

telegate group: 9-months results 2010

Munich,
November 9, 2010



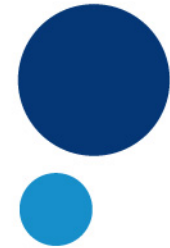
Agenda



- **The “new” telegate:**
 - **Transformation towards local search provider**
- **Financials 9-months 2010**
- **Business development & objectives**

Key milestones nine months 2010

Audience/B2C



Operational milestones in user's product development

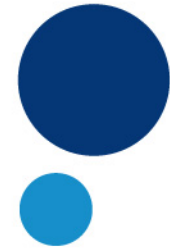
- **Voice/classic DA business:** successful Facebook penetration of 11 88 0 brand (> 2.500 supporters already); launch TV campaign based on user feedback
- **User reviews:** full integration of new service “Wer-kennt-den-Besten?” (“Who knows the best?”) into telegate’s online & mobile local search services
- **Mobile:** further extension of the market leading “klickTel” mobile platforms – now local search apps for iPhone, BlackBerry, Google Android, Windows Mobile and Palm; first steps into Augmented Reality with partner junaio
- **New Software Service:** automatic online updates for klickTel Software.

Strategic partnerships: with Vodafone, NOKIA and freenet getting started

- **Integration of 11 88 0 & klickTel search technology** into apps and POI of Vodafone Smartphones, Nokia Ovi Maps, freenet mobile platforms
- **Serving B2B-customers:** telegate extends reach for SME and delivers new leads for them.

Key milestones nine months 2010

Advertisers/B2B



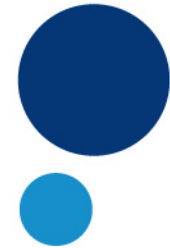
Operational milestones in Media business development:

- **Sales force:** with 500 media consultants build-up now essentially finished, well positioned for the German SME market; all urban target regions tapped
- **Roll out of new B2B-produkt “firmenWEBSITE”:** new website-producing-team established, good response from SME market (significant market opportunity!)
- **Multimedia product:** integration of SME company’s video clips into the new online offer „MEDIA Entry Premium“.

Key financial milestones of Media business after 9 months 2010:

- **Group’s 9 months Media revenues** increased by approx. 26% YoY (Q3 2010 vs. Q3 2009: +28 %)
- **Share of Media business of Group’s revenues** increased to now 24 % in Q1 - Q3 2010 (Q1 - Q3 2009: 18 %).

Agenda

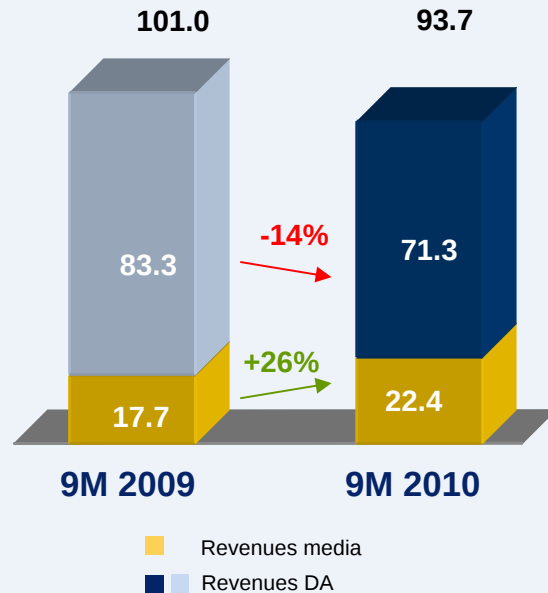


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Margin affected by investment to transform company into local search player

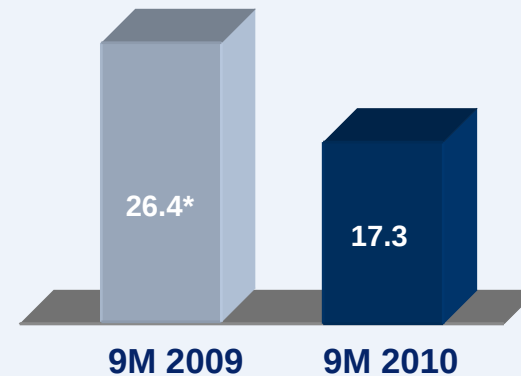


Revenues (in m€)



Ongoing decrease of classic DA has been partly compensated by revenue growth of Media business; Investment into Media business results in 26 % revenue growth, however at increased sales cost

EBITDA (in m€)*



Lower profitability following revenue decline & decrease of high margin DA business

Adoption of cost structure to midterm requirements → increase of sales force whilst reducing fixed cost

*before non-recurring items

Consolidated profit and loss statement

in kEUR	Quarterly Report		9-months report	
	Q3 2010	Q3 2009	9M 2010	9M 2009
Revenue	31.961	33.293	93.691	101.025
Revenue DA solutions	23.922	27.032	71.264	83.285
Revenue Media	8.039	6.261	22.427	17.740
Gross profit	17.822	20.737	52.120	61.912
Gross profit in %	55,8%	62,3%	55,6%	61,3%
Advertising costs	-2.873	-2.766	-7.647	-8.262
Personnel costs	-5.113	-6.116	-16.590	-18.191
Depreciation and amortisation	-2.377	-2.372	-7.204	-7.326
Other administrative expenses	-3.712	-3.770	-10.957	-11.389
Other operating income	89	1.810	338	2.054
EBITDA before non-recurring effects	6.213	8.348	17.264	26.370
EBITDA	6.213	9.896	17.264	26.125
EBIT	3.836	7.523	10.060	18.799
Current income tax	-1.662	-2.552	-5.172	-6.106
Deferred income tax	580	0	2.275	696
Income from continuing operations	3.260	5.512	8.745	15.032
Income from discontinued operations	8	416	2.425	-2.567
Net income	3.268	5.928	11.170	12.465
Earnings per share (in Euro)	0,15	0,28	0,53	0,59
Earnings per share (in Euro) for continuing operations	0,15	0,26	0,41	0,71

Revenue decrease DA lower in Q3 vs. YTD, revenue increase Q3 Media above HY1 growth

Margin decrease mainly due to business mix and increase of sales force Media

Focus on reducing the structural cost base, see also following slide

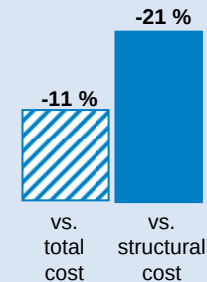
Gain from Italian subsidiary 2010 vs. loss from French subsidiary 2009

Continuously lowering the structural cost-base

Sizeable savings already have been achieved:

- Results visible in the P&L both in a Qtr/Qtr and YTD/YTD comparison
- Main contribution came from
 - Synergies following acquisition of klickTel AG
 - Reduction & variabilisation of SG&A costs
 - Merger of call center Schwedt during 2009

Structural cost savings
(based on end 2010) as % of
2008 cost base



Further areas of focus:

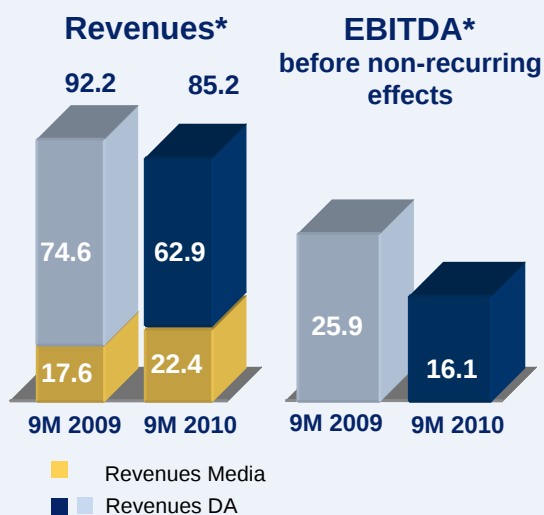
- Sale of Hannover location incl. outsourcing contract: as of October 1, 2010
- Outsourcing of IT-support: as of November 1, 2010
- Merger of call center Wismar with Guestrow and Rostock: during 2011
- SG&A cost
- Increased share of calls for Spain operated via outsourcer in Latin America

➔ Continuously lowering the cost-base as well as variabilisation of the cost-structure

Visible progress in company transformation in Germany, Spanish DA market decrease slightly softening

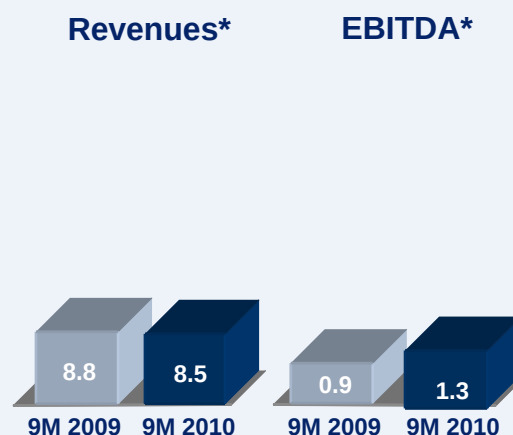


Germany/Austria



- Significant increase of Media revenues, higher growth rate than in HY1 2010 & 2009
- Market decline in classic DA only to minor extend compensated by higher RpC

Spain



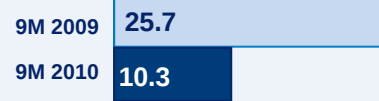
- Revenue decline softened after very difficult 2009
- Rigid focus on all cost-items led to even higher profitability vs. last year, however, mid-term trend of profitability is linked to top-line development

* in m€

Free cash-flow: HY2 catching up gap of HY1 as indicated

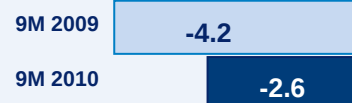
- During release of H1 financials we have indicated an expected FCF generation of 7.5 – 10.0 m€ in H2
- Q3 FCF-generation amounted to 8.7 m€ already

Operating cash flow (m€)



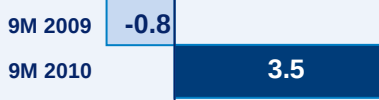
- Lower operating profitability (EBITDA) of ~9 m€
- Working capital influenced by -3.5 m€ for Media business

Investing cash flow (CAPEX) (m€)



- Reduced level of capital expenditures, following the completion of the integration of klickTel AG, as communicated already in past conference calls

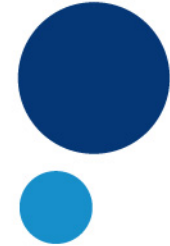
Investing cash flow (M&A) (m€)



- 2009: Cash-out for the increase of the shareholding in klickTel AG to 100%
- 2010: Sale of Italian business

- Net Financial Position of 57.9 m€ (30.09.10) vs. 60.8 m€ (30.09.09)

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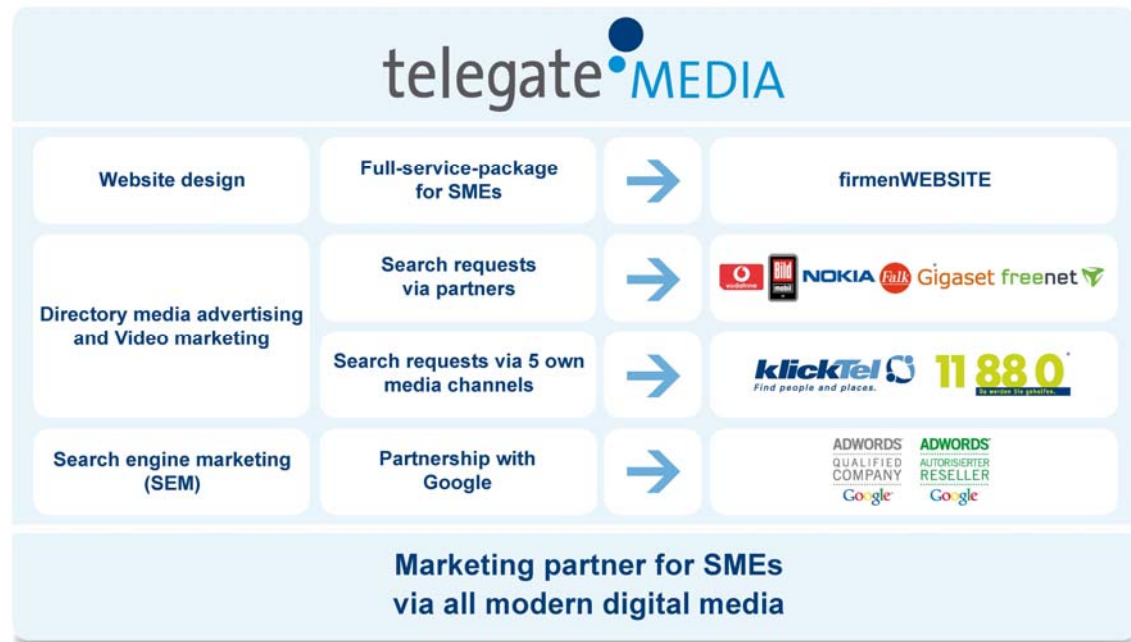
The growing digital marketing playground offers significant opportunities for telegate's sales force

The „digital playground“

for SMEs



- Many opportunities, but also challenges for SMEs as complexity is significantly increasing



* (€ 1.99/min, from the landline of Deutsche Telekom. Prices may differ from the mobile network, if applicable. Price of a SMS request only € 1.49 within the country (VF D2 share € 0.12)

- US trend is confirming that the role of “intermediates” which build “one stop shopping” solutions is becoming increasingly important
- Further extension of range of services for SMEs beyond 2010

Directory Assistance Solutions: Adopt business to the shift in user behaviour



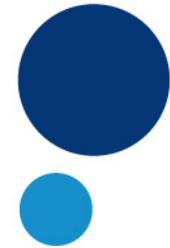
Focus on high quality of directory solution product

- Steady improvement of customer satisfaction and product development in voice and software products
- Effective marketing campaigns around “11 88 0 – memory aid” to support brand awareness and continue to slightly gain market share
- Potential of SMS-Connect (→ access to non-public mobile number linked with customer connection via SMS) to be expected during 2011

However, business will decline further

- Market decline rate of about 20% p.a. → will lead to capacity adoption of infrastructure
- Limited compensation in revenue per call, thus lower margin (diseconomies of scale) to be expected

Media: Develop telegate Media into the “one-stop shopping alternative” for SME’s in the digital world



Customer acquisition: Nationwide sales force dedicated to SME’s

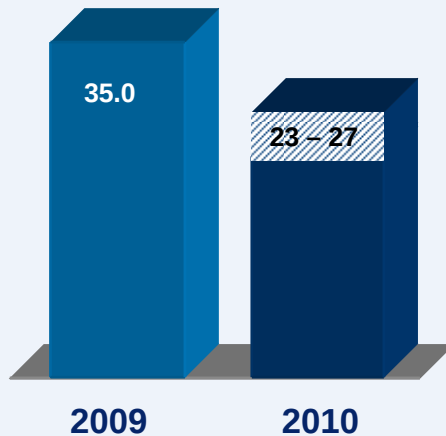
- Build up phase now essentially finalised, telegate will have a sales force of approx. 500 media consultants (telesales and field sales)
- Dedicated to SME’s advertising needs and digital Media product portfolio (currently: website, directories & SEM)
- Main focus – besides B2B product – will be sales force performance improvement

Customer retention: Increased focus moving forward

- Whilst in build-up phase we focused primarily on customer acquisition, we will enlarge our customer care portfolio in coming quarters. Central topic will be prove of leads to existing customers (“Return on Advertising”)
- In parallel we will further develop the organisation with a central function of “Customer Care” to improve customer satisfaction and thus retention

Business dynamics and profit guidance 2010

EBITDA¹ (in m €)



¹ Before non-recurring items

- Profitability affected by ongoing investment to transform the company into a local search player
- Given YTD performance as well as sale of Italian business, we expect to finish at the lower end of the stated profit guidance

Status: Data cost-proceedings DTAG

Reclamation claims

Federal Court decision 2009

- As expected the court has referred the case back to OLG Düsseldorf
- The court confirmed telegate's claim on the merits
- OLG Düsseldorf will have to take further evidence on the relevance and the actual costs of additional data which DTAG delivered
- BNetzA set a limit of future data cost for the entire market at 1.65 m€ (decision as of 09'2010)

Next steps

- Scheduling of hearings by OLG Düsseldorf

105 m € (incl. interest)²

Damage claims

Proceedings:

- 1st instance: 2nd oral hearing in February 2008 confirms our confidence in a positive ruling
- Claim set on hold – likely awaiting decision on reclamation claims

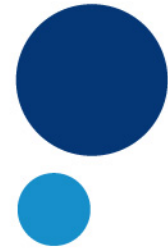
140 m € (incl. interest)

¹ incl. telegate Media AG

² 74 m€ net of tax; 12.3 m€ already paid by DTAG in 2007, no P&L impact yet

Contact telegate AG

Financial calendar



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March 10, 2010

Annual results 2010

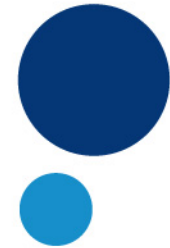
May 5, 2011

3-months results 2011

June 29, 2011

AGM

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Backup

Consolidated balance sheet



in kEUR	Sept 30, 2010	Sept 30, 2009
Assets		
Cash & cash equivalents	57.882	60.105
Tangible, intangible & financial assets	44.707	52.042
Trade accounts receivable	32.238	56.969
Other assets	10.853	16.459
Total Assets	145.680	185.575
Liabilities & Shareholders' equity		
Current liabilities	38.958	77.390
Non-current liabilities	13.107	14.564
Shareholders' equity attributable to the parent	93.615	93.621
Total liabilities & shareholders' equity	145.680	185.575

Consolidated cash flow statement

in kEUR	Sept 30, 2010	Sept 30, 2009
Net income before income tax	14.625	18.908
Depreciation & amortisation	8.163	11.497
Changes in operating assets & liabilities	-2.326	1.165
Income taxes paid	-3.320	-7.315
Other items	-6.858	1.404
Cash flows from operating activities	10.284	25.659
Capital expenditures	-2.633	-4.227
Acquisition/purchase of a subsidiary, net of cash acquired/purchased	3.505	158
Acquisition of minority interests	0	-952
Cash flows used in investing activities	872	-5.021
Transaction costs of share repurchase	-36	0
Dividend paid	-14.864	-14.864
Interests received	1.703	1.614
Interests paid	-12	-75
Cash flows provided by (used in) financing activities	-13.209	-13.325
Effects of exchange rates on cash	3	0
Increase in cash and cash equivalents	-2.050	7.313
Cash and cash equivalents at beginning of reporting period	59.932	53.461
Cash and cash equivalents at end of reporting period	57.882	60.774