

**Dear Sir or Madam,**

Are you personally satisfied with how 2011 has gone so far? Hopefully the answer is yes! telegate, however, has got off to a reasonably good start. Thus in the long lasting law suit against Deutsche Telekom for the repayment of excessive data costs, we have won a key battle in court that means that the former monopoly provider has to pay us back EUR 45 million (including interest). This ruling gives us renewed momentum for a favourable ruling in our EUR 52 million, excluding interest, repayment action ([more](#)). Furthermore, along with Google and other partners, in spring of this year we started the ONLINE MOTOR DEUTSCHLAND – an initiative designed to facilitate the entry of small and medium-sized companies into the world of digital marketing ([more](#)). In terms of operations, too, the first few months of the financial year were in line with expectations – it is especially pleasing to note that our Media business has grown by around 32 per cent. Read more about the business figures for the first quarter of 2011 [here](#).

But we are not completely finished with 2011 yet. We hope to be able to welcome you on 29 June 2011 in Munich to our Annual General Meeting (AGM) where we will present a review of the financial year 2010, a business outlook and our strategy for the future. Ahead of the AGM, you can read a short review of the financial year 2010 and our dividend recommendation [here](#).

We hope you enjoy your reading and wish you continued success in 2011!

**Your telegate Investor Relations Team****Financial year 2010: profit forecast fulfilled – dividend recommendation for AGM: 0.50 eurocent**  

telegate published its business figures for 2010 on 30 March 2011 ([more](#)). The financial year 2010 was again dominated by the transformation of our company to a promotional partner for small and medium-sized enterprises (SMEs). According to the final figures, the Group revenue totalled EUR 124.6 million compared with EUR 133.1 million in the previous year. While the earnings in the classic directory assistance business fell as expected by around 14 per cent from EUR 108.6 million to EUR 93.6 million, revenue from advertising sales services for small and medium-sized companies in the Media business segment grew dynamically by 27 per cent from EUR 24.5 million to 31.0 EUR million.

The positive impact of the transformation process is also evident in the proportion of group revenue accounted for by the promising Media business segment. It increased from 18 per cent in the financial year 2009 to 25 per cent. By the fourth quarter of 2010, the contribution to Group revenue was already 28 per cent. However, earnings before interest, taxes, depreciation and amortisation (EBITDA) and before non-recurring items fell – above all due to margin differences in the business divisions – from EUR 33.0 million to EUR 23.2 million and was thus, as anticipated, at the lower end of the forecast profit range of EUR 23 to 27 million.

This profit forecast also contained a contribution to earnings from the Italian business that was sold in 2010. The balance sheet and the liquidity situation continued to remain very solid in 2010. Thus the equity ratio increased slightly from 56.7 per cent in the previous year to 58.7 per cent as of 31 December 2010. As of this date, the debt-free telegate AG had net liquidity of EUR 48.8 million.

The annual group result after tax at EUR 7.3 million or EUR 0.35 per share did not quite match the previous year's values of EUR 16.1 million or EUR 0.76 per share. The Company's Management Board and the Supervisory Board will recommend to the Annual General Meeting to be held on 29 June 2011 in Munich, that in accordance with the trend in earnings a dividend of EUR 0.50 per share be paid out to the shareholders. Based on the balance sheet closing date this represents an attractive dividend yield of around 7 per cent.

## Related links:

[Press release](#)

[Annual report 2010](#)

**"Media business continues to grow dynamically – earnings forecast: EUR 13-18 million"**  

telegate has made good progress in the first quarter of 2011 in the transformation of its business model: The revenue of the Media business segment significantly increased compared with the year earlier period by 32 per cent up from EUR 6.5 million to EUR 8.6 million and now accounts for 30 per cent of total Group revenue (contribution in reference period: 21 per cent, contribution for year as whole: 25 per cent). In spite of the strong growth in revenue in the Media business segment, Group revenue at EUR 28.3 million was around 7 per cent below the year earlier value of EUR 30.4 million. This was due to primarily decreasing earnings in the classic information business, which generated EUR 19.7 million compared with EUR 23.9 in the previous year.

The dynamic growth in the advertising sales business resulted in an improved profit margin in the business area Media. However, this was insufficient to compensate for falling margins in the traditionally high profitable Directory Assistance business – therefore the overall Group result (EBITDA) before non-recurring items at EUR 3.8 million was below that for last year of EUR 5.4 million. The result after tax in the reporting period was EUR 1.4 million or EUR 0.07 per share compared with the previous year's values of EUR 1.7 million or EUR 0.08 per share.

The result for the quarter was within the range of the company's profit expectations for the year as a whole. The business will continue to be affected in 2011 by the downward trend in the highly profitable classic Directory Assistance business and by significant organic growth in the lower margin Media segment. Accordingly the Management Board continues to assume that for the year as a whole the EBITDA before non-recurring items will lie within the range of EUR 13 to 18 million forecast at the end of March, but will be significantly below that for the previous year (around EUR 23 million). For the financial year 2012 the company is for the first time expecting a stabilisation of earnings after four years of relative decline.

## Related links:

[Press release Q1 figures](#)

[Interim report Q1 2011](#)

**Data costs reclamation claims: Dt. Telekom has to repay around EUR 45 million – new momentum for the EUR 52.04 million reclamation claim**  

On 13 April 2011, a preliminary ruling was issued in the long-lasting legal action by telegate and its subsidiaries against Deutsche Telekom AG because of excessive costs for providing subscriber data. The Higher Regional Court (OLG) in Duesseldorf has ruled that Telekom must repay EUR 33.63 million in the two suits by datagate GmbH and telegate MEDIA AG. In addition to the reclaimed data costs the interest payable since the commencement of proceedings of around EUR 11.5 million also has to be paid. No appeal against the rulings was allowed. The rulings are not yet legally final.

Dr. Andreas Albath, Chairman of the telegate AG Management Board, comments on the current rulings: "Today marks a milestone in the long-lasting legal dispute with Deutsche Telekom. Even if the rulings are not yet legally final and the ruling on our largest law suit has been postponed, we believe that we are close to reaching our goal. After all the Duesseldorf OLG has now decided in our favour for the second time. We are therefore looking with great confidence to the judgment on the pending EUR 52 million suit by telegate AG, that contains further interest payable from the commencement of proceedings, which had to be postponed to 18 May 2011 due to the illness of a judge at the Duesseldorf OLG."

Subject to the success of the remaining action, telegate is expecting a further liquidity inflow from the reclamation claims of about EUR 60 million – taking into account a prepayment already made by Deutsche Telekom and tax liabilities.

## Related links:

[Special Announcement: The OLG \(Higher Regional Court\) Duesseldorf orders Deutsche Telekom AG to repay an amount of approx. € 45 m](#)

[Press release telegate AG „Deutsche Telekom has to repay approx. € 45 m – telegate expects a positive upcoming pronouncement of the judgment on the action of € 52.04 m“](#)

**Google and telegate give online startup help for German SMEs**  

Most people can no longer imagine life without the internet. Nine out of ten Germans now find out about products in the internet before later buying in the store. However a surprising 40 per cent of small and medium-sized companies in Germany do not even have their own website yet. And German SMEs invest 75 per cent of their annual marketing budget in expensive printed media promotion instead of effective online marketing – that is the result of the study only recently commissioned by telegate conducted by GfK/psyma entitled "Mittelstand und Werbung" [SMEs and marketing] ([more](#)).

In order to address this discrepancy between user and marketing behaviour in the German SME sector, an SME initiative has been launched by Google named "ONLINE MOTOR DEUTSCHLAND": In ten German cities, in the period between April to October 2011, small and medium-sized companies will be able to find out all about "online marketing" at information events and make use of a wide range of free services from a total of eleven partners from the public and private sectors. As a marketing partner for SMEs and a specialist in digital commercial promotion, telegate MEDIA will contribute the "MEDIA Eintrag Light" [MEDIA entry light] for German companies. In addition, as an authorised Google adwords reseller, telegate manages the booking and campaign advice for the AdWords vouchers of the "OMD" participants.

The initial experience of telegate sales with the OMD is positive. The media presence of ONLINE MOTOR DEUTSCHLAND is big and helps with sales: The initiative is backed by a broadly based advertising and PR campaign in the regional and national newspapers and a large media response in specialist and business media.

## Related links:

[Website online-motor-deutschland.de \(german only\)](#)

**Analysts**  

Institute	Analyst	Recommendation	Target price (€) new	Target price (€) old	Date
Hauck & Aufhäuser	Thomas Wissler	hold	8.80	7.50	14/04/2011
Silvia Quandt	Jacques Abramowicz	buy	8.75	13.00	09/03/2011
GSC	Roland Pumberger	buy	10.00	11.20	10/09/2010

**Financial Calendar**  

<b>AGM 2011</b>	June 29, 2011
<b>6-months results 2011</b>	August 11, 2011
<b>9-months results 2011</b>	November 08, 2011

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