement in profitability for the Media business.

Adjusted for non-recurring effects, the consolidated cost of sales was € 8.9 million in the first quarter of 2013 and has decreased year-on-year by 13 percent (previous year: € 10.2 million). This is primarily due lower capacity costs in traditional voice-based directory inquiries as a result of consolidating Stralsund's call centre operations with Rostock and Neubrandenburg. The disproportionately low cost savings in terms of cost of sales on account of the marked downturn in revenue triggered a decline in the gross profit margin adjusted for non-recurring effects from 59 to 55 percent.

Selling and distribution costs adjusted for non-recurring effects improved significantly, falling by 33 percent from € 11.0 million to € 7.4 million. The primary reason for this welcome development is to be found in reduced expenditure on advertising and marketing, alongside reduced sales personnel costs in the Media division resulting from a reduction in sales employee numbers.

General administrative expenses adjusted for non-recurring effects were € 3.1 million, thus showing little change from Q1 2012 (previous year: € 3.1 million).

Compared to revenue, consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) adjusted for non-recurring effects decreased less markedly from € 3.9 million to € 3.3 million. It should also be noted that sales commission is now capitalised (both in the current and the previous reporting period). Non-recurring effects in the first quarter of 2013 totalled € 0.4 million (previous year: € 0.8 million). These include non-recurring effects from structural cost adjustments of € 0.5 million (previous year: € 0.8 million) plus proceeds from data cost litigation of € 0.1 million (previous year: € 0.0 million).

First-quarter earnings after taxes amounted to € 0.1 million and were therefore largely comparable to the previous year's figure of € 0.2 million.

Financial position and cash flows

Investments

Investments in the first quarter of 2013 totalled € 1.2 million (previous year: € 0.4 million). Acquisitions focused primarily on the technological modernisation of the traditional directory inquiries business, CRM system expenditure and purchases in the context of modernising the IT systems used by administrative units. One should also bear in mind that the figure for total investments in the first quarter of 2013 also includes capitalised sales commission of € 0.5 million (previous year: € 0.0 million) arising from the sale of 24-month contracts.

Balance Sheet

As of 31 March 2013, total assets amounted to € 129.6 million, showing a marked year-on-year increase of € 35.6 million (previous year: € 94.1 million).

On the asset side, current assets rose from € 63.0 million to € 105.0 million. This is largely a result of an increase in cash and cash equivalents, primarily due to the cash flow from the successful outcome of data cost litigation in the second half of 2012. The decline in trade accounts receivable is largely traceable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume.

Non-current assets decreased by € 6.4 million to € 24.7 million (previous year: € 31.1 million). Alongside a decrease in intangible assets, this figure also reflects a reduction in deferred tax assets. The latter is due to the utilisation of telegate Media AG's loss carryforwards as part of the proceeds from data cost litigation.

Liabilities decreased by € 4.8 million to € 28.4 million (previous year: € 33.2 million). The main reason for this change stems from the reduction in current liabilities by € 6.8 million. This sum reflects on the one hand the charge-off of a liability vis-à-vis Deutsche Telekom due to the successful outcome of data cost litigation (Deutsche Telekom conditionally transferred around € 12 million in 2007; this became final in 2012). Also reflected is an increase in liabilities due to the rise in provisions for income tax expenses, which is also a change stemming largely from data cost litigation.

Equity increased significantly by € 40.3 million to € 101.2 million (previous year: € 60.9 million). On the reporting date of 31 March 2013, retained earnings were € 45.8 million (31 March 2012: € -14.7 million); they are mainly due to proceeds from data cost litigation. On the reporting date of 31 March 2013, the equity ratio was 78.1 percent (31 March 2012: 64.7 percent; 31 December 2012: 70.2 percent).

Cash flow & financing

First-quarter cash flow from operating activities in 2013 amounted to € -7.5 million, compared to € -1.1 million during the prior-year period. Adjusted for cash effects from data cost litigation (almost exclusively affecting 2012 tax payments), cash flow from operating activities in the first quarter of 2013 was € 0.0 million and therefore around € 1.1 million higher year-on-year (previous year: € -1.1 million). Since the impact of annual payments – such as employee bonus payments – is felt more strongly in the first quarter, cash flow from operating activities in this period tends to be lower than that in the next three quarters.

In the first three months of 2013, the cash outflow for investments was € 3.5 million and thus considerably higher than last year's figure of € 0.5 million. The difference stems primarily from payments made in the course of modernising the infrastructure for the traditional directory inquiries business.

The cash flow from financing activities was € 0.1 million in the first quarter of 2013 (previous year: € 0.1 million).

Net cash flow (cash flow from operations + cash flow from investing activities +/- interest income/expenses) decreased year-on-year from € -1.5 million in Q1 2012 to € -10.9 million in Q1 2013. Adjusted for non-recurring effects from data cost litigation, the Q1 2013 figure is € -3.4 million (previous year: € -1.5 million).

On 31 March 2013, cash and cash equivalents amounted to € 82.3 million, representing a significant improvement of € 44.8 million compared to the previous year's figure (31 March 2012: € 37.6 million; 31 December 2012: € 93.3 million).

Segment report

Germany/Austria

Mobile and location-based information services continue to advance strongly in Germany. Of an estimated 30 percent of Germans who already access the mobile web from their smartphones, some 60 percent actively search for businesses, restaurants and other organisations in their locality. From telegate's perspective, a welcome development is the fact that mobile search business has seen a significant year-on-year rise of 23 percent in our search query volume in the first quarter of 2013. Queries via telegate's "klicktel"- and "11880" search apps are another key factor here. As a pioneer in this and related markets, telegate is a major player. With downloads totalling around 2.0 million, we not only achieved year-on-year growth of around 43 percent. This means that we clearly outperformed "GelbeSeiten" – our main competitor's product – which recorded around 1.6 million downloads.

In terms of improving customer loyalty, the company has enjoyed substantial successes in the first quarter of 2013. The relevant key figure here – the churn rate – continued to follow a very welcome trend, continuing its decline in the first quarter and falling below 30 percent for the first time in March 2013. In this context, it is also very pleasing to see that it was also possible to once again increase the number of new customers signing up to a contract with a 24-month term. In the first quarter, well over 60 percent of our new customers signed a 24-month agreement.

Another first-quarter highlight in 2013 was the agreement of an exclusive marketing partnership between telegate and the successful international app supplier AroundMe. Businesses partnering with telegate will therefore be able to present current offers, discounts and promotions via the industry apps 11880.com and klicktel.de as well as AroundMe, the world's most frequently used location-aware mobile app. In Germany, all three services together receive around 60 million mobile search queries annually. The partnership with AroundMe is a further element of telegate's strategy not only of offering small and medium-sized enterprises in Germany a fully featured, effective online presence but also of focusing strongly on mobile services.

In the reporting period now ended, revenue in the Media division declined by 11 percent to € 7.9 million (previous year: € 8.8 million). The Media business now accounts for around 42 percent of total revenue for the Germany segment (previous year: 38 percent). From a full cost perspective, quarterly earnings (EBITDA) before non-recurring items were € -0.9 million, representing a year-on-year improvement of € 0.8 million or 46 percent (previous year: € -1.7 million). This development is a consequence of a strategy of focusing on both sustainability and profitability. The objective is to achieve break-even in the Media division by year-end 2013.

Year-on-year, revenue in the traditional directory inquiries business decreased by 26 percent to € 10.8 million (previous year: € 14.6 million). The achievement of greater revenue per caller has at least partially compensated for the decline in volume. On a full cost basis, earnings (EBITDA) before non-recurring effects fell in the first quarter by 31 percent to € 3.8 million (previous year: € 5.6 million).

Consolidated revenue for the Germany segment decreased by € 4.7 million or 20 percent to € 18.7 million (previous year: € 23.4 million). The segment result (EBITDA) before non-recurring effects decreased compared to the prior-year period by € 1.0 million to € 2.9 million (previous year: € 3.8 million). Non-recurring effects in the Germany segment for the first quarter of 2013 totalled € 0.5 million (previous year: € 0.8 million). As already explained, one must remember that sales commission totalling € 1.0 million was capitalised in the first quarter of 2013 and is therefore not accounted for in EBITDA (previous year: € 1.2 million).

Spain

Sales in the traditional directory inquiries market continue to follow a downward trend. By exploiting further potential in the area of revenue per caller, this volume trend has been balanced out to an extent in terms of revenue.

In the first three months, consolidated revenues for the Spain segment were € 1.1 million, representing a year-on-year reduction of € 0.6 million (previous year: € 1.7 million). Earnings (EBITDA) before non-recurring effects amounted to € 0.4 million, rising substantially year-on-year (previous year: € 0.1 million). This figure is also the result of positive effects in terms of overall costs, achieved by the closing of the company's own call centre and its full operational restructuring as an outsourced function.

Outlook

The negative trend for call volume in the traditional directory inquiries business is expected to continue over the course of the year. Actions to increase revenue per caller and reduce expenditure – especially in terms of personnel and marketing – will be taken to limit the downturn in revenue and earnings as far as possible.

For the Media business, the main focus continues to be on improving profitability. In terms of new customer business, the measures introduced in 2012 to drive long-term improvements in sales efficiency will be pursued further. Here, priority will be given to establishing the Lead Validation Tool – not least because it will serve as a strong selling point. From April 2013, all of telegate's business customers will now receive a detailed regular report on the coverage and impact of media products they have purchased. With this newly developed, transparent reporting system, we can demonstrate the effect of our advertising packages in detail. In this way, our customers can precisely track their spending and the return on this spending at regular intervals.

As current business development illustrates, Media revenue has fallen in the first quarter. This is a deliberate consequence of the strong focus on satisfying customers and improving margins. Over the course of the remaining quarters, we expect to see the measures described restore positive momentum to revenue growth, alongside significant improvements to profitability.

In Spain, we will continue to pursue our rigorous cost reduction programme. On account of the negative trend in call volume, we assume revenue will continue to decrease in 2013. The cost reduction mechanisms introduced are designed to maintain earnings roughly at last year's level despite a significantly lower sales volume.

At the Group level, we expect revenues to fall by about 15 to 20 percent over the course of the year. Taking into account the measures planned in the Media division to increase profitability and the cost savings planned across all operating segments, we expect EBITDA before non-recurring effects to be in the € 11–13 million range for the 2013 financial year. As mentioned at the outset, the capitalisation of sales commission means that the EBITDA guidance for the 2013 financial year has been adjusted from € 8–10 million to € 11–13 million.

Employees

On 31 March 2013, the telegate Group had 1,203 employees (head count; excluding trainees, "mini-jobs" and dormant employment contracts). Year-on-year, this represents a decline of 16 percent (previous year: 1,431). This decline is primarily due to capacity adjustments made within the declining German directory services business and – to a lesser extent – to a reduction of personnel in Sales and in general administrative positions.

Planegg-Martinsried, 26 April 2013
The Management Board

Consolidated Statements of Operations (IFRS)

in kEUR	3-Months Report (unaudited) 3M 2013	3M 2012
Revenues	19,863	25,153
Cost of revenues	-9,104	-10,291
Gross Profit	**10,759**	**14,862**
Selling and distribution costs	-7,644	-11,174
General administrative expenses	-3,223	-3,597
Other operating income	150	2
Other operating expense	-23	-24
Operating income	**19**	**69**
Interest income	66	138
Interest expense	-17	-16
Gain (loss) on foreign currency translation	0	-1
Financial income	**49**	**121**
Income before income tax	**68**	**190**
Current income tax	-132	-509
Deferred income tax	194	492
Income tax	**62**	**-17**
Net income	**130**	**173**
Attributable to:		
Owners of the parent	130	173
Non-controlling interests	0	0
	130	**173**
Basic and dilutive earnings per share for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.01	0.01

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

	3-Months Report (unaudited)	
in kEUR	3M 2013	3M 2012
Net income	**130**	**173**
Foreign currency translation differences	0	1
Other comprehensive income	**0**	**1**
Total comprehensive income	**130**	**174**
Attributable to:		
Owners of the parent	130	174
Non-controlling interests	0	0
	130	**174**

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	March 31, 2013 (unaudited)	March 31, 2012 * (unaudited)	Dec 31, 2012
Current assets			
Cash and cash equivalents	82,328	37,572	93,250
Trade accounts receivable	15,295	18,173	16,266
Current tax assets	35	742	27
Other financial assets	1,437	1,193	1,162
Other current assets	5,869	5,317	7,926
Total current assets	**104,964**	**62,997**	**118,631**
Non-current assets			
Goodwill	6,746	6,715	6,746
Intangible assets	11,948	16,504	12,252
Property and equipment	5,556	3,826	5,952
Other financial assets	149	309	200
Other non-current assets	0	313	3
Deferred tax asset	270	3,390	266
Total non-current assets	**24,669**	**31,057**	**25,419**
Total assets	**129,633**	**94,054**	**144,050**

Liabilities and shareholders' equity in kEUR	March 31, 2013	March 31, 2012 *	Dec 31, 2012
Current liabilities			
Trade accounts payable	969	1,570	4,286
Accrued liabilities	10,954	11,385	16,171
Provisions	3,386	1,550	3,398
Current tax liabilities	4,977	8	12,094
Other current liabilities	3,843	16,393	2,540
Total current liabilities	**24,129**	**30,906**	**38,489**
Non-current liabilities			
Provisions	265	608	262
Deferred tax liability	4,032	1,674	4,222
Total non-current liabilities	**4,297**	**2,282**	**4,484**
Total liabilities	**28,426**	**33,188**	**42,973**
Shareholders' equity			
Share capital	19,111	19,111	19,111
Additional paid in capital	32,059	32,059	32,059
Other revenue reserves	4,236	24,401	4,236
Retained earnings	45,800	-14,705	45,670
Other components of equity	1	0	1
Equity attributable to owners of the parent	**101,207**	**60,866**	**101,077**
Total shareholders' equity	**101,207**	**60,866**	**101,077**
Total liabilities and shareholders' equity	**129,633**	**94,054**	**144,050**

*Amounts adjusted according to IAS 8 (details see number 3 of the notes to the consolidated financial statements).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	(unaudited) 3M 2013	(unaudited) 3M 2012 *
Cash flows from operating activities		
Income before income tax	**68**	**190**
Adjustments for:		
Amortisation and impairment of intangible assets	1,320	1,475
Depreciation and impairment of property and equipment	551	371
Gain (loss) on disposal of property and equipment	6	11
Gain (loss) from goverment grants	-3	-4
Interest income	-66	-138
Interest expense	17	16
Gain (loss) on foreign currency translation	0	1
Valuation allowance for trade accounts receivable	-200	86
Changes in non-current provisions	2	-17
Changes in other non-current and financial assets	-382	89
Operating profit before changes in operating assets and liabilities	***1,313***	***2,080***
Changes in operating assets and liabilities:		
Trade accounts receivable	840	857
Other current and financial assets	1,369	-861
Trade accounts payable	-227	-50
Current provisions	-13	-71
Accrued expenses and other current liabilities	-3,511	-2,426
Income taxes paid	-7,258	-604
Cash used in operating activities	**-7,487**	**-1,075**
Cash flows from investing activities		
Purchase of intangible assets	-1,521	-395
Purchase of property and equipment	-1,976	-150
Proceeds from sale of property and equipment	0	6
Proceeds from government grants	3	4
Cash used in investing activities	**-3,494**	**-535**
Cash flows from financing activities		
Interest received	62	140
Interest paid	-3	-4
Cash provided by financing activities	**59**	**136**
Effect of exchange rate changes on cash and cash equivalents	**0**	**-2**
Change in cash and cash equivalents	**-10,922**	**-1,476**
Cash and cash equivalents at the beginning of reporting period	**93,250**	**39,048**
Cash and cash equivalents at the end of reporting period	**82,328**	**37,572**

*Amounts adjusted according to IAS 8 (details see number 3 of the notes to the consolidated financial statements).
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity (IFRS)

in kEUR	Share capital	Additional paid-in capital	Other revenue reserves	Retained earnings	Other components of equity	Total	Total shareholders` equity
	Equity attributable to owners of the parent						
Balance at Jan 1, 2013	**19,111**	**32,059**	**4,236**	**45,670**	**1**	**101,077**	**101,077**
Net income	-	-	-	130	-	130	130
Foreign currency translation	-	-	-	-	*0*	*0*	*0*
Other comprehensive income	-	-	-	-	0	0	0
Total comprehensive income	**0**	**0**	**0**	**130**	**0**	**130**	**130**
Balance at March 31, 2013	**19,111**	**32,059**	**4,236**	**45,800**	**1**	**101,207**	**101,207**
Balance at Jan 1, 2012 *	**19,111**	**32,059**	**24,401**	**-14,878**	**-1**	**60,692**	**60,692**
Net income	-	-	-	173	-	173	173
Foreign currency translation	-	-	-	-	*1*	*1*	*1*
Other comprehensive income	-	-	-	-	1	1	1
Total comprehensive income	**0**	**0**	**0**	**173**	**1**	**174**	**174**
Balance at March 31, 2012	**19,111**	**32,059**	**24,401**	**-14,705**	**0**	**60,866**	**60,866**

*Amounts adjusted according to IAS 8 (details see number 3 of the notes to the consolidated financial statements).
See accompanying notes to the consolidated financial statement.

Segment Report (IFRS)

The activities of the telegate group are assigned to operating segments for the purpose of management control.

In addition to the historically developed regional segmentation of Germany/Austria and Spain, the Germany/Austria segment is further divided into DA Solutions and Media. The DA Solutions operating segment offers the user information and DA services via various service channels in Germany and Austria. The Media operating segment provides advertising services for SMEs mainly in Germany. The Spain operating segment comprises all activities on the Spanish market, which almost exclusively concern DA Solutions.

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 of the segments is assessed and resources are allocated to the segments mainly based on operating results.

The management controls the segments on the basis of earnings performance indicators up to EBITDA. As of the current fiscal year depreciation on intangible assets of capitalized sales commissions are no longer considered by the calculation of the EBITDA but disclosed within the depreciation and amortization; the figures of the previous year were correspondingly adjusted. Capital allocation (liabilities and assets) within the Germany/Austria segment is not controlled at division level.

Financial income and financial expenses as well as income taxes are not components of net income, since these are decided centrally and are not subject to the direct control of segment management. Elimination is carried out at the level of Germany/Austria and Spain. In accordance with IFRS 8.27, net segment income was carried over to net profit or loss for the period before taxes. The presentation for 2011 was correspondingly adjusted.

Intersegment sales are recognized at amounts comparable with sales to third party customers and are eliminated during consolidation.

	Germany / Austria					
in kEUR	**Directory Assistance Solutions**	**Media**	**sum**	**Spain**	**Reconciliation [1)]**	**telegate group**
01.01.2013 - 31.03.2013						
Revenues						
External revenues	10,848	7,898	18,746	1,117	0	**19,863**
Inter-segment revenues	0	0	0	0	0	**0**
Total revenues	**10,848**	**7,898**	**18,746**	**1,117**	**0**	**19,863**
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,570	-1,227	2,343	391	149	**2,883**
Depreciation and amortization	-937	-1,836	-2,773	-91	0	**-2,864**
Financial income			51	-2	0	**49**
Income (loss) before income tax			-379	298	149	**68**

	Germany / Austria					
	Directory Assistance Solutions	**Media**	**sum**	**Spain**	**Reconciliation**	**telegate group**
01.01.2012 - 31.03.2012						
Revenues						
External revenues	14,584	8,837	23,421	1,732	0	**25,153**
Inter-segment revenues	1	0	1	0	-1	**0**
Total revenues	**14,585**	**8,837**	**23,422**	**1,732**	**-1**	**25,153**
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	5,209	-2,197	3,012	116	0	**3,128**
Depreciation and amortization	-903	-2,068	-2,971	-88	0	**-3,059**
Financial income			112	9	0	**121**
Income (loss) before income tax			153	37	0	**190**

1) The effects of data cost proceedings are not a component of net segment income, since they would have impaired the quality of information provided by the development of the segments due to their special nature.

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 March 31, 2013.

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 March 31, 2013, 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, 2012 are submitted to the provider of the electronic Federal Official Gazette and electronically published in the Federal Official Gazette.

2. Accounting and valuation

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 2012 except for the changes which are explained as follows.

IAS 19 Employee Benefits (revised 2011)

In June 2011 the IASB published comprehensive amendments to IAS 19.

Actuarial gains and losses are to be recognised directly in other comprehensive income; i.e. the corridor method has been eliminated. Other amendments relate among others to the presentation of changes in the net liability or in net assets from defined benefit plans and expanded disclosures in the notes regarding such defined benefit plans. By the change of IAS 19 the term remeasurements were new introduced. They are composed by actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) and any change in the effect of the asset ceiling. They will be recognized in total in the other comprehensive income in the reporting period, in which they occur and be transferred in other reserve revenue because a reclassification into the income statement will never happen. Amounts to be recognized in the income statement compose current service cost, any past service cost, gain or loss on settlement and net interest on the net defined benefit liability (asset).

There were no effects on the pension provision as at 31 December 2011 and 31 December 2012 due to IAS 19R. No material effects on the financial and profit position arise. In addition the accounting for termination benefits, including the differentiation of benefits paid in exchange for services rendered and benefits resulting from termination of employment, is revised.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 introduce new rules for the presentation of positions in other income. Users are given the choice of presenting a single statement of comprehensive income or presenting a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income. Only the presentation of other income is amended such that subtotals are required for line items that can be recycled (e.g. foreign currency translation) as well as those that cannot be recycled.

The amendment to IAS 1 was published in June 2011 and shall be applied for the first time in the financial year beginning on or after 01 July 2012. This amendment to IAS 1 solely concerns the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

IFRS 7 Financial Instruments: Disclosures

The new disclosures under IFRS 7 are to include future gross and net amounts from offsetting as well as amounts for existing offsetting rights which do not satisfy the requirements for the presentation of net amounts.

The amendment was published in December 2011 and shall be applied for the first time for financial years and interim periods beginning on or after 1 January 2013 (retrospective application). This change affects only the disclosure requirements and has no effect on the accounting methods applied by the group.

Annual improvements to IFRS – 2009-2011 cycle

In May 2012, the IASB published another amendment (Annual Improvements to IFRSs – 2009-2011 Cycle) as part of its annual process of minor improvements to standards and interpretations. It contains 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 amendments must be applied for the first time retrospectively in reporting periods of a financial year that begins on or after 01 January 2013.

Application of this amended standard influence the presentation in the consolidated financial statements and the scope of disclosures in the notes and thus not affect the group’s financial position, cash flows and financial performance.

IFRS 13 Fair Value Measurement

This standard provides guidance on measuring the fair value and defines comprehensive quantitative and qualitative disclosures on fair value measurements. This standard does not address the issue when assets and liabilities must or may be measured at the fair value. The standard is not applied to business transactions under *IFRS 2 Share-based Payments* or *IAS 17 Leases* and measurements which show similarities to the fair value but are not fair value, e.g. the value in use in *IAS 36 Impairment of Assets*. IFRS 13 defines the fair value as the price that a party would receive or pay, respectively, in a regular transaction between market participants for the sale of an asset or the transfer of a liability on the measurement date. For non-financial assets, measurement is based on the assumption that the fair value shall express the value of the best possible use.

IFRS 13 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. The implementation of this new standard has no affect for the group’s financial position, cash flows and financial performance in the current financial statement.

IAS 27 Separate Financial Statements (revised and renamed 2011)

The adoption of IFRS 10 and IFRS 12 has limited the scope of IAS 27 solely to the accounting for subsidiaries, jointly controlled entities and associates in a company’s separate financial statements.

The revised standard was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. The application of revised IAS 27 has no affect the group's financial position, cash flows or financial performance.

3. Adjustment of prior year values

In the previous year, telegate has conducted corrections with regard to recording, valuation and presentation of elements of the consolidated financial statements (for more information see Note 4 in the consolidated financial statements 2012). In this regard, the reference values are adapted as follows:

Exposure of trade receivables and reporting of accrued and deferred items

Group balance sheet	As of March 31, 2012		
in kEUR	before adjustment	adjustment in accordance with IAS 8	after adjustment
Assets			
Trade receivables	31.871	-13.698	18.173
Liabilities			
Other current liabilities	30.091	-13.698	16.393

Disclosure and valuation of deferred taxes

Consolidated balance sheet	As of March 31, 2012		
in kEUR	before adjustment	adjustment in accordance with IAS 8	after adjustment
Assets			
Deferred tax asset (total)	8.111	-4.721	-3.390
Effect of balancing		-4.721	
Effect of debt consolidation		0	
Liabilities			
Deferred tax liability (total)	4.740	-3.066	1.674
Effect of balancing		-4.721	
Effect of debt consolidation		1.655	
Retained earnings	-13.050	-1.655	-14.705
Effect of balancing		0	
Effect of debt consolidation		-1.655	

4. Deferred sales commissions

In the current and in the previous period directly attributable sales commissions will be

recognised as an intangible asset (in accordance with IAS 38) and will be depreciated over the term of the customer contract basis. This distribution costs are shown in the other current assets respectively in the non-current assets under the position intangible assets.

5. Special item within the income statement

Capacity adjustments were made in the current fiscal year. The resulting of these non-recurring item of the profit and loss statement amounts to kEUR 545 (2012: kEUR 821) and is included in cost of revenues, selling and distribution costs and general administrative expenses.

There is a positive effect on the income statement due to successful data cost claims in the amount of kEUR 149 (2012: kEUR 0).

6. Related party disclosures

Business transactions between telegate AG and its subsidiaries that are considered affiliated companies were eliminated in consolidation and are not explained in these notes to the financial statements.

The following companies are affiliated companies:

Telegate Holding GmbH, Planegg, holds a majority interest of 61.13% in telegate AG as of 31 March 2013. Die SEAT Pagine Gialle Italia S.p.A., Turin, Italy, in turn holds a 100% stake in Telegate Holding GmbH.

SEAT Pagine Gialle S.p.A., Milan, Italy, holds a 100% stake in Telegate Holding GmbH as of the reporting date and includes telegate AG, the parent of the largest group of consolidated companies, as a fully consolidated company into its consolidated financial statements. As of 31 March 2013, SEAT Pagine Gialle S.p.A. indirectly holds a 16.24% stake via SEAT Pagine Gialle Italia S.p.A. and a 61.13% stake via Telegate Holding GmbH in telegate AG.

The primary controlling parent 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.

Transactions with related companies

As at March 31, 2013, telegate AG has receivables in the amount of EUR 0.1 m (2012: EUR 0.1 m) against the SEAT group.

Transactions with related persons

As of March 31, 2013, 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 53 (2012: kEUR 60), which were recorded correspondingly as current liabilities.

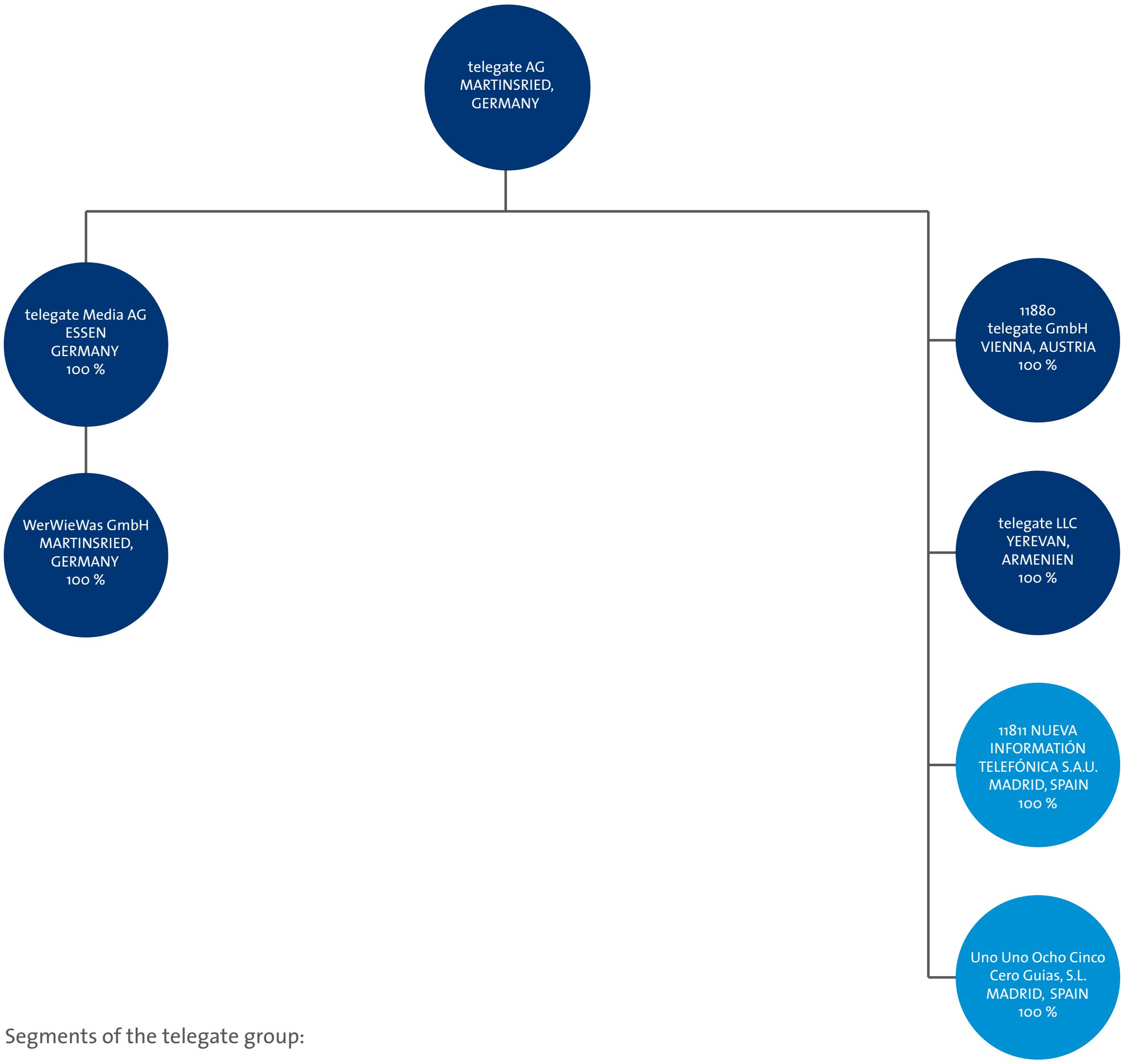
7. German Corporate Governance Code

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, 2012. The exact wording of the declaration can be retrieved under www.telegate.com.

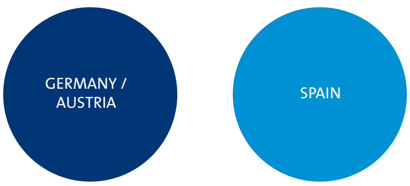
Planegg-Martinsried, April 26, 2013

The Management Board

Corporate Structure telegate Group



Segments of the telegate group:



www.telegate.com
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