9-Months Report 2008

Basis for change

Letter from the Management Board

Dear shareholders,

We are coming to the end of a few turbulent weeks. Compared to the most of the other companies, the telegate group with its financial standing is well positioned in the challenging financial environment. Due to our outstanding equity base and no outstanding financial liabilities we have been able to further improve our liquidity position through a continuous, stable inflow of cash during the third quarter.

At the moment we are faced with an intensive discussion, if the downturn of the financial system spills over into the real economy. However, one fact is evident: we have not yet experienced any repercussions in our business. Quite the contrary: we are happy to report another series of positive developments in our business during the first nine months of 2008. On the one hand, we compensated the ongoing decline in demand for our core business of Voice Directory Assistance both by offering additional and added-value services and through strict management of our costs.

On the other hand, in line with our changed business strategy, we are well on track to transforming ourselves into a media company financed by advertising, and we were considerably successful in expanding our advertising sales business. This year, for example, we have already achieved nine percent of the total sales for the telegate group by our newly-established Media segment. In spite of recent events, we are adhering to our recently increased earnings forecast: we expect EBITDA excluding one-times effects for fiscal year 2008 to be in the upper 35-40 million Euro range.

telegate is also setting out the next strategic milestones for the transformation of its business model: during the fourth quarter we launched the new 'telegate MEDIA' umbrella brand in the important German market, as well as reselling activities for Google's advertising program 'Google AdWords', which will be gradually extended through all the sales channels of our strong consumer brands '11 88 0' and 'klickTel'. With our curtly 400-strong sales team we can now offer small and medium-sized enterprises 'one-stop-advertising' for their advertising needs: customer support from one source, directory assistance advertising combined with search engine marketing, and end-to-end advertising consulting in conjunction with sophisticated marketing concepts.

In the international market segments, too, we are working hard to set an operational course which, due to the decline in Voice Directory Assistance business, will attract even more users to our modern digital media channels and provide more and more of our funding from advertising sales. Furthermore, during the first nine months of the year we have developed our French operations to generate a small positive cash-flow, which is most encouraging.

Yet it has not all been plain sailing, and there is one particular issue that will affect you as an investor: the positive developments and clearly visible progress we have made in transforming our business model are not yet reflected in telegate's share price. Of course, the drop in the price of telegate shares is primarily down to the financial crisis – but to our minds this is insufficient justification. Now the key issue for us is maintaining the trust of our existing shareholders and earning the trust of new members of the financial community. The basic conditions are good: with a strong and healthy financial base and no outstanding financial liabilities, the telegate group is pressing ahead with the transformation of its business model and doing everything in its power to fully exploit the potential for growth in the local search market. Thus, telegate shares should be a safe haven in these tumultuous times.

The Management Board of telegate AG

Key Financial Figures

in m Euro	9M 2008	9M 2007	Variance absolute	Variance in Percent
Revenues & profit				
Revenues	133.3	131.5	1.8	1.4%
EBITDA before one-time effects	32.2	30.7	1.4	4.6%
EBITDA[1]	35.5	36.3	-0.8	-2.2%
Operating income (EBIT)	28.0	30.4	-2.4	-7.9%
Net income	20.3	25.3	-5.0	-19.8%
Balance Sheet				
Balance sheet total	184.9	147.1	37.8	25.7%
Cash & cash equivalents	53.0	53.0	0.0	0.0%
Equity	93.1	78.0	15.1	19.4%
Equity ratio	50.4%	53.0%	-2.7%	-5.0%
Cash Flow				
Operating cash flow	30.1	47.5	-17.4	-36.6%
Investments	-31.1	-4.3	-26.8	-623.2%
Free Cash Flow	-1.0	43.2	-44.2	-102.3%
KPI telegate share				
Earnings per share (in Euro)	0.96	1.20	-0.2	20.0%
Share price (in Euro)[2]	10.00	19.10	-9.1	-47.6%
Market capitalization	212.4	405.4	-193.1	-47.6%
Employees				
Number of employees[3]	3,176	3,109	67	2.2%

[1] The EBITDA is defined as earnings before depreciation, interests and taxes within telegate Group.
[2] XETRA-closing prices as of last trading day in 3rd quarter
[3] Headcount as of September 30

Management Report

At a glance: 9-months report 2008

telegate AG made a big step forward with regard to the implementation of its strategy by the acquisition of telegate Media AG (formerly: klickTel AG) on April 1st as well as the conclusion of the reseller-partnership with Google in the previous months. Both steps emphasize the increased focus on the expansion of the marketing of advertising business. Both companies now have much more than 230 m search requests of users per annum altogether with the brands „11880“ and „klickTel“ in the segment Germany/Austria and a strong sales department with around 400 employees.

The classical directory assistance business is still subject to a declining tendency throughout Europe – the substitution by the Internet directory assistance -. In this case, telegate faces the challenge to thwart this development with a set of measures. This includes e.g. the introduction of additional innovative products, gaining of market shares and also the increase of the average revenue per caller.

Earnings before interest, tax, depreciation and amortization (EBITDA) amounted to 35.5 m after nine months and are thus slightly below the figure of the previous year of € 36.3 m. However, special items are included in the earnings: one-time income in the course of the positive data cost decision in the amount of € 5.5 m as well as one-time expenses within the scope of the integration of telegate Media AG in the amount of € 2.3 m which affect the earnings positively and negatively respectively. One-time income in the amount of € 5.6 m in connection with a decreased risk precaution for data cost trials did also accrue in the previous year. The adjusted EBITDA in the amount of € 32.2 m was above the figure of the previous year of € 30.7 m and thus noticeably above the own internal expectations.

The declining share price performance of the telegate-share is primarily attributable to the global financial crisis and the uncertainty on the financial markets. In the period under review, no negative impact on the business development could be noticed.

Financial situation

Profitability

Consolidated sales in the amount of € 133.3 m in the first nine months of 2008 were slightly above the figure of the previous year of € 131.5 m. The business sector Media made the biggest contribution to this positive development with € 12.4 m (previous year: € 1.8 m). Therefore, the new business sector did already generate nine percent of the total sales of the telegate group and it increased to twelve percent in the third quarter.

The gross profit margin decreased from 59.9 percent to 56.5 percent. However, the figure of the previous year was also positively affected by a decreased risk precaution concerning the data claims against the Deutsche Telekom AG in the amount of € 5.6 m. Adjusted by this item, the gross earnings margin remains quite stable. Deferred advertising expenses and a positive one-time effect in the amount of € 5.5 m in connection with the successful data cost claim for return actions against Deutsche Telekom AG had a positive effect on profitability.

Thus, the EBITDA-level of previous year was almost reached with € 35.5 m (previous year: € 36.3 m) – against the internal expectations. Net income after taxes decreased from € 25.3 m in the previous year to € 20.3 m and € 0.96 per share respectively, caused by a significantly higher tax expense.

Net assets and financial situation

Investments

Overall investments in the reporting period amount to € 2.4 m (previous year: € 5.1 m). Fixed assets and intangible assets investments include cost for the establishment of a Customer Relationship Management System in Germany as well as the development of the Internet presentation.

Balance sheet

The telegate group maintained its traditionally stable balance sheet quality in spite of the acquisition of telegate Media AG: the equity ratio of the telegate group was 50.4 percent as of September 30, 2008 (December 31, 2007: 56.7 percent, September 30, 2007: 53.0 percent). Cash and cash equivalents of the company recovered significantly after a decreased level in the course of the purchase price paid for telegate Media AG and the dividend payment made on June 12, 2008 and amount to a pleasant € 53.0 m (December 31, 2007: € 66.8 m, September 30, 2007: € 53.0 m).

The balance sheet total of the telegate group increased until the closing date (September 30, 2008) primarily due to the acquisition of the telegate Media AG by € 32.3 m and 21.2 percent respectively compared to December 31, 2007 and currently amounts to € 184.9 m (December 31, 2007: € 152.5 m). Assets increased by virtue of additional trade accounts receivable and increased intangible assets due to the klickTel-acquisition in comparison with December 31, 2007. The increase of the liabilities side primarily results from increased deferred taxes (also in the course of the company acquisition).

Cash flow & Financing

The operative cash flow (cash provided by operating activities) amounted to € 30.1 m and was subject to an analogous development as the profitability. This key number amounted to € 47.5 m compared to the same time of the previous year. The significant negative deviation of € 17.4 m is primarily a result of a payment of the Deutsche Telekom in the amount of € 12.3 m in order to avert the enforcement of the data cost litigations won by telegate in second instance in the previous year.

In addition, declining earnings from the classic directory assistance business have negative effects on the operative cash flow. Cash flow from investing activities includes costs within the scope of the klickTel-acquisition in the amount of € 28.3 m and thus has negative effects on the free cash flow.

Forecast

The launch of the new distribution brand ´telegate MEDIA´ for small and medium-sized businesses and thus the use of the market potential in the sector 'local search' is in the focus in the remaining months of the fiscal year 2008. The range of products for classic and mobile Internet as well as the marketing of advertising business shall be subject to a continuous expansion throughout the group and shall significantly contribute to sales on a medium-term.

Therefore, the telegate management raised the EBITDA-forecast again at the end of September from currently € 30 – 35 m to € 35 – 40 m (before one-time effects of the integration of telegate Media AG and data cost litigations in each case) by virtue of the good development of the business figures in the first nine months of 2008 and the expected positive development of the entire year.

Impacts of the current global financial crisis on the real economic development cannot be evaluated seriously. The upcoming economic recession in 2009 can have a negative impact on the business development, particularly with regard to the growth of the media-business and therefore the profit situation of telegate AG.

Segment report

Germany/Austria

The transformation process of telegate from a classic provider of phone directory assistance to a specialist for local search and small and medium-sized marketing further advances in the segment Germany/Austria. The objective is to transform telegate MEDIA to a preferred contact and consulting company of small and medium-sized businesses if it concerns trade advertising and local marketing concepts. The market share of the more than € 1.2 bn index advertising market shall be significantly increased in this manner. In addition, telegate intends to further strengthen the position as leading alternative provider in the sector „local search“ in Germany.

telegate is also the first authorized reseller of the Google-advertising program „AdWords“ since October. The sales team also distributes keyword-advertising in the Google-network in addition to trade indexes of the multichannel offer of 11 88 0 and klickTel since then. Thus, companies receive trade advertising combined with search engine marketing from one source. This made it possible to further dissociate from other providers of the index media market and to make an important step towards telegate’s vision of a “One-Stop-Advertising” for local advertisement.

There was a pleasant progress in the advertising sale business in the fiscal year 2008 when telegate Media AG was consolidated as of April 01. Sales amounted to € 1.8 m in the same period of the previous year and to already € 12.2 m in the first nine months of 2008, thanks to an exceedingly dynamic organic growth and to the contribution of telegate Media AG.
Sales in the classic directory assistance business declined compared with the previous year: the decline of sales was only partly but better than expected compensated by operational measures, in this case particularly by the expansion of Comfort Services.
Overall, sales significantly increased to € 91.5 m in the first nine months of 2008 (previous year: € 85.3 m). The decline of sales would amount to approximately five percent (€ 81.3 m compared with € 85.3 m) without the klickTel-acquisition.

Lower advertising expenses, however, also one-time effects in connection with the positive data cost ruling of June 2008 in the amount of € 5.5 m did have positive effects on the earnings before interest, tax, depreciation and amortization (EBITDA). On the other hand, there were one-time cost in connection with the acquisition and integration of telegate Media AG in the amount of € 2.3 m. The comparison period also included positive one-time effects in connection with the data cost actions in the amount of € 5.6 m. Earnings before interest, tax, depreciation and amortization (EBITDA) declined altogether to € 31.6 m (previous year: € 34.1 m). This results in almost unchanged earnings of € 28.3 m (previous year: € 28.5 m) before taking the one-time effects into consideration.

France

Sales in the French segment reflect both the declining overall market and an unchanged stiff competition environment. However, the call volume of 118 000 stabilized in the third quarter, too in spite of significantly lower advertising expenses and secured telegate furthermore the position as third largest provider in the French directory assistance market. Sales in the amount of € 11.3 m were below the figure of the previous year (€ 16.5 m) in the first nine months of 2008.

The main focus in the segment France was still on establishing a sustained profitable directory assistance business on the one hand and telegate also focuses on the expansion of the previous business model in this case (expansion of the offer of user-oriented services, expansion of the advertising sale business) on the other hand during the first nine months. The company Comareg was appointed as sales partner and a marketing test was successfully carried out and completed in the first quarter. Currently, the focus is on the nationwide rollout of the marketing partnership.

Earnings before interest, tax, depreciation and amortization (EBITDA) were significantly increased and amount to € -0.1 m (previous year: € -3.0 m) in the first nine months by virtue of significantly decreased advertising expenses and an increased gross profit margin.

Italy/Spain

The economic development in Italy and Spain is inconsistent at first: segment sales slightly increased from € 29.7 m to € 30.5 m in the first nine months of 2008. However, the EBITDA decreased in the reporting period to € 4.0 m compared with € 5.2 m in the previous year.

The prohibition in Italy to use so-called "project contracts of employment" for inbound-call center activities is a reason for this development on the one hand. This had negative effects on the earnings by virtue of the higher human resources cost resulting from this prohibition. telegate thwarts this trend by relocation of production facilities to Romania, amongst others.

On the other hand, shifts in periods occurred which resulted in a higher profitability in the second half-year compared with the same period of the previous year. Earnings before interest, tax, depreciation and amortization amounted to € 2.1 m in the third quarter and are thus already significantly above the level of the previous year of € 1.7 m.

Employees

The telegate group employs a total of 3,176 employees (headcount) as of September 30, 2008. The slight increase (2.2 percent) compared with the previous year is attributable to the acquisition of telegate Media AG.

Planegg-Martinsried October 27, 2008
Management Board

Consolidated Statements of Operations (IFRS)

	Quarterly Report (unaudited)		9-Months Report (unaudited)	
in kEUR	Q3 2008	Q3 2007	9M 2008	9M 2007
Revenues	46,825	43,983	133,265	131,483
Cost of revenues	-20,299	-17,470	-57,927	-52,686
Gross Profit (excl. depreciation & amortization)	**26,526**	**26,513**	**75,338**	**78,798**
Advertising costs	-4,492	-5,622	-14,971	-20,305
Personnel costs (only administration & marketing)	-6,792	-4,717	-19,293	-14,062
Depreciation & amortization	-2,835	-2,008	-7,527	-5,855
Other administrative expenses	-6,518	-3,450	-11,750	-8,295
Other operating income / expense	1,638	115	6,154	134
Total operating expenses	**-18,999**	**-15,683**	**-47,387**	**-48,383**
Operating income / loss	**7,527**	**10,830**	**27,951**	**30,415**
Interest income / expense	602	464	1,943	986
Income / loss from financial assets & marketable securities	-3	613	9	613
Gain / loss on foreign currency translation	1	-1	-1	-1
Financial income	**600**	**1,076**	**1,951**	**1,598**
Income before income tax	**8,127**	**11,906**	**29,902**	**32,013**
Income tax - current	-2,709	-2,242	-9,203	-4,445
Income tax - deferred	-1,156	-	-417	-2,278
Incocme tax expense	**-3,865**	**-2,242**	**-9,620**	**-6,723**
Net income	**4,262**	**9,664**	**20,282**	**25,289**
Attributable to:				
Equity holders of the parent	4,330	9,665	20,333	25,289
Minority interests	-68	-	-51	-
Basic & dilutive earnings per share, for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.20	0.36	0.96	1.20

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	Sep 30, 2008	Dec 31, 2007	Sep 30, 2007
Current assets			
Cash & cash equivalents	53,020	66,778	52,983
Trade accounts receivable	60,831	49,614	53,452
Prepaid expenses & other current assets	6,557	7,368	7,491
Total current assets	**120,408**	**123,760**	**113,926**
Non-current assets			
Goodwill, net	9,764	2,829	2,829
Intangible assets	40,564	11,122	11,543
Property & equipment	10,603	11,501	12,908
Other financial assets	19	16	40
Deferred tax assets	3,531	3,319	5,828
Total non-current assets	**64,481**	**28,787**	**33,148**
Total assets	**184,889**	**152,547**	**147,074**

Liabilities & shareholders' equity in kEUR	Sep 30, 2008	Dec 31, 2007	Sep 30, 2007
Current liabilities			
Trade accounts payable	26,458	25,452	24,861
Accrued liabilities	26,742	17,135	18,777
Provisions	7,548	5,050	6,980
Other current liabilities	15,958	15,987	16,375
Total current liabilities	**76,706**	**63,624**	**66,993**
Non-current liabilities			
Provisions	1,068	259	320
Defined benefit liabilities	-	-	51
Other non-current liabilities	1,965	509	521
Deferred tax liabilities	12,024	1,585	1,182
Total non-current liabilities	**15,057**	**2,353**	**2,074**
Total liabilities	**91,763**	**65,977**	**69,067**
Equity			
Share capital	21,235	21,235	21,227
Additional paid-in capital	31,834	31,760	31,524
Other revenue reserves	20,934	20,934	21,256
Retained earnings	18,110	12,641	4,000
Equity attributable to equity holders of the parent	**92,113**	**86,570**	**78,007**
Minority interest	1,013	-	-
Total shareholders' equity	**93,126**	**86,570**	**78,007**
Total liabilities & shareholders' equity	**184,889**	**152,547**	**147,074**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	9M 2008	9M 2007
Cash flows from operating activities		
Income before income tax	29,902	32,013
Adjustments for:		
Depreciation & amortization	7,527	5,855
Gain / loss on disposal of property & equipment	27	-14
Gain / loss on disposal of financial investments	-9	-596
Gain / loss from government grants	-55	-49
Interest income / expense	-1,943	-986
Gain / loss on foreign currency translation	1	1
Stock option expense	245	386
Valuation allowance for trade accounts receivable	852	1,306
Other non-cash expenses / income	-5,754	15
Changes in non-current provisions	586	-238
Operating income / loss in operating assets & liabilities	**31,379**	**37,693**
Changes in operating assets and liabilities:		
Trade accounts receivable	-895	7,649
Prepaid expenses & other assets	861	1,256
Trade accounts payable	697	-5,158
Current provisions	1,203	-1,576
Accrued expenses & other liabilities	-509	10,094
Income taxes paid	-2,623	-2,502
Cash provided by operating activities	**30,113**	**47,456**
Cash flows from investing activities		
Capitalized intangible assets	-1,186	-2,697
Proceeds from sale of intangible assets	-	19
Purchase of property & equipment	-1,256	-1,894
Proceeds from the sale of property & equipment	4	0
Acquisition of a subsidiary, net of cash acquired	-28,278	-
Purchase of a subsidiary, net of cash purchased	458	264
Acquisition of minority interests	-996	-
Purchase of financial investments	-28	-
Proceeds from sale of financial investments	187	-
Cash used in investing activities	**-31,095**	**-4,307**
Cash flows from financing activities		
Payments for issue of share capital	-	3,208
Proceeds from government grants	479	600
Dividends paid	-14,864	-13,642
Interests received	1,816	1,120
Interests paid	-206	-105
Cash used in financing activities	**-12,775**	**-8,819**
Increase / decrease in cash & cash equivalents	**-13,758**	**34,330**
Cash & cash equivalents at beginning of reporting period	**66,778**	**18,653**
Cash & cash equivalents at end of reporting period	**53,020**	**52,983**

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	Total	Minority interests	Total equity
	Equity attributable to equity holders of the parent						
Balance at Jan 1, 2008	**21,235**	**31,760**	**20,934**	**12,641**	**86,570**	**-**	**86,570**
Net income	-	-	-	20,333	**20,333**	-51	20,282
Dividends for 2007	-	-	-	-14,864	-14,864	-	-14,864
Stock option plan	-	245	-	-	245	-	245
Minority interest arising on business combination	-	-	-	-	-	1,889	1,889
Acquisition of minority interests	-	-171	-	-	-171	-825	-996
Balance at Sep 30, 2008	**21,235**	**31,834**	**20,934**	**18,110**	**92,113**	**1,013**	**93,126**
Balance at Jan 1, 2007	**20,987**	**27,944**	**21,256**	**-7,647**	**62,540**	**-**	**62,540**
Net income	-	-	-	25,289	25,289	-	25,289
Dividends for 2006	-	-	-	-13,642	-13,642	-	-13,642
Costs for issuance of common stock	-	-14	-	-	-14	-	-14
Stock option plan	-	386	-	-	386	-	386
Exercise of stock options	240	3,208	-	-	3,448	-	3,448
Balance at Sep 30, 2007	**21,227**	**31,524**	**21,256**	**4,000**	**78,007**	**-**	**78,007**

See accompanying notes to the consolidated financial statement.

Segment Report (IFRS)

The Company operates in three segments, each of which are strategic business that are separately managed. The Company views its business in three segments which are primarily determined by their geographic region.

Managment's dominant measurements are consistent with the Company's consolidated financial statement and, accordingly, are reported on the same basis herein. Intersegment revenues are generally accounted for at amounts comparable to sales to unaffiliated customers and are eliminated in consolidation.

in kEUR	Germany/ Austria	Italy/ Spain	France	Total
9M 2008				
Total segment revenues	91,720	30,471	11,333	133,524
Intersegment revenues	259	-	-	259
External revenues	**91,461**	**30,471**	**11,333**	**133,265**
Depreciation & amortization	5,423	1,414	690	7,527
Operating Income	26,189	2,574	-812	27,951
EBITDA	**31,612**	**3,988**	**-122**	**35,478**
9M 2007				
Total segment revenues	85,642	29,653	16,498	131,793
Intersegment revenues	310	-	-	310
External revenues	**85,332**	**29,653**	**16,498**	**131,483**
Depreciation & amortization	3,889	1,317	649	5,855
Operating Income	30,236	3,830	-3,651	30,415
EBITDA	**34,125**	**5,147**	**-3,002**	**36,270**

See accompanying notes to the consolidated financial statement.

Notes to the Consolidated Financial Statements

1 Basis of Presentation

The telegate-Group's core operating activities comprises the provision of directory enquiries, directory advertising services and call completion services. In addition the Company is marketing its own call centre competency and is offering a broad spectrum of services for partners from many industries in domestic and foreign countries.
The Consolidated Interim Financial Report of telegate AG and the subsidiaries consolidated in this Financial Report have been prepared as of September 30, 2008, in compliance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB) as applicable for the European Union.
This Interim Financial Report has been prepared in compliance with IAS 34 "Interim Financial Reporting". Furthermore, all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the interpretations of the International Financial Reporting Interpretations Committee (IFRIC – formerly SIC) that were mandatory applicable per September 30, 2008 were complied with.

The Consolidated Financial Statements of telegate (the Group / telegate / telegate Group / the Company) are expressed in Euro. All values are rounded to the nearest thousand (kEUR) except when otherwise indicated.

The Consolidated Annual Financial Statements and the Management Report prepared as of December 31, 2007, were submitted to the operator of the Electronic Federal Gazette ("Betreiber des elektronischen Bundesanzeiger") and published in the Federal Gazette electronically ("eBAnz").

2 Summary of Significant Accounting Policies

The accounting policies adopted in the preparation of this Interim Consolidated Financial Report are consistent with those followed in the preparation for the Group's Annual Consolidated Financial Statements for the year ended December 31, 2007.

3 Future Changes in Accounting Policies

The following new and amended IFRS and IAS could have been adopted early. The Group did not opt for early adoption. Effects of these standards and interpretations are still being evaluated.

IFRS 3 *Business Combinations and* IAS 27 *Consolidated and Separate Financial Statements*

The main changes the revised IFRS 3 and amended IAS 27 will make to existing requirements or practise are:
Minority Interests are measured with the net identifiable assets or at fair value. In the case of step acquisition the goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired. Acquisition-related costs are generally recognised as expenses. Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRS, usually in profit or loss. Changes in the amount of holding that do not result in the loss of control are accounted for as equity transaction.

The revised IFRS 3 was published in January 2008 and is prospectively applicable to business combinations for which the acquisition date is on or after the beginning of the first annual financial period beginning on or after July 1, 2009. Earlier application is permitted, however, at the earliest at the beginning of an annual financial period that begins on or after June 30, 2007.

The amended IAS 27 was published in January 2008 and is applicable for annual financial periods beginning on or after July 1, 2009. Earlier application is permitted.
However, the earlier application of one of these two standards requires that the other standard also applies at the same earlier time.

IFRS 2 *Share-based Payment*

The revised standard mainly clarifies that vesting conditions are service conditions and performance conditions only. It also specifies that all cancellations, whether by the entity or by the employee, should receive the same accounting treatment.
The revised IFRS 2 was published in January 2008 and is applicable for annual financial periods beginning on or after January 1, 2009. Earlier application is permitted.

IAS 32 *Financial Instruments: Presentation*

The amendment to IAS 32 requires entities to classify types of financial instruments as equity, provided they have particular features and meet specific conditions.

The amended IAS 32 was published in February 2008 and is applicable for annual financial periods beginning on or after January 1, 2009. Earlier application is permitted.

IAS 39 ***Financial Instruments: Recognition and Measurement***

The amendment applies to hedging relationships (Eligible Hedged Items) in the scope of IAS 39.

The amendment to IAS 39 gives additional guidance on the designation of a hedged item and clarifies how the existing principles underlying hedge accounting should be applied in two particular situations. It clarifies the designation of a one-sided risk in a hedged item and inflation in a financial hedged item.

The amended IAS 39 was published in July 2008 and is applicable retrospectively for annual financial periods beginning on or after July 1, 2009. Earlier application is permitted.

IFRIC 15 ***Agreements for the Construction of Real Estate***

The interpretation IFRIC 15 will standardise accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units, such as apartment or houses, "off plan", in est before construction is complete.

The interpretation IFRIC 15 was published in July 2008 and is applicable retrospectively for annual financial periods beginning on or after January 1, 2009.

IFRIC 16 ***Hedges of a net Investment in a Foreign Operation***

The interpretation IFRIC 15 applies to an entity that hedges the foreign currency risk arising form its net investment in foreign operations.

The interpretation IFRIC 16 was published in July 2008 and is applicable for annual financial periods beginning on or after October 1, 2008.

4 Business combinations and acquisition of minority interests

Compared December 31, 2007, the scope of consolidation changed as at September 30, 2008 as follows:

Change of name of subsidiary

With effect from September 17, 2008, the former klickTel AG in Essen changed its name to telegate Media AG.

telegate Media AG (former: klickTel AG)

In the first quarter 2008, telegate AG acquired 14.12 % of the voting shares of telegate Media AG (former: klickTel AG). The investment was designated by the group as "at fair value through profit or loss"; it was accounted as non-current asset.
On April 01, 2008, telegate AG acquired additional 78.68 % of the voting shares of telegate Media AG (former: klickTel AG) and increased the shareholding up to 92.8 %.
At that time telegate AG obtains control of telegate Media AG (former: klickTel AG) which was first consolidated at that time in the scope of consolidation from the telegate group.
telegate Media AG (former: klickTel AG) is located in Essen (Germany) and operates as a leading provider of inter-media directories and yellow pages. Under the purchase price allocation performed as of the date of acquisition, all other identifiable assets and liabilities were recognized at their fair values.
This business combination was accounted for by applying the purchase method.

The fair value of the identifiable assets and liabilities of the acquired company as at the date of acquisition were:

in kEUR	Fair value as of the date of acquisition	Previous book value
Cash and cash equivalents	654	654
Trade accounts receivable	5,800	5,800
Other current assets	249	249
Total current assets	**6,703**	**6,703**
Intangible assets	32,504	1,206
Property and equipment	1,263	1,263
Deferred tax assets	305	305
Total non-current assets	**34,072**	**2,774**
Total assets	**40,775**	**9,477**
Trade accounts payable	388	388
Accrued liabilities	1,425	1,425
Current provisions	1,296	1,296
Other current liabilities	1,325	**1,325**
Total current liabilities	**4,434**	**4,434**
Non-current provisions	225	225
Defined benefit liabilities	37	37
Deferred tax liabilities	10,114	13
Total non-current liabilities	**10,376**	**275**
Total liabilities	**14,810**	**4,709**
Minority interest	1,889	
Net assets	**24,076**	**4,768**
Goodwill arising from acquisitions	6,838	
Total costs of business combinations	**30,914**	

Cash outflow due to the aquisition at the date of first consolidation

in kEUR	
Net cash acquired with the subsidiary	654
Cash paid	-28,837
Net cash outflow	**-28,183**

As a result of the purchase price allocation as at the date of acquisition the following intangible assets were identified:

Fair value at the date of acquisition

in kEUR	
Customer Base Advertising Sale	21,429
Customer Base Software/CD-ROM	8,872
Brand klickTel	997
Total	**31,298**

At the acquisition date the company had a customer base which is based on single contracts within the directory advertising business. However the customer base in the software business is based on existing contracts and also on long-term historical business development. The brand was advertised since 2002 and is mainly known in B2B business and internet.

The Group used the licence price analogy method (Methode der Lizenzpreisanalogie) and residual value method (Residualwertmethode) respectively to value the identified intangible assets. Management estimated the useful life of the intangible assets at 10 years. Amortisation was charged on a straight-line basis in accordance with IAS 38.97.

Deferred tax liabilities rise to 10,101 kEUR as a result of capitalization of further intangible assets at the acquisition date.
The total costs of the business combination at balance sheet date were 32,006 kEUR and comprise all costs directly attributable to the combination, including incidental acquisition expenses amounting to 472 kEUR which are mainly related to legal and consulting fees.

Due to additional acquisitions following the acquisition date telegate AG increased its voting shares up to 95.93 %. These acquisition costs which amounted to a total of 996 kEUR were paid. The difference of 171 kEUR between the consideration and the book value of the interest acquired, has been recognised in the position paid-in capital resulting in neither profit nor loss. The goodwill increased from 6,838 kEUR to 6,935 kEUR due to this transactions.

At September 30, 2008 the telegate shows minority interests in the amount of 1,013 kEUR.

telegate Media AG (former: klickTel AG) has contributed a gain of 4 kEUR to the net income of the telegate Group since its acquisition date.
The virtual case of the business combination since beginning of the fiscal year would cause a negative contribution to the net income in the amount of 810 kEUR and revenues in the amount of 15,882 kEUR of the telegate group.

5 Non-recurring expenses in context of the acquisition of telegate Media AG (former: klickTel AG)

The non-recurring expenses are 2,274 kEUR so far and were paid through transfer of cash and cash equivalents. These expenses are mainly shown in other administrative expenses.

6 Share-based payments

As at June 30, 2008 , the Company had granted 319,000 stock options within the stock option plan as of May 12, 2005 considering the resolution of the Annual General Meeting held on May 15, 2006.

Exercise price in EUR	Number of stock options	Weighted average remaining contractual life
11.01	319,000	2

These share-based payments are recognized in accordance with IFRS 2 “Share-based Payment“ in conjunction with IFRIC 8.

The Group used the Black Scholes option-pricing model to value the stock options granted.

The fair value of the stock options at the date of granting was as follows:

	Tranche 2008
Valuation date	June 30, 2008
Fair value of stock options (EUR)	2.00

The following parameters were used in the Black Scholes option valuation model:

	Tranche 2008
Average share price (EUR)	11.01
Exercise price (EUR)	11.01
Expected Volatility (%)	48.9
Risk-free rate of interest (%)	4.5
Expected dividends (%)	7.3
Expected life (years)	2.25

The expected volatility was determined by the average historic volatility of the market price of telegate shares based on a period of 2.25 years.
Management estimated the expected life of the stock options, considering the contractual life and special features of employee stock options, including non-transferability and exercise restrictions.

Within the first 9 months of the fiscal year 2008, total expense relating to share-based payment plan 2008 amounted to 101 kEUR.

7 Presenting the Consolidated Income Statement using the Conventional Cost of Sales Method

In accordance with IAS 1.88, an entity can present its income statement using either the Total Cost Accounting or the Cost of Sales method. telegate has opted to use the Cost of Sales method. The Company's method of presentation fulfils the minimum classification as prescribed by IAS 1.81 and 1.82. Additional items can also be included in the classification to extent these as required in order to shed further light on the enterprise's financial position (IAS 1.83).

External balance sheet users arguably prefer a presentation using the conventional Cost of Sales method. In order to cater for the needs of this group, the extended presentation used in the Consolidated Income Statement has been reconciled to the classification principles adopted in the conventional Cost of Sales method.

In the following the reconciliation of the results for the first 9 months of the fiscal year 2008 and 2007 respectively.

in kEUR	Extented costs of sales method 9M 2008	Reclassification	Cost of sales method (IAS 1.92) 9M 2008
Revenues	133,265	-	133,265
Cost of revenues	-57,927	-7,245	-65,172
Gross Profit (excl. depreciation and amortisation)	**75,338**	**-7,245**	**68,093**
Advertising costs	-14,971	-2,136	-17,107
Personnel costs (only administatration and marketing)	-19,293	19,293	-
Depreciation and amortisation	-7,527	7,527	-
Other administrative expenses	-11,750	-17,439	-29,189
Other operating income (expense)	6,154	-	6,154
Total operating expenses	**-47,387**	**7,245**	**-40,142**
Operating income	**27,951**	**0**	**27,951**
Interest income (expenses)	1,943	-	1,943
Gain (Loss) from financial assets and marketable securities	9	-	9
Gain (loss) on foreign currency translation	-1	-	-1
Financial income	**1,951**	**0**	**1,951**
Loss before income tax	**29,902**	**0**	**29,902**
Income tax - current	-9,203	-	-9,203
Income tax - deferred	-417	-	-417
Income tax expense	**-9,620**	**0**	**-9,620**
Net loss	**20,282**	**0**	**20,282**
attributable to:			
Equity holders of the parent	20,333	-	20,333
Minority interests	-51	-	-51

The following reclassifications were made as at September 30, 2008 in order to present the figures in accordance with the conventional Cost of Sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and are now reported under cost of revenues (7,245 kEUR) and other administrative expenses (282 kEUR).
2. Allocation of personnel costs between other administrative expenses (17,157 kEUR) and distribution costs (2,136 kEUR).

in kEUR	Extented costs of sales method 9M 2007	Reclassification	Cost of sales method (IAS 1.92) 9M 2007
Revenues	131,483	-	131,483
Cost of revenues	-52,686	-5,488	-58,174
Gross Profit (excl. depreciation and amortisation)	**78,797**	**-5,488**	**73,309**
Advertising costs	-20,305	-1,225	-21,530
Personnel costs (only administatration and marketing)	-14,062	14,062	-
Depreciation and amortisation	-5,855	5,855	-
Other administrative expenses	-8,295	-13,205	-21,500
Other operating income (expense)	134	-	134
Total operating expenses	**-48,383**	**5,488**	**-42,895**
Operating income	**30,414**	**0**	**30,414**
Interest income (expense)	986	-	986
Gain (Loss) from financial assets and marketable securities	613	-	613
Gain (Loss) on foreign currency translation	-1	-	-1
Financial income	**1,598**	**0**	**1,598**
Income before income tax	**32,012**	**0**	**32,012**
Income tax - current	-4,445	-	-4,445
Income tax - deferred	-2,278	-	-2,278
Income tax expense	**-6,723**	**0**	**-6,723**
Net income	**25,289**	**0**	**25,289**

The following reclassifications were made as at September 30, 2007 in order to present the figures in accordance with the conventional Cost of Sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and now reported under cost of revenues (5,488 kEUR) and other administrative expenses (368 kEUR).
2. Allocation of personnel costs between other administrative expenses (12,837 kEUR) and distribution costs (1,225 kEUR).

in kEUR	Extented costs of sales method Q3 2008	Reclassification	Cost of sales method (IAS 1.92) Q3 2008
Revenues	46,825	-	46,825
Cost of revenues	-20,299	-2,754	-23,053
Gross profit (excl. depreciation and amortisation)	**26,526**	**-2,754**	**23,772**
Advertising costs	-4,492	-777	-5,269
Personnel costs (only administatration and marketing)	-6,792	6,792	-
Depreciation and amortisation	-2,835	2,835	-
Other administrative expenses	-6,518	-6,096	-12,614
Other operating income (expense)	1,638	-	1,638
Total operating expenses	**-18,999**	**2,754**	**-16,245**
Operating income	**7,527**	**0**	**7,527**
Interest income (expense)	602	-	602
Gain (loss) from financial assets and marketable securities	-3	-	-3
Gain (Loss) on foreign currency translation	1	-	1
Financial income	**600**	**0**	**600**
Income before income tax	**8,127**	**0**	**8,127**
Income tax - current	-2,709	-	-2,709
Income tax - deferred	-1,156	-	-1,156
Income tax expense	**-3,865**	**0**	**-3,865**
Net income	**4,262**	**0**	**4,262**
attributable to:			
Equity holders of the parent company	4,330	-	4,330
Minority interests	-68	-	-68

The following reclassifications were made in the third quarter of 2008 in order to present the figures in accordance with the conventional Cost of Sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and are now reported under cost of revenues (2,754 kEUR) and other administrative expenses (81 kEUR).
2. Allocation of personnel costs between other administrative expenses (6,015 kEUR) and distribution costs (777 kEUR).

in kEUR	Extented costs of sales method Q3 2007	Reclassification	Cost of sales method (IAS 1.92) Q3 2007
Revenues	43,982	-	43,982
Cost of revenues	-17,470	-1,887	-19,357
Gross profit (excl. depreciation and amortisation)	**26,512**	**-1,887**	**24,625**
Advertising costs	-5,622	-387	-6,009
Personnel costs (only administatration and marketing)	-4,717	4,717	-
Depreciation and amortisation	-2,008	2,008	-
Other administrative expenses	-3,450	-4,451	-7,901
Other operating income (expense)	115	-	115
Total operating expenses	**-15,682**	**1,887**	**-13,795**
Operating income	**10,830**	**0**	**10,830**
Interest income (expense)	464	-	464
Gain (Loss) from financial assets & marketable securities	613	-	613
Gain (Loss) on foreign currency translation	-1	-	-1
Financial income	**1,076**	**0**	**1,076**
Income before income tax	**11,906**	**0**	**11,906**
Income tax - current	-2,242	-	-2,242
Income tax expense	**-2,242**	**0**	**-2,242**
Net income	**9,664**	**0**	**9,664**

The following reclassifications were made in the third quarter of 2007 in order to present the figures in accordance with the conventional Cost of Sales method.

1. Reclassification of depreciation and amortisation, which had previously been reported separately and are now reported under cost of revenues (1,887 kEUR) and other administrative expenses (121 kEUR).
2. Allocation of personnel costs between other administrative expenses (4,330 kEUR) and distribution costs (387 kEUR).

8 Related Party Disclosures

Business transactions between the Company and their subsidiaries that are considered to be related companies are eliminated on consolidation and are not disclosed in these notes.
Related companies include telegate Holding GmbH (Planegg), which holds a majority stake (61.13%) in telegate AG. All shares in telegate Holding are ultimately held by SEAT Pagine Gialle S.p.A. (Milan). 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>Services rendered or received:</u>

In the first 9 months 2008, telegate Italia, a wholly owned subsidiary of telegate AG, generated income of EUR 18.7 million from services rendered to the SEAT Group (2007: EUR 17.8 million). At the balance sheet date, telegate Italia reported receivables from the SEAT Group of EUR 6.7 million (2007: EUR 10.2 million) and liabilities of EUR 20.0 million (2007: EUR 18.9 million).

In addition, there is an accrued liability amounting to EUR 0.2 million (2007: EUR 1.0 million), representing a tax liability to the Italian tax authorities. However, as telegate Italia has formed a tax group for income taxes with the SEAT Group, this liability is now due to SEAT.

Fixed-term deposits

telegate AG has invested fixed-term deposits at SEAT Pagine Gialle S.p.A since February 2004. At the reporting date a total of EUR 47.0 million (2007: EUR 48.5 million) was deposited with SEAT. For the reporting period 2008, the interest income from this investment amounted to EUR 2.1 million (2007: EUR 0.9 million). As at the balance sheet date, EUR 0.3 million (2007: EUR 0.1 million) of this amount was deferred and reported as a receivable.

Transactions with Related Persons

As of September 30, 2008 three members of the Supervisory board of telegate AG are employees of SEAT group. Supervisory Board remuneration of 23 kEUR (2007: 27 kEUR) was due to this group of people, and an accrual was recognized for this amount in the financial statements.

9 Corporate Governance Code

In December 2007, in accordance with Section 161 of the German Stock Corporation Act, the Management Board and Supervisory Board jointly released their declaration of conformity with the Government Commission's German Corporate Governance Code. The exact wording is provided on the Company's website www.telegate.com.

Planegg-Martinsried, October 27, 2008

The Management Board

Corporate Structure telegate AG