

# **telegate Group: 6-Months Results 2008**

**Munich, July 31, 2008**

1. The “new” telegate:  
Transformation towards Local Search Provider
2. Financials HY1 2008
3. Business Development & Objectives

## Visible Progress made in H1 2008

### Highlights 1<sup>st</sup> half year

#### A. Transforming the Business Model

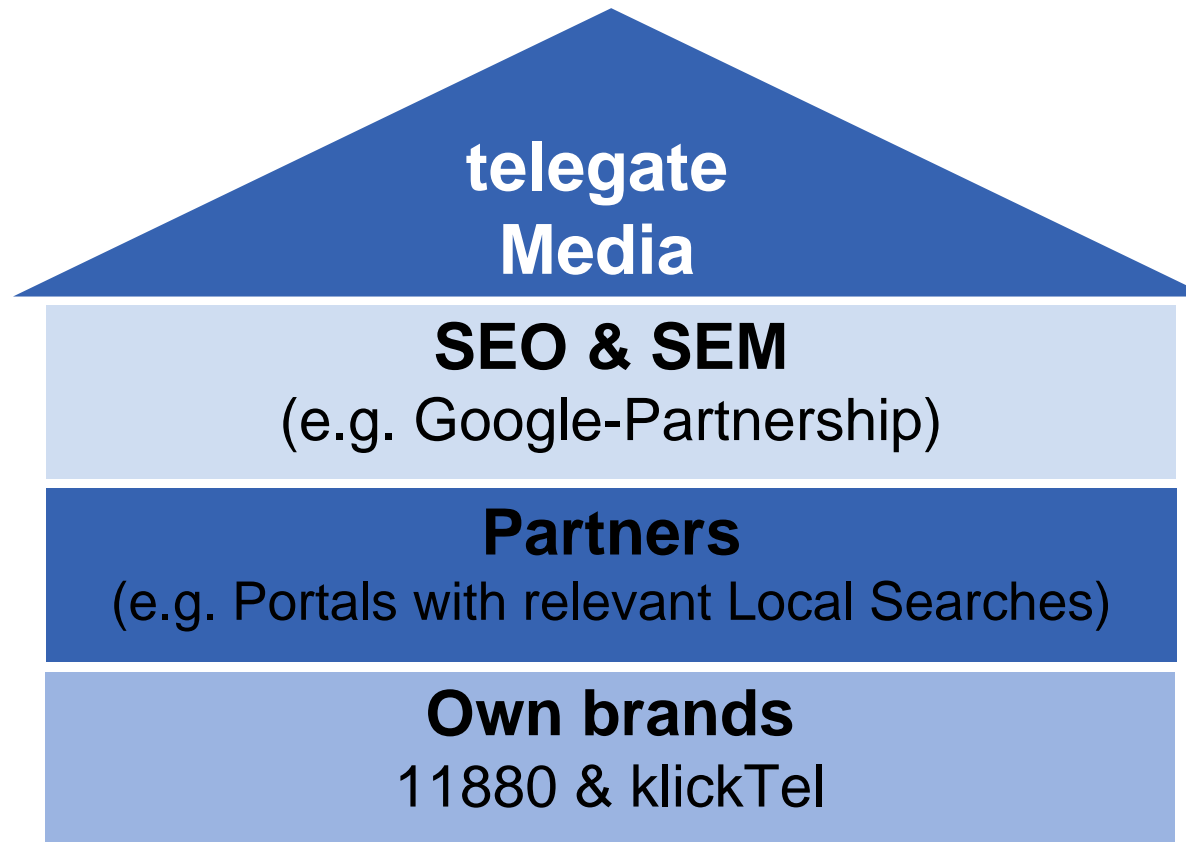
- **klickTel acquisition** to accelerate business strategy
- **Authorized Google Reseller partnership** in Germany to open further potential for telegate in German SEM & SEO market

#### B. Creating Shareholder Value

- **Data claims** in final phase; First court ruling on 5.5 m€ incl. interest in June

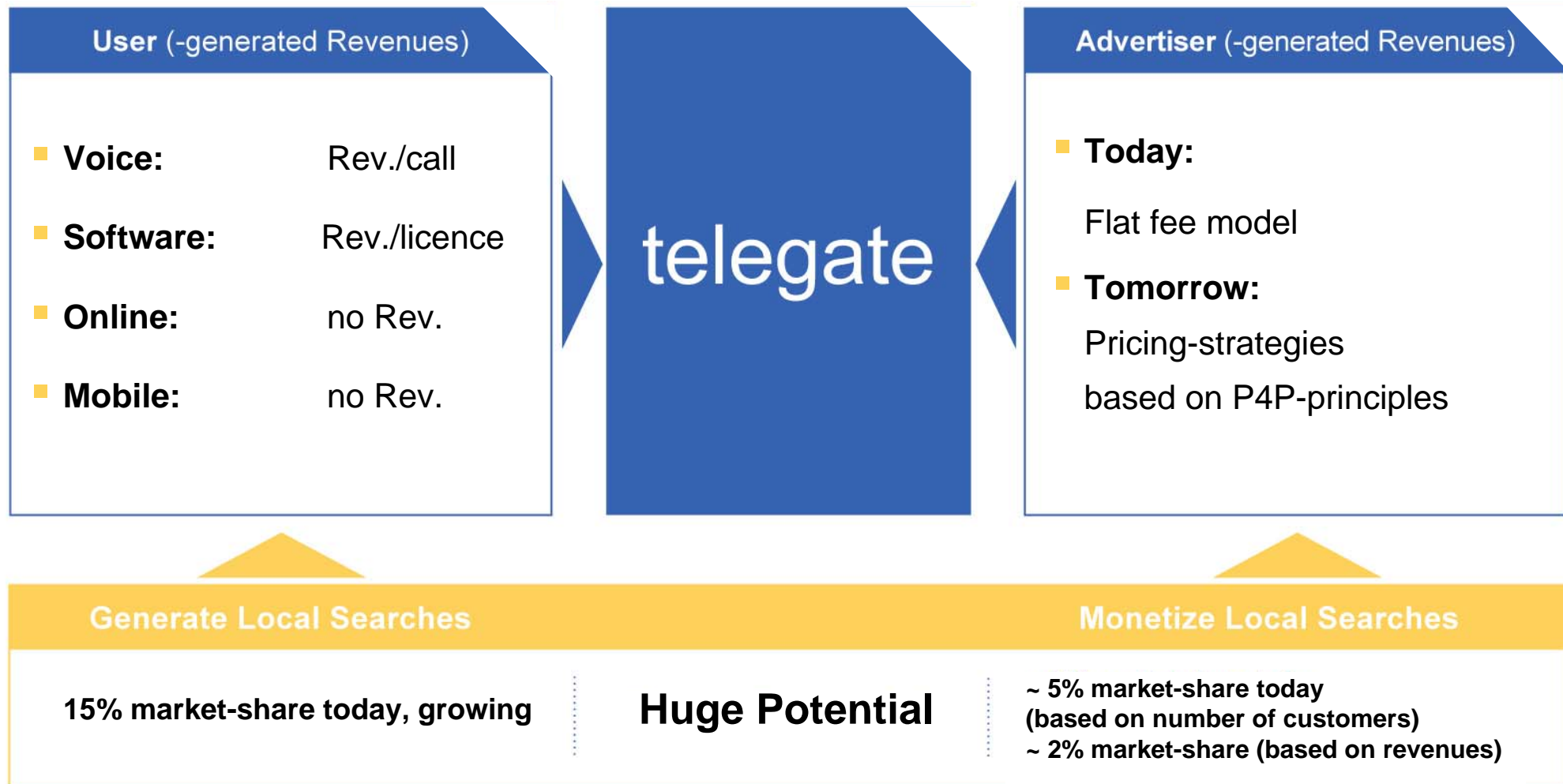
## Our Vision:

One-Stop Shopping for SME's Local Advertising needs!



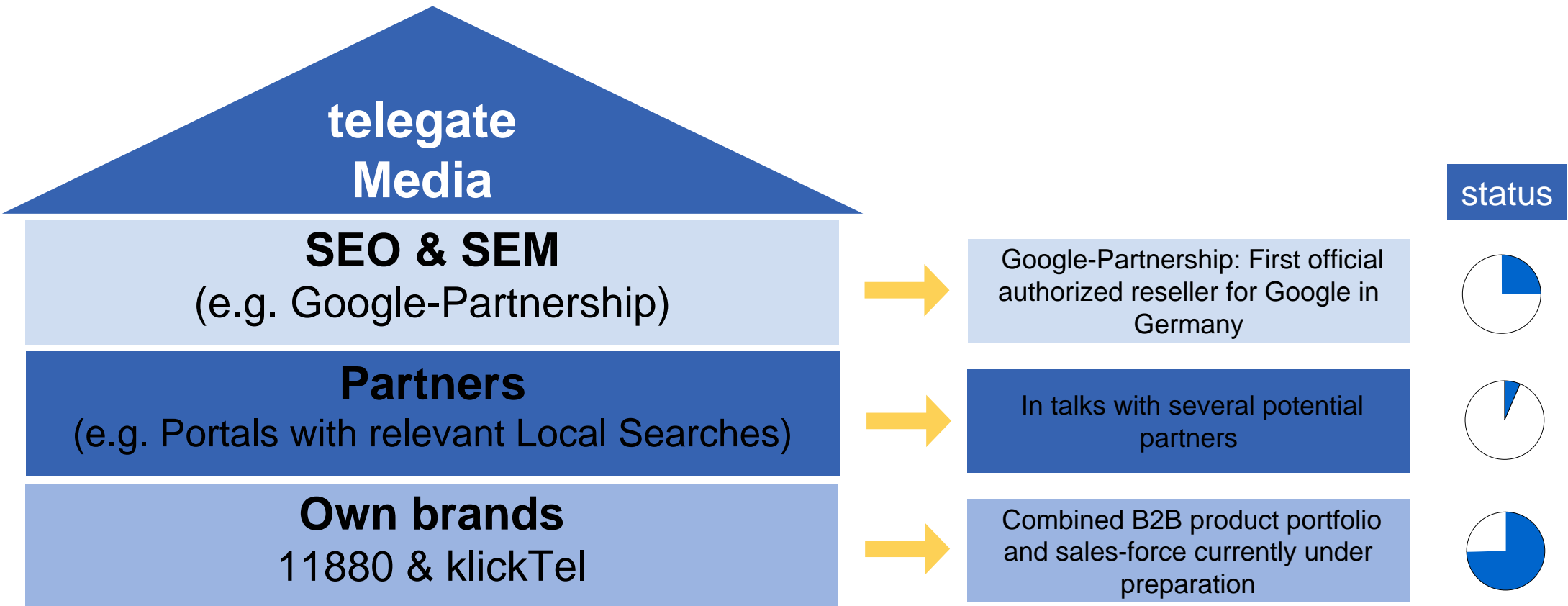
→ telegate Media guarantees customer coverage in all relevant media channels

# Our growth Potential: Monetize growing Local Searches towards Advertisers!



# Where are we today?

Step-by-step execution against our vision



## Transformation towards Local Search Provider: Main results achieved so far

### A. Implement a multi-channel offer to the user:

- Online-channel successfully launched in every country
- Growth of online-searches over-compensates decline in classic DA-searches
- German portal 11880.com rated several times #1 Local-Search-Portal
- In Germany, already about 50% of all searches originate from mobile platforms or via online

### B. Advertising-generated revenues as second revenue stream

- Monetization via sales force in place in every country, either via internal or partner sales force
- Within about 2 ½ years > 40.000 customers in Germany acquired with a current run-rate of advertising revenues of > 20 m€ p.a.
- One of the biggest sales forces dedicated to SME customers in Germany and most recently Google partnership provide excellent grounds for growth

# Transformation towards Local Search Provider

## Where we come from, where we want to go to - Summary

### A. User-Mix Germany

	Historically	Currently	By 2010
Online + Mobile	10 %	ca. 50 %	70 %
Voice + CD-ROM	90 %	ca. 50 %	30 %
Total searches p.a.	180 m	230 m	300 m

→ Total searches increase due to Online & Mobile searches

### B. Revenue-Mix Germany

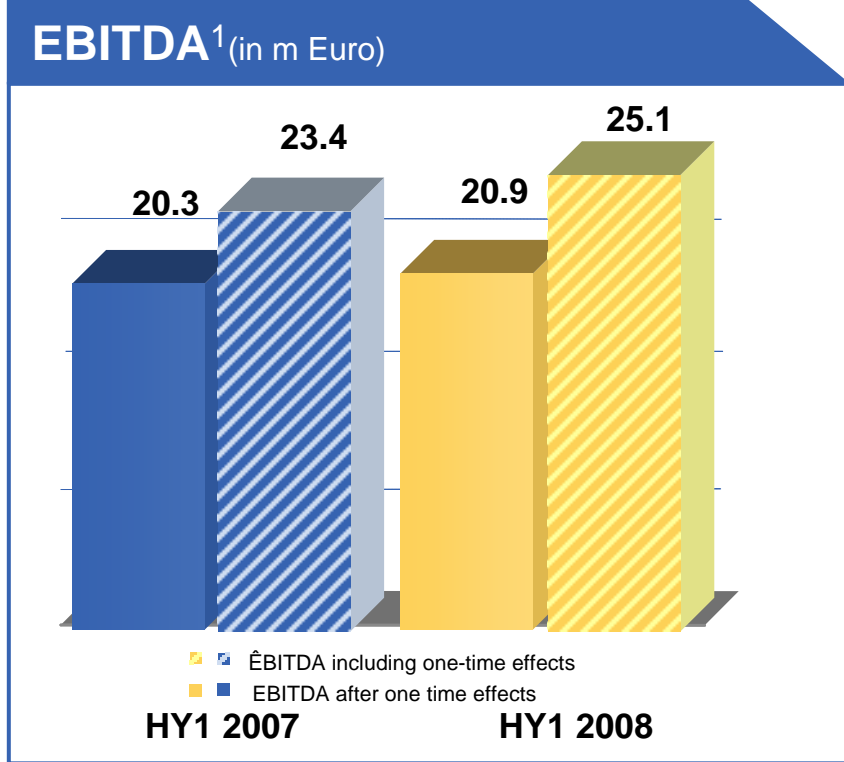
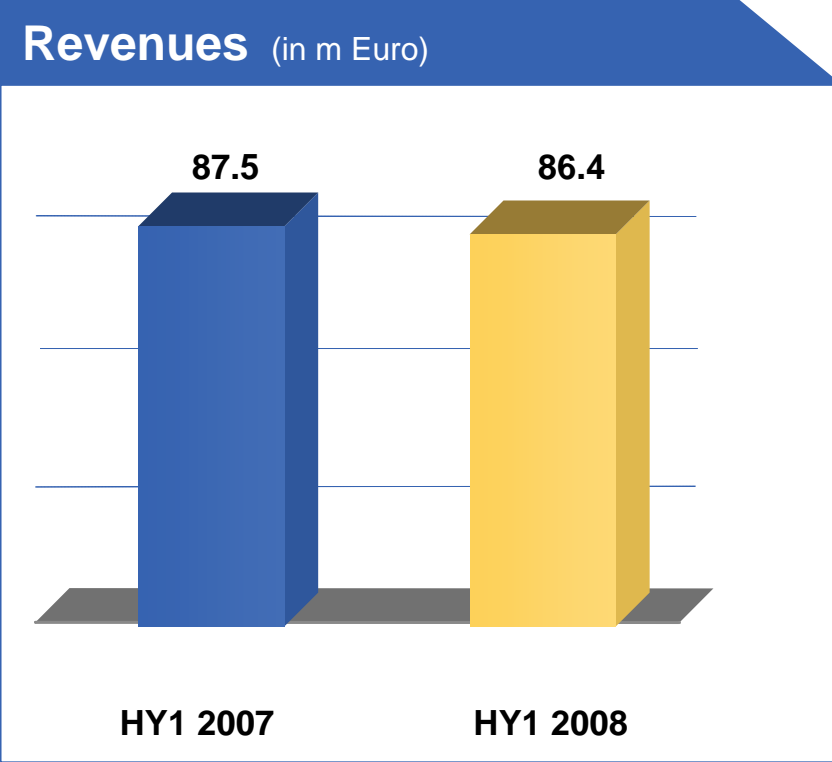
	Historically	Currently	By 2010
User-generated revenues	98 %	85 %	70 %
Advertising-generated revenues	2 %	15 %	30 %
Total revenues p.a.	115 m€	ca. 120 m€	>120 m€

→ Total revenues increase due to advertising-generated revenues

Source: internal data and GfK study

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# Top- and bottom-line first half 2008: Profitability ahead of internal expectations



<sup>1</sup> one time effects are: In '07: reduction of data risk provision +3.2 m Euro, in '08: kT-integration costs of -1.4 m Euro; income from data claim 5.5 m Euro

# Consolidated Profit and Loss Statement

in TEUR	Quarterly Report		6-Months Report	
	Q2 2008	Q2 2007	6M 2008	6M 2007
<b>Revenue</b>	<b>46,734</b>	<b>43,533</b>	<b>86,440</b>	<b>87,501</b>
Revenue DA solutions	41,105	42,995	79,693	86,513
Revenue Media	5,629	538	6,747	988
Gross profit	27,325	26,377	48,812	52,285
<i>Gross profit in %</i>	<i>58.5%</i>	<i>60.6%</i>	<i>56.5%</i>	<i>59.8%</i>
Advertising costs	-5,073	-6,664	-10,479	-14,683
Personnel costs	-7,447	-4,779	-12,501	-9,344
Depreciation and amortisation	-2,847	-1,919	-4,692	-3,847
Other administrative expenses	-2,607	-2,408	-5,232	-4,845
Other operating income	4,355	-104	4,516	19
<b>EBITDA before one-time effects</b>	<b>12,379</b>	<b>10,257</b>	<b>20,942</b>	<b>20,333</b>
<b>EBITDA after one-time effects</b>	<b>16,553</b>	<b>12,422</b>	<b>25,116</b>	<b>23,432</b>
<b>EBIT</b>	<b>9,532</b>	<b>8,338</b>	<b>16,250</b>	<b>16,486</b>
Income tax - current	-4,726	-87	-6,494	-2,203
Income tax - deferred	739	-2,278	739	-2,278
<b>Net income</b>	<b>10,226</b>	<b>8,376</b>	<b>16,020</b>	<b>15,626</b>
<b>Earnings per share (in Euro)</b>	<b>0.48</b>	<b>0.40</b>	<b>0.75</b>	<b>0.74</b>

# Extraordinary Impacts: klickTel & data claim

## A. Acquisition & Integration of klickTel

- Consolidation of klickTel AG within telegate group as of April 1
- Purchase Price Allocation as follows (summary):
  - Customer base
  - Brand
  - Tangible assets
  - Goodwill
- One-off expenses as of June 30, 2008: 1.4 m Euro

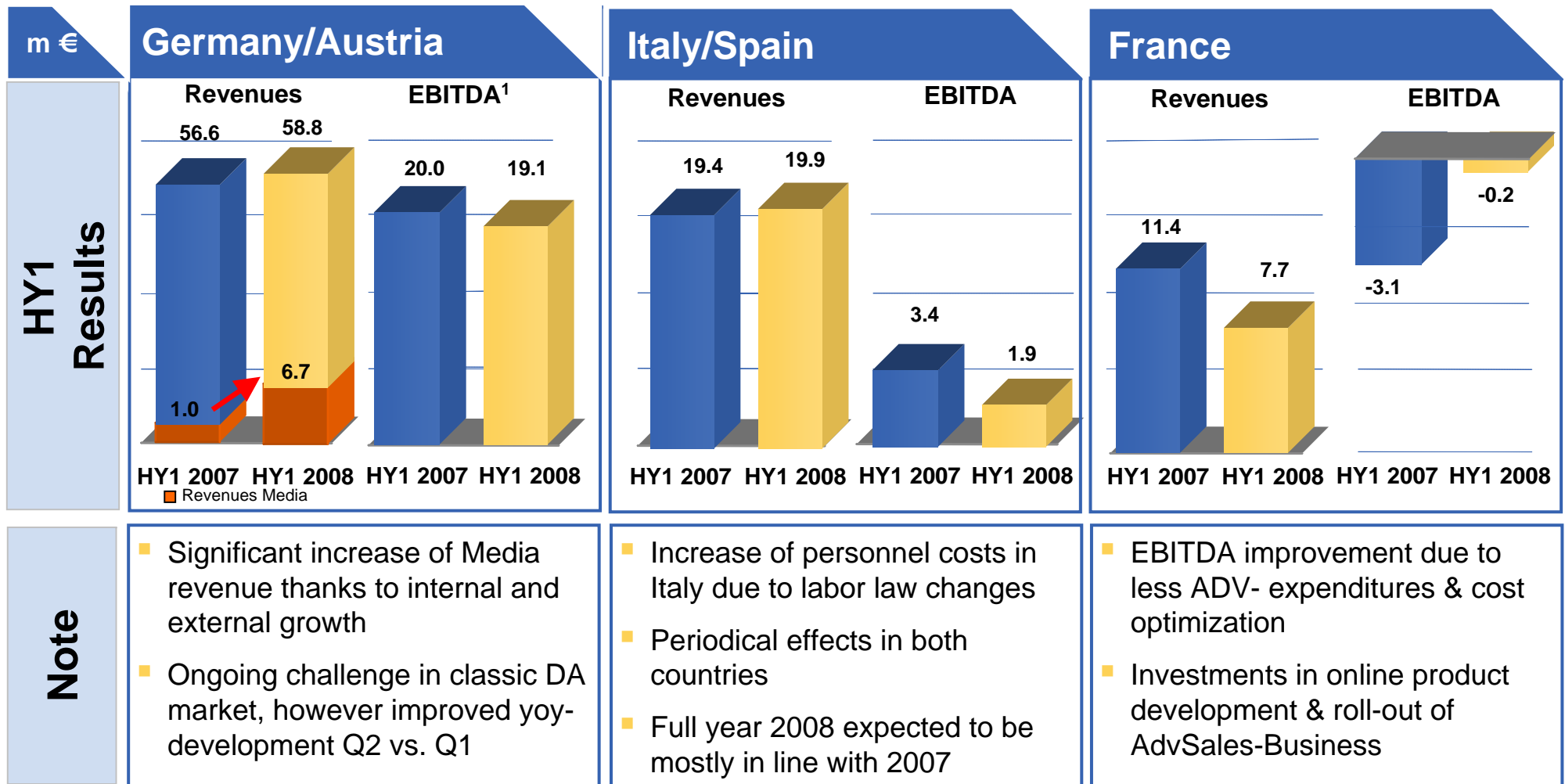
Annual amortization expense of about 3.1 m Euro

## B. Final court-ruling on data claim “4.25 m Euro + interest”

Last instance ruling has

- positive impact on P&L/EBITDA of total 5.5 m Euro in June/Q2
- positive impact on Cash Flow of 5.5 m Euro minus tax in July/Q3
- no direct impact on other two pending repayment claims of telegate AG & on repayment claim of klickTel AG (together about 100 m Euro incl. interest)

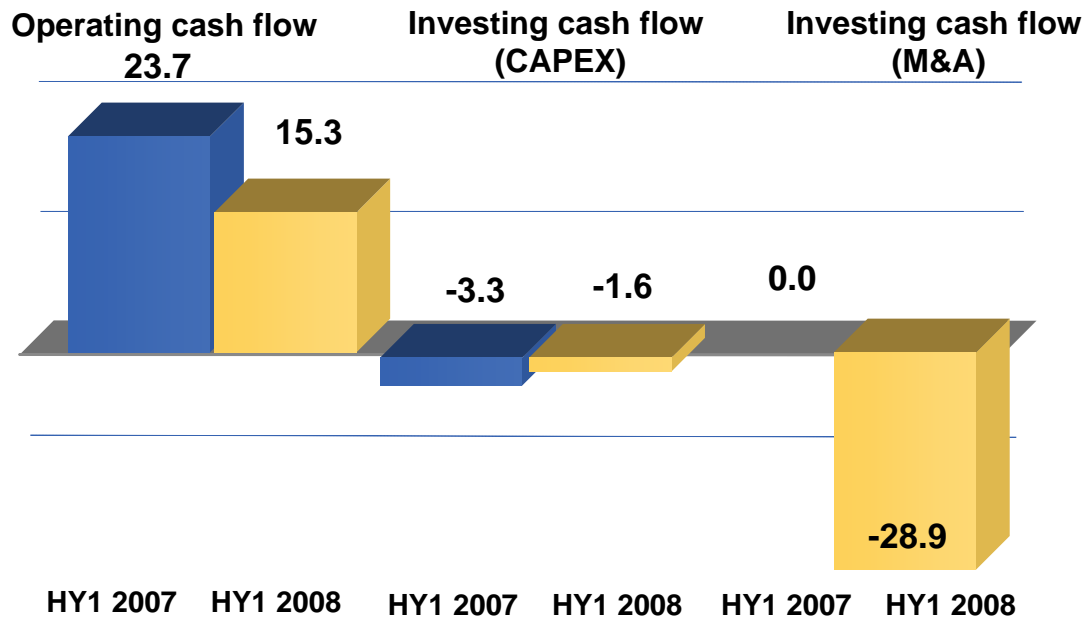
# Progress in German Advertising Sales Business despite challenging markets for Classic DA



<sup>1</sup> one time effects are: In '07: reduction of data risk provision + 3.2 m Euro, in '08: kT-integration costs of -1.4 m Euro; income from data claim 5.5 m Euro

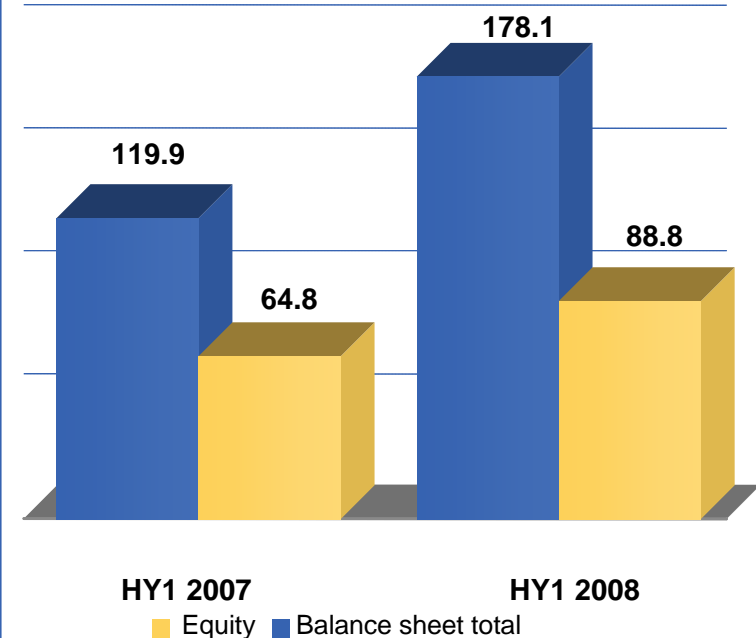
# Solid Free Cash Flow/Balance Sheet supports telegate's business strategy

## Cash Flow (in m Euro)



- Operating Cash Flow: extraordinary positive effect in 2007 in Working Capital; 2008: back to normalized level
- Investing Cash Flow: **CAPEX** 2008 below run rate
- Investing Cash Flow: outflow due to **klickTel acquisition** in 2008
- Payment of DTAG of 5.5 m€ for data-claim will positively impact Q3 Cash Flow

## Balance Sheet structure



- Net Financial Position (Jun 30, 2008): 38.1 m Euro
- Equity ratio (Jun 30, 2008): 49.9%

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# Consumer perspective:

## Steady growth of searches across all channels



### A. Voice & Software

- In **Germany** despite strong DA-market decline (about -20%) revenues DA only softened -6% due to positive counter-effects of comfort service calls and ARPU
- **klickTel's** directory solution (CD-ROM/Intranet) better than expected (< -10%)
- Call volume in **France** and **Spain** rather stable since start '08, despite further market-decline  
→ Searches from classic channels in decline, but revenue impact has been softened



### B. Online

- **France**: online offer with a very promising development; 118000.fr placed No.3 amongst local search portals within 1 year – over compensating DA-calls decline
- **Germany**: 11880.com + klickTel combined have more online searches than “Gelbe Seiten”
- **Spain**: After only 4 months 11811.es established as relevant Local Search Portal  
→ Searches from Online & Mobile Solutions with strong growth; In Germany, tg/kT already No. 2 Local-Search-Provider Online/Mobile behind Google

## Advertiser perspective: Advertising revenues in Q2 already with significant share

### A. Germany

- Following the klickTel acquisition 17% of German revenues in Q2 are advertiser-generated but still significant potential (cf slide 5)
- Combined offering tg/kT (B2B + B2C product portfolio, sales force) currently under preparation
- Step-by-step executing vs. our outlined vision of “one-stop shopping” for SME; latest success: Authorized Google Reseller → first in Germany

### B. France/Spain

- Comareg partnership in France in a nationwide roll-out, significant contribution to be expected as of Q4
- QDQ partnership in Spain behind expectation so far, ongoing improvement measures

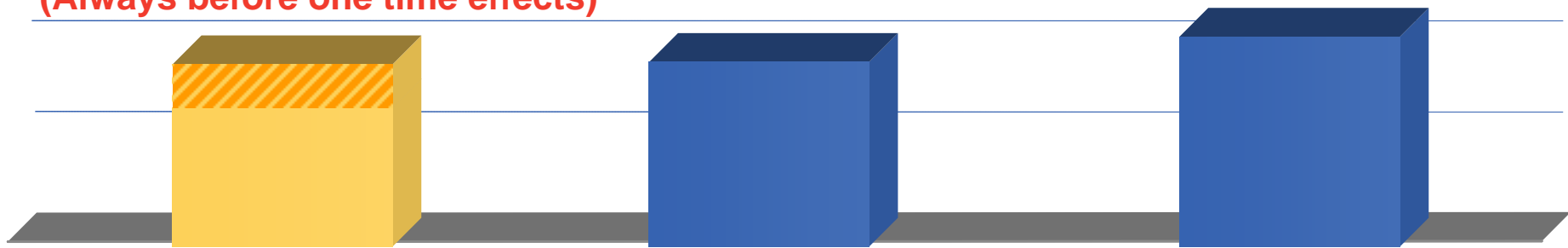
## Financial objectives:

Increasing guidance '08 based on strong 1<sup>st</sup> Half '08

### Business-Mix is driving profitability (EBITDA)

**So far: about 30 m€**  
**Now: between 30 – 35 m€**  
**(Always before one time effects)**

**back at structural profitability level of 2007 (slightly >40 m€)**



**additional contribution from data claims of min. 95 m€ expected**

#### 2008

- Voice DA: Decline in volumes, margin-pressure due to mix
- Investment to rapidly grow market-share in AdvSales-Business

#### 2009

- Decline of volume & margins DA-business from a lower base
- Higher contribution of AdvSales-Business
- kT-acquisition with positive profit contribution

#### 2010

- Further growth of AdvSales-Business
- kT-acquisition with significant profit contribution

# Contact telegate AG

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# Backup

## Consolidated Balance Sheet

in TEUR	Jun 30, 2008	Dec 31, 2007	Jun 30, 2007
<b>Assets</b>			
Cash & cash equivalents	38,085	66,778	26,514
Tangible, intangible & financial assets	65,126	25,452	27,510
Trade accounts receivable	63,350	49,614	53,573
Other assets	11,533	10,702	12,313
<b>Total Assets</b>	<b>178,094</b>	<b>152,547</b>	<b>119,910</b>
<b>Liabilities &amp; Shareholders' equity</b>			
Current liabilities	72,770	63,624	52,784
Non-current liabilities	16,495	2,353	2,324
Shareholders' equity attributable to the parent c	87,682	86,570	64,802
Minority interests	1,147	-	-
<b>Total liabilities &amp; shareholders' equity</b>	<b>178,094</b>	<b>152,547</b>	<b>119,910</b>

# Consolidated Cash Flow Statement

in TEUR	Jun 30, 2008	Jun 30, 2007
Net income before income tax	21,775	20,107
Depreciation & amortisation	4,692	3,847
Changes in operating assets & liabilities	-2,549	2,640
Income taxes paid	-2,144	-2,688
Other items	-6,466	-168
<b>Cash flows from operating activities</b>	<b>15,307</b>	<b>23,738</b>
Capital expenditures	-1,559	-3,281
Cash paid and received due to changes in consolidated group	-28,070	-
Acquisition of minority interests	-797	0
<b>Cash flows used in investing activities</b>	<b>-30,426</b>	<b>-3,281</b>
Proceeds from government grants	34	579
Received and paid interests	1,256	467
Dividends paid	-14,864	-13,642
Payments for issue of share capital		
Other items		
<b>Cash flows provided by (used in) financing activities</b>	<b>-13,574</b>	<b>-12,596</b>
<b>Increase in cash and cash equivalents</b>	<b>-28,693</b>	<b>7,861</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	<b>66,778</b>	<b>18,653</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>38,085</b>	<b>26,514</b>

# Overview Data-Claims

	Reclamation			Damages
Amount of telegate's lawsuits	telegate ./ DTAG 4.25 m EURO plus interest ✓	telegate ./ DTAG 52.04 m EURO plus interest	datagate ./ DTAG 30.52 m EURO plus interest	telegate ./ DTAG 86.0 m EURO plus interest
1 <sup>st</sup> instance (Regional Court of Cologne)	Sept 2001: positive ruling for DTAG	Aug 2005: positive ruling for telegate	Aug 2005: positive ruling for telegate	Oral proceeding will continue in Q4 2008
2 <sup>nd</sup> instance (Higher Regional Court Düsseldorf)	June 2005: positive ruling for telegate  June 2007: positive ruling for telegate	May 2007: positive ruling for telegate	June 2007: positive ruling for telegate  no revision allowed – DTAG is appealing against non-allowance	
3 <sup>rd</sup> and last instance (German Federal Court of Justice)	July 2006: passing back to Higher Regional Court Düsseldorf  June 2008: revision rejected	DTAG's appeal against this ruling		

Based on the rulings of:

- European Court, Nov 2004
- German Federal Network Agency (German Regulator), Aug 2005