Half Year Report

'04

telegate

Turn-around Stability Innovation and Growth

Letter from the Managment Board

Dear shareholders,
telegate successfully closed the first half year of 2004. The company is thus continuing its successful development, again posting considerable earnings and revenue growth. Overall, earnings after tax of EUR 16.2 million were posted in the first six months. This includes non-recurring accounting profit of EUR 7.8 million resulting from the deconsolidation of the USA business. International business was also pushed successfully. It now contributes significantly to Group sales, with a 29% share.

In many aspects the first half year of 2004 pointed the way ahead, both relating to national and international business activities.

For the German telecommunications industry an important milestone was reached: the new Telecommunications Act came into force. It had been a long and fierce fight for an act more conducive to competition. Companies should now have sufficient planning certainty for their investments. telegate has been actively involved in the negotiations and in several points made a decisive contribution to the design of the draft legislation. We welcome the new act as a viable compromise and see interesting potential for the development of our business. The so-called " reverse search" for enquiry data is a striking example. In future callers can obtain a name relating to a telephone number when making enquiries via this new service number. This is an example of innovation. And in our opinion, it is the confirmation of the strategic approach to develop the business on an ongoing basis in Germany by means of innovative services.

In recent weeks, there have been new impulses, not only in relation to the general situation in Germany, but also to expansion in Europe. Just recently, the French Conseil d'Etat made a far-reaching decision in relation to the liberalisation of the directory enquiries market. The regulatory authorities, ART, were instructed to submit the conditions for fair liberalisation of the market within six months. This makes France alongside Italy a possible candidate for telegate expansion.

Markets in Spain and Great Britain – telegate launched in both countries in 2003 – are developing in a different fashion. This clearly shows how important a fair and order procedure for the liberalisation process is. In Spain the process went considerably better than in Great Britain. Since then, business at the telegate Spanish subsidiary has developed positively. The attractiveness of the business area is motivating new players to enter the market, even one year after the market was liberalised. Over the next months, the key task for telegate will still be the further development of its own position. The process was much more difficult in Great Britain. After liberalisation in August last year, the directory information market has still not recovered from the symptoms which irritated consumers when the market was first opened up to competition. telegate has been adjusting its own business strategy to the new conditions on an ongoing basis.

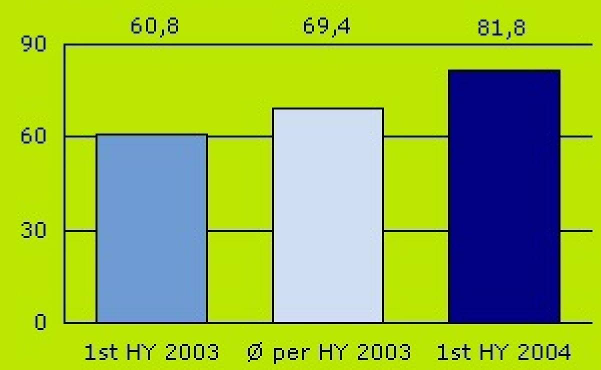
We a planning a great deal for the second half of 2004. Growth potential can still be identified in Germany and abroad, with the objective of benefiting from it in an optimum fashion in order to grow profitably on a sustained basis. telegate is excellently positioned here. Our objective is to increase the enterprise value – and thus the value of telegate for you as a shareholder – on a sustained basis.

The Management Board

KEY FINANCIAL FIGURES

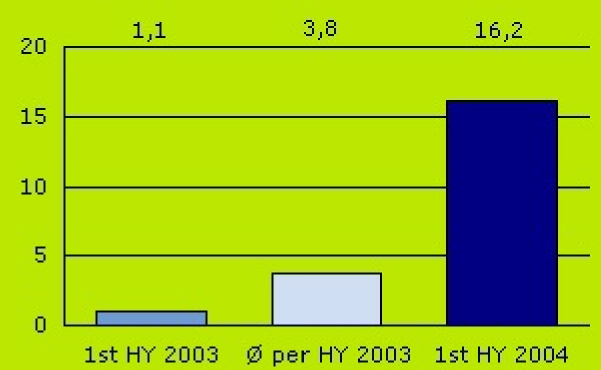
IN M EURO	1ST HY 2004	1ST HY 2003	VARIATION ABSOLUTE	VARIATION IN PERCENT
REVENUES	81.8	60.8	21.0	34.5%
GROSS PROFIT MARGIN IN%	48.4%	48.0%	-	-
EBITDA	14.0	8.0	6.0	75.0%
OPERATING INCOME	10.5	3.5	7.0	-
NET INCOME	16.2	1.1	15.1	-
EARNINGS PER SHARE IN EURO	0.77	0.05	0.72	-
FREE CASH FLOW	17.0	4.7	12.3	-
OPERATING CASH FLOW	17.5	5.6	11.9	-
INVESTMENTS	0.5	0.9	-0.4	-
NON-CURRENT ASSETS	14.9	23.3	-8.4	-36.1%
CURRENT ASSETS	58.9	34.3	24.6	71.7%
EQUITY RATIO	31.4%	14.5%	-	-
EMPLOYEES	2,699	2,658	41	1.5%

REVENUES IN M EURO

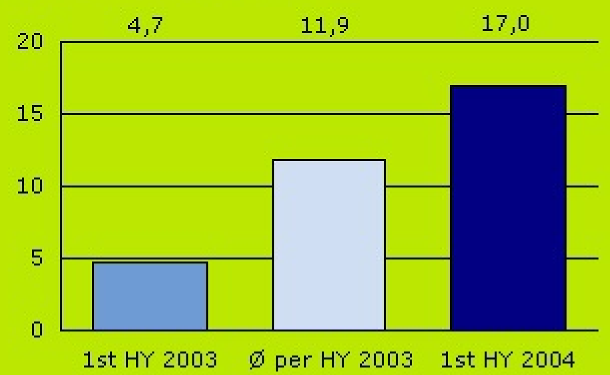


REVENUES PER SEGMENT IN %

NET INCOME IN M EURO



FREE CASH FLOW IN M EURO



BUSINESS DEVELOPMENT IN THE TELEGATE GROUP

telegate completed the first 6 months of 2004 with considerable sales and earnings growth. Especially pleasing is the additional positive development of the European subsidiaries where sales almost trebled against the first 6 months of 2003, with margins further improving.

DEVELOPMENT OF CALL VOLUME AND SALES

In the first six months of 2004, call volume improved approx. 10% year-on-year. This was primarily due to the development of our European subsidiaries. Their share of total call volume in the telegate Group increased from almost 21% in the first 6 months to over 32% in the reporting period.

In line with call volume, sales developed positively. In the first 6 months of 2004 sales revenues rose by 34% year-on-year, totalling Euro 81.8 million (previous year: Euro 60.8 million).

BUSINESS AND EARNINGS DEVELOPMENT

With net income of Euro 16.2 million in the first 6 months of 2004 (previous year: Euro 1.1 million), the telegate Group is continuing down the growth track. This includes a non-recurring, book profit of Euro 7.8 million which does not impact liquidity from the deconsolidation of the American subsidiary. EBITDA generated a sustained increase from Euro 8.0 million in the first six months of 2003 to Euro 14.0 million, with EBITDA margins widening from 13% to 17%. This pleasing development is the result of the positive sales trend and the resulting economies of scale, the ongoing optimisation of production and operating costs and a cost-aware expansion of operations in Spain and Great Britain.

NET ASSET AND FINANCIAL SITUATION

General Information

As of 30 June 2004 the balance sheet total of the telegate Group increased by Euro 13.3 million as of 31 December 2003. The main reason for this is the increase in liquid funds resulting from the very positive cash flow. In the first half of 2004 this more than doubled to reach Euro 21.7 million on June 30 2004.

Shareholders' equity increased in line with the rise in net income from Euro 15.3 million as of 31 December 31 2003 to Euro 23.2 million as of 30 June 2004. This represents an equity ratio of 31.4%. An equity ratio over 31%, high liquid assets, no financial debt and sufficient risk provisions underline the good balance sheet structure at telegate.

Cash Flow

With the ongoing and positive business development, liquidity at the telegate Group was further improved in the first half year: free cash flow moved up considerably from Euro 4.7 million in the first half of 2003 to Euro 17.0 million in the reporting period. This is an impressive demonstration for the successful business model telegate has.

Investments

In the reporting period, investments in property and equipment totalled Euro 0.5 million. Investments focussed primarily on replacement and maintenance investments in Germany as well as the further development of call centre technology in Spain and Great Britain. However, as it has already announced, telegate expects a slightly higher investment volume in the second half of the year and 2005.

INFORMATION & CALL CENTER SERVICES GERMANY/AUSTRIA DIVISION

In the first six months of 2004, the Germany/Austria division booked material successes. On 26 June 2004, the new Telecommunications Act came into force offering not only more legal security, but also the basis for innovative product development (e.g. so-called "backwards search"). In addition the development of the 11 88 0 directory business was extended by the cooperation with the mobile phone provider Drillisch/VICTORVOX and the launch of the 11 88 0 hotel booking. Overall, the Germany/Austria division generated sales of Euro 58.1 million (previous year: Euro 52.6 million)

With the ongoing and rigorous cost management within the division, EBIT was up considerable to Euro 14.1 million (previous year: Euro 5.3 million).

INFORMATION & CALL CENTER SERVICES INTERNATIONAL DIVISION

The positive development of the European subsidiaries continued in the first six months of 2004. Thus the sales share of the International division in the telegate Group moved up from 13% to 29% in the reporting period. In absolute terms, International sales almost tripled year-on-year to Euro 23.7 million (previous year: Euro 8.2 million).

In the first half of 2004, telegate Italia continued down its steady and profitable growth track in the framework of its outsourcing business. We expect new growth impulses from the pending liberalisation of the Italian directory enquiries market.

To gain further market share, the telegate subsidiary 11 8 11 Nueva Información Telefónica successfully launched a national marketing campaign at the end of March 2004. As a result awareness levels were strongly improved and the call volume in the second quarter of 2004 extended further. However, the successful transfer of the business model to Spain is by no means a matter of course. One of the facts showing this is that companies are entering the Spanish directory enquiries markets even one year after the market has been liberalised.

The British directory enquiries market has not made any recovery from the negative news flow after the ex-monopoly number 192 was switched off, with the resulting irritation on the part of the consumers. The competitive environment remains difficult. Against this background the renewed confirmation of the outstanding quality of the services offered by telegate is all the more pleasing. According to its most recent survey on the quality of directory information enquiries, the regulatory body OFCOM ranked the 11 88 66 Ltd. information service top positions. At the same time, the marketing activities are concentrated on the Scottish market, using an approach aligned to the target group.

As a result of the expansion of business in Spain and Great Britain, EBIT totalled Euro -3.7 million (previous year: Euro -1.8 million), although the gross margin again increased considerably. We are retaining our target of obtaining a balanced result[1] in Spain in the next six months and in Great Britain in 2005.

[1] Balanced Result on EBITDA basis

ACQUISITIONS

No acquisitions were made in the second quarter of 2004. The subsidiary, telegate Inc., was deconsolidated in April 2004. In France, telegate France was founded in April 2004, taking account of the increasingly concrete moves relating to the liberalisation of the market. The participations arsmovendi.com AG, Kim Travel Consulting AG and travelgate business GmbH remain in liquidation.

EMPLOYEES

As of 30 June 2004, the telegate Group employed 2,699 people (headcount). Compared to 30 June 2003, this corresponds to an increase of 41 employees. While the number of employees grew strongly year-on-year, particularly in the European branches, in line with the positive development of call volume, staff numbers fell in Germany and were reduced to zero in the USA.

Security holdings of corporate bodies of telegate AG as of 30 June 2004

	Number of shares	**Number of options**
Board of Management		
Dr. Andreas Albath	3,600	
Ralf Grüßhaber		6,205
Paolo Gonano		
Supervisory Board		
Herbert Brenke		
Dr. Joachim Dreyer	69	
Ottmar Dürotin		
Dr. Klaus Harisch	911,934	
Dr. Martin Hartl		
Jürgen Heinath	20	1,830
Katrin Küther		
Birgit Labs		
Daniela Lübbert		
Luca Majocchi		
Maurizia Squinzi		
Ilona Rosenberg		

Consolidated Statements of Operations (US GAAP)

IN TEUR (EXCEPT PER SHARE DATA)	QUARTERLY REPORT (UNAUDITED) 1.4.– 30.6.2004	1.4.– 30.6.2003	6-MONTHS REPORT (UNAUDITED) 1.1.– 30.6.2004	1.1.– 30.6.2003
REVENUES	41,488	34,342	81,754	60,837
COSTS OF REVENUES	-22,222	-16,973	-42,184	-31,646
GROSS PROFIT	**19,266**	**17,369**	**39,570**	**29,191**
ADVERTISING COSTS	-5,493	-4,970	-11,490	-7,979
PERSONNEL COSTS	-3,023	-3,174	-6,304	-6,527
DEPRECIATION AND AMORTISATION	-1,755	-2,330	-3,564	-4,454
GENERAL ADMINISTRATION COSTS	-3,567	-4,141	-7,735	-6,721
TOTAL OPERATING COSTS	**-13,838**	**-14,615**	**-29,093**	**-25,681**
OPERATING INCOME	**5,428**	**2,754**	**10,477**	**3,510**
INTEREST INCOME (EXPENSE)	44	-106	7	-402
GAIN (LOSS) ON FOREIGN CURRENCY TRANSLATION	-15	20	-233	-411
IMPAIRMENT OF COST METHOD	-	-1,292	-218	-1,292
GAIN (LOSS) ON DECONSOLIDATION OF SUBSIDIARIES	7,787	-57	7,787	-57
OTHER INCOME (EXPENSE)	-1	92	160	-152
OTHER INCOME (EXPENSE), NET	**7,815**	**-1,343**	**7,503**	**-2,314**
INCOME BEFORE INCOME TAX	13,243	1,411	17,980	1,196
INCOME TAX	-296	-60	-1,807	-120
NET INCOME	**12,947**	**1,351**	**16,173**	**1,076**
BASIC AND DILUTIVE NET INCOME PER SHARE	0.62	0.06	0.77	0.05

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED STATEMENTS.

CONSOLIDATED BALANCE SHEETS (US GAAP)

ASSETS in TEUR	30.6.2004	30.6.2003	31.12.2003
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	21,739	5,977	9,329
RESTRICTED CASH	59	319	319
TRADE ACCOUNTS RECEIVABLES NET ALLOWANCE OF TEUR 531 AS OF JUNE 30,2004 AND TEUR 562 AS OF DECEMBER 31, 2003	31,377	25,853	31,224
PREPAID EXPENSES AND OTHER CURRENT ASSETS	5,707	2,132	1,955
TOTAL CURRENT ASSETS	**58,882**	**34,281**	**42,827**
NON-CURRENT ASSETS			
COST METHOD INVESTMENT	45	288	263
INTANGIBLE ASSETS, NET	512	1,504	873
PROPERTY AND EQUIPMENT, NET	14,345	21,442	16,548
NON-CURRENT ASSETS	**14,902**	**23,234**	**17,684**
OTHER NON-CURRENT ASSETS	20	75	21
TOTAL NON-CURRENT ASSETS	**14,922**	**23,309**	**17,705**
TOTAL ASSETS	**73,804**	**57,590**	**60,532**

CONSOLIDATED BALANCE SHEETS (US GAAP)

LIABILITIES AND SHAREHOLDERS' EQUITY in TEUR	30.6.2004	30.6.2003	31.12.2003
LIABILITIES			
TRADE ACCOUNTS PAYABLE	14,580	7,693	11,643
ACCRUED EXPENSES AND OTHER CURRENT ASSETS	34,137	19,074	28,139
CAPITAL LEASE OBLIGATION	-	221	-
FINANCIAL INSTRUMENTS	725	50	30
TURNOVER TAX BURDEN	735	1,157	319
CURRENT PORTION OF LOANS DUE TO SHAREHOLDERS	-	20,658	4,726
TOTAL CURRENT LIABILITIES	**50,177**	**48,853**	**44,857**
ACCRUED PENSION LIABILITY	234	182	219
OTHER NON-CURRENT LIABILITIES	236	188	204
TOTAL LIABILITIES	**50,647**	**49,223**	**45,280**
SHAREHOLDERS' EQUITY			
COMMON STOCK	20,954	20,954	20,954
ADDITIONAL PAID IN CAPITAL	85,028	84,725	85,028
ACCUMULATED DEFICIT	-82,854	-105,428	-99,027
ACCUMULATED OTHER COMPREHENSIVE INCOME	29	8,116	8,297
TOTAL SHAREHOLDERS' EQUITY	**23,157**	**8,367**	**15,252**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**73,804**	**57,590**	**60,532**

SEE ACCOMPANYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENTS OF CASH FLOWS (US GAAP)

in TEUR	30.06.2004	30.06.2003
CASH FLOWS FROM OPERATING ACTIVITIES		
NET INCOME	16,173	1,076
ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
DEPRECIATION AND AMORTISATION	3,564	4,454
GAIN (LOSS) ON DISPOSAL OF PROPERTY AND EQUIPMENT	-156	23
LOSS ON FOREIGN CURRENCY TRANSLATION	233	411
IMPAIRMENT OF COST METHOD INVESTMENT	218	1,292
PROVISION ON LOSSES ON ACCOUNTS RECEIVABLE	-15	211
PENSION EXPENSES	16	14
GAIN (LOSS) ON DECONSOLIDATION OF SUBSIDIARIES	-7,787	57
CHANGES IN OPERATING ASSETS AND LIABILITIES		
TRADE ACCOUNTS RECEIVABLE	-2,156	-3,533
PREPAID EXPENSES AND OTHER ASSETS	-2,082	-1,349
TRADE ACCOUNTS PAYABLE	2,699	-517
TURNOVER TAX BURDEN	448	337
ACCRUED EXPENSES AND OTHER LIABILITIES	6,346	3,132
CASH PROVIDED BY OPERATING ACTIVITIES	**17,501**	**5,608**
CASH FLOWS FROM INVESTING ACTIVITIES		
CAPITALISED INTANGIBLE ASSETS	-	-1,011
PURCHASE OF PROPERTY AND EQUIPMENT	-679	-318
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT	168	433
CASH USED IN INVESTING ACTIVITIES	**-511**	**-896**

CONSOLIDATED STATEMENTS OF CASH FLOWS (US GAAP)

in TEUR	30.06.2004	30.06.2003
CASH FLOWS FROM FINANCING ACTIVITIES		
PROCEEDS FROM ISSUANCE OF COMMON STOCK	-	37
PAYMENTS FOR ISSUANCE OF COMMON STOCK	-	-766
PROCEEDS FROM GOVERNMENT GRANTS	180	419
PROCEEDS FROM FINACIAL INSTRUMENTS	-	4,133
PAYMENTS FOR FINANCIAL INSTRUMENTS	-180	-
PROCEEDS FROM NOTES PAYABLE	-	1,000
PROCEEDS FROM SHAREHOLDER LOANS	-	9,200
REPAYMENT OF SHAREHOLDER LOANS	-4,726	-3,000
REPAYMENT OF NOTES PAYABLE	-	-13,000
REPAYMENT OF CAPITAL LEASE OBLIGATION	-	-148
CHANGE IN RESTRICTED CASH	260	-
CASH USED IN FINANCING ACTIVITIES	**-4,466**	**-2,125**
DECREASE IN CASH DUE TO CHANGES IN CONSOLIDATED GROUP	**-122**	**-**
EFFECTS ON EXCHANGE RATES ON CASH	**8**	**-26**
INCREASE IN CASH AND CASH EQUIVALENTS	**12,410**	**2,561**
CASH AND CASH EQUIVALENTS , BEGINNING OF THE YEAR	**9,329**	**3,416**
CASH AND CASH EQUIVALENTS , END OF THE REPORTING PERIOD	**21,739**	**5,977**

SEE ACCOMPAYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (US GAAP)

in TEUR	SHARES OF COMMON STOCK (in 000s)	COMMON STOCK	ADDITIONAL PAID IN CAPITAL	ACCUM. DEFICIT	ACCUM. OTHER COMPREHENSIVE INCOME	TOTAL
BALANCE AT JANUARY 1ST, 2003	**20,944**	**20,944**	**85,288**	**-106,504**	**6,750**	**6,478**
NET INCOME	-	-	-	7,477	-	7,477
CURRENCY TRANSLATION ADJUSTMENT	-	-	-	-	1,547	1,547
COMPREHENSIVE INCOME						**9,024**
ISSUANCE OF STOCK	10	10	27	-	-	37
COSTS FOR ISSUANCE OF COMMON STOCK	-	-	-812	-	-	-812
STOCK OPTION RECLASSIFICATION TO EQUITY	-	-	525	-	-	525
BALANCE AT DECEMBER 31TH, 2003	**20,954**	**20,954**	**85,028**	**-99,027**	**8,297**	**15,252**
NET INCOME	-	-	-	16,173	-	16,173
CURRENCY TRANSLATION ADJUSTMENT	-	-	-	-	-8,268	-8,268
COMPREHENSIVE INCOME						**7,905**
BALANCE AT JUNE 30TH, 2004	**20,954**	**20,954**	**85,028**	**-82,854**	**29**	**23,156**

SEE ACCOMPAYING NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.

Segment Report (US GAAP)

The Company operates in two segments, each of which are strategic business that are managed separately. The Company views it's business in two segments which are primarily determined by their geographic region. Management's dominant measurements are consistent with the Company's consolidated financial statements and, accordingly, are reported on the same basis herein. Management evaluates the performance of its segments and allocates resources to them primarily based on operating income (loss). Intersegment sales are generally accounted for at amounts comparable to sales to unaffiliated customers, and are eliminated in consolidation.

	ICS GERMANY/AUSTRIA	ICS INTERNATIONAL	TOTAL
JUNE 30TH, 2004			
REVENUES FROM EXTERNAL CUSTOMERS AND INTERSEGMENT SALES	58,199	23,676	81,875
INTERSEGMENT REVENUES	121	-	121
TOTAL CONSOLIDATED REVENUES	**58,078**	**23,676**	**81,754**
DEPRECIATION AND AMORTISATION	2,713	851	3,564
OPERATING INCOME (LOSS)	14,145	-3,668	10,477
EBITDA	**16,858**	**-2,817**	**14,041**
JUNE 30TH, 2003 (IN TEUR)			
REVENUES FROM EXTERNAL CUSTOMERS AND INTERSEGMENT SALES	52,721	8,168	60,889
INTERSEGMENT REVENUES	52	-	52
TOTAL CONSOLIDATED REVENUES	**52,669**	**8,168**	**60,837**
DEPRECIATION AND AMORTISATION	3,250	1,204	4,454
OPERATING INCOME (LOSS)	5,341	-1,831	3,510
EBITDA	**8,591**	**-627**	**7,964**

SEE ACCOMPAYING NOTES TO THE CONSOLIDATED FINACIAL STATEMENTS.

1. Basis of Presentation

telegate AG, Planegg-Martinsried Deutschland, and its subsidiaries (the "Company") provide operator and directory assistance services for private customers in Germany and abroad and for corporate customers of various German telephone companies. On the basis of outsourcing agreements, these services are also rendered for other telephone companies in Germany, Italy, Spain and UK.

The Consolidated Financial Statements have been prepared in accordance with United Stated Generally Accepted Accounting Principles (US-GAAP) and are reported in EUR. The accompanying Consolidated Balance Sheet as of June 30, 2004, the Consolidated Statements of Income and Cash Flows for the six months ended June 30, 2004 and 2003, the Consolidated Statements of Changes in Shareholders´ Equity for the six months ended June 30, 2004 and the Notes to the Consolidated Financial Statements are unaudited and have been prepared for interim financial information. The interim financial statements are based on the accounting principles and practices applied in the preparation of the financial statements for the last fiscal year.

The Company applies Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS No. 131). This statement establishes standards for the reporting of information about operating segments in annual and interim financial statements and requires restatements of prior year information. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker(s) in deciding how to allocate resources and in assessing performance.

2. Changes in the Consolidated Group

At the end of March 2004, for telegate Inc., an application for dissolution had been filed at the appropriate authorities in Delaware, USA. As of April 1, 2004, telegate Inc. has been de-consolidated. This de-consolidation has resulted in an one-time-gain in the 2nd Quarter 2004 amounting to TEUR 7,787. This had no effect on the Consolidated Statements of Cash Flows.

As of April 1, 2004, the Company established in Paris, France, the subsidiary *telegate France S.r.L.*

Also on April 1, 2004, the General Meeting of mobilSafe AG has agreed to continue its business and to stop the process of liquidation. This resolution has been filed for registry at the companies´ register on the same day.

The following subsidiaries are in the process of liquidation on June 30, 2004:

- Kimtravel Consulting AG
- Travelgate business GmbH
- Arsmovendi.com AG

3. Cash and Cash Equivalents, Restricted Cash

As of June 30, 2004 the total cash positions amount to TEUR 21,798 (thereof TEUR 59 restricted). As of December 31, 2003, these positions totaled TEUR 9,648 (thereof TEUR 319 restricted). Cash is mainly invested in day-to-day-money.

3. Derivative financial instruments

In April 2001, the Company initiated a foreign exchange hedging program designed to mitigate the potential for future adverse impact on financing transactions due to changes in foreign exchange rates. The program uses forward foreign exchange contracts as the vehicle for hedging significant intercompany balances. The Company does not hold or issue derivative financial instruments for trading purposes.

Gains and losses on the settled contracts are included in 'gain (loss) on foreign currency translation' and are recognized in the current period, consistent with the period in which the gain or loss of the underlying transaction is recognized. To the extent that these contracts are not considered to be perfectly effective in offsetting the change in the value of the intercompany balances being hedged, any changes in fair value relating to the ineffective portion of these contracts would be immediately recognized in 'gain (loss) from foreign currency translation'.

Derivative financial instruments outstanding to sell at June 30, 2004 are presented in the following table.

	Nominal value		Fair value	
	06/30/04 TGBP	12/31/03 TGBP	06/30/04 TEUR	12/31/03 TEUR
Forward currency contracts	**11,000**	**8,250**	**-725**	**137**

The nominal value represents the aggregate gross amount of all purchases and sales agreed upon between the parties and, therefore, is not a direct measure of the Company's exposure through its use of derivates. Opportunities and risks are reflected by the fair value which corresponds to the estimated amount that would have been received or paid if the derivative financial instrument had been settled at fiscal year end.

The Company recorded in the first half year of 2004 loss out of currency translation from these settled contracts and underlying foreign currency exposures of approximately TEUR 725. The loss is presented within "Gain (loss) on foreign currency translation." The fair value of these forward foreign exchange contracts have been recorded as "Financial instruments" (TEUR 725) within the current liabilities. The forward currency contracts have a maturity of between 10 and 11 months and are due in December 2004.

5. Other losses and income

Other income amounts to TEUR 160. This item mainly consists of the gain on disposal of fixed assets (TEUR 156).

6. Income Taxes

Tax expense, presented in the Consolidated Statements of Income (TEUR 1,807), mainly consists of accruals for German income taxes. In addition, this expense relates to telegate Italia, which is subject to „Imposta Regionale sulle Attività Produttive (IRAP)“, a regional tax on business activities.

7. Other

In reference to the EU-regulation of July 19, 2002, European listed companies have to disclose their Financial Statements for interim or annual periods, ending after January 1, 2005, in accordance to IAS/IFRS.

telegate has started with its project planning for the conversion to IAS/IFRS in early 2004 to meet the deadlines in due time. By the end of the 2nd quarter 2004, telegate has finalized its planning stage successfully.

Corporate Structure telegate Group

*) Company in Liquidation

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