

Letter from the Management Board

Dear shareholders, customers and business partners,

The first half of the 2013 financial year once again was very eventful for telegate. Not least because of this, we would first like to use this opportunity to make an official apology to all of our company's investors for the postponement of the annual general meeting. Since our majority shareholder Seat Pagine Gialle informed us at the last moment that they could not agree to the proposed dividend payment of EUR 2.00 per share on 5 June 2013, we had no choice but to act in the interests of all of our shareholders and therefore postpone the meeting by several weeks. This decision has strongly been influenced as well by the notice of Seat Pagine Gialle that they likely would be able to agree to the dividend distribution later on. The annual general meeting at which a vote will be taken on the dividend payment will now take place on 27 August 2013. This meeting has already been convened.

One key step we were able to take in the first half of 2013 was the sale of telegate's Spanish business operations. We had already announced our intention to sell this business last year, provided that we would be able to find an appropriate buyer. On 7 June 2013, we finally found this buyer in Titania Corporate S.L., a Spanish telecommunications and Internet company. After having disposed the French and Italian subsidiaries over the past years, this divestment now marked the last step of our strategy to fully focus our effort on the German market. This focus on our home market is a sound, important strategy, since the German market offers exciting opportunities of which we intend to take advantage with our significantly extended product portfolio.

Over the last six months, we have also been working on bringing this range of products to market maturity and establishing it within our sales team as an integral part of our portfolio. Small and medium-sized enterprises in Germany now benefit from an all-in-one package that offers them maximum savings in terms of time and expenditure. From the Internet presence to the mobile website and regular performance analysis of the budget deployed, telegate acts as an advertising partner to ensure the optimum online profile for smaller businesses. The new "My Offer" product is an add-on to the online package that enables advertisers to respond spontaneously to occasional buyers with short-term specials, whilst simultaneously offering consumers in Germany the opportunity to make huge savings during their day-to-day activities. We are firmly convinced that this wide range of new products for small businesses fully and optimally exploits the opportunities for addressing potential new customers. Simultaneously, we give our business customers a full breakdown of the effectiveness of their invested advertising budget and can suggest optimisations if required. This makes us the ideal partner for regional advertising in the German market.

Over the next six months, we will be focusing on achieving break-even on a full cost basis in our media business by the end of 2013. We are confident to realize this target as our product packages offer high benefits for business customers as well as for consumers. The continuous increase of customer retention underlines our assessment.

We appreciate your continued support in this endeavour and thank you for your trust in us.

Planegg-Martinsried, July 31, 2013



Elio Schiavo
Chief Executive Officer



Ralf Grüßhaber
Chief Financial Officer

Key Financial Figures

in m Euro	6M 2013	6M 2012	Variance absolute	Variance in Percent
Revenues & profit Group				
Revenues	37.0	45.1	-8.1	-18%
EBITDA ¹	3.1	5.3	-2.2	-41%
EBITDA ¹ before non-recurring items	5.2	7.5	-2.3	-30%
Non-recurring items from data cost claims	0.4	0.0	0.4	-
Non-recurring items from adaption of structural costs	1.7	2.2	-0.5	-23%
Net income	-2.0	-0.8	-1.2	150%
Details Segment Germany / Austria				
Revenues Media	15.8	17.4	-1.6	-9%
EBITDA ¹ before non-recurring items Media	-2.1	-3.2	1.1	34%
Revenues Classic DA	21.2	27.7	-6.5	-24%
EBITDA ¹ before non-recurring items Classic DA	7.4	10.7	-3.4	-31%
Balance Sheet				
Balance sheet total	125.8	84.6	41.2	49%
Cash & cash equivalents	82.4	29.1	53.3	183%
Equity	99.1	53.2	45.9	86%
Equity ratio (in percent)	79%	63%	-	-
Cash flow				
Operating Cash flow	-7.2	-1.6	-5.6	-343%
Operating Cash flow adjusted by effects from data cost claims	0.3	-1.6	2.0	-
Net Cash flow ²	-63.8	-3.3	-60.6	-
Net Cash flow ² adjusted by effects from data cost claims & purchase of financial assets	-3.3	-3.3	-0.1	-2%
KPI telegate share				
Earnings per share (in Euro)	-0.10	-0.04	-0.06	-150%
Share price ³ (in Euro)	7.88	5.80	2.08	36%
Market capitalization	150.7	110.8	39.8	36%
Employees				
Number of employees ⁴	1,181	1,405	-224	-16%

¹ Earnings before interest, tax and depreciation

² Operating CF + investing CF +/- interest income/expenses

³ XETRA-closing prices as of last trading day

⁴ Headcount as of June 30

Management Report

In summary: 6-month report 2013

Development of telegate's business in the first six months lies within expected parameters and reflects the company's realignment. Operating business continues to focus on improving customer satisfaction and margins in the Media division. A significant event in the second quarter consisted of the disposal of the two wholly-owned Spanish subsidiaries 11811 Nueva Information Telefonica S.A.U. and 11850 Guias S.L., effective 7 June 2013. In line with this development, the Spanish subsidiaries are now shown as "discontinued operations". The sale of the business in Spain will now allow telegate AG to concentrate fully on the opportunities and potential in its domestic German market.

In the first 6 months, the Media division achieved a significant 34 percent improvement in terms of earnings (EBITDA) before non-recurring effects. Primary contributory factors here included a smaller yet more efficient sales team, plus a higher level of customer satisfaction combined with an optimised cost structure. Designed to safeguard longer-term gains, these actions lowered revenue in the reporting period as expected by 9 percent – although the decline in the second quarter was -7 percent and thus already lower than the first-quarter figure of -11 percent. The most important indicator of improved customer satisfaction is the contract termination rate, which has continued its significant downward trend from last year.

Revenue in traditional directory assistance business declined further, as expected. The effects of the company's realignment can also be seen in Media's share of total revenue. The Media division now contributes 43 percent to overall revenue: by mid-year last year, this figure was still only 39 percent.

Following the pattern of previous quarters, the margin differences for the two divisions – traditional directory assistance and media – led to an overall decline in profitability. Consolidated earnings (EBITDA before non-recurring effects) from continuing operations after 6 months was in line with the earnings forecast, which, following deconsolidation of the Spanish business, has now been adjusted from € 11–13 million to € 10–12 million.

Financial situation

Financial performance

Consolidated revenue in the first six months was € 37.0 million, down 18 percent from the previous year's figure of € 45.1 million. The decline in revenue for the traditional directory assistance business was 24 percent and thus comparable to figures seen in previous years. Year-on-year, revenue from the Media business has declined by 9 percent, with the decline having slowed in the second quarter. The decline in Media revenue is due to an increased focus on greater sustainability and efficiency in the sales process. As a result, revenue per sales employee was up considerably year-on-year despite a reduction in sales capacity. The tangible improvement in the business's profitability shows that this strategy is the right one.

Adjusted for non-recurring effects, the consolidated cost of sales was € 16.6 million in the first half of 2013 and has decreased year-on-year by 9 percent (previous year: € 18.3 million). This is primarily due lower capacity costs in traditional voice-based directory inquiries as a result of consolidating Stralsund's call centre operations with Rostock and Neubrandenburg. The disproportionately low cost savings in terms of cost of sales on account of the downturn in revenue triggered a decline in the gross profit margin adjusted for non-recurring effects from 59 to 55 percent.

Selling and distribution costs adjusted for non-recurring effects again declined significantly, by 22 percent from € 18.9 million to € 14.7 million. The primary reason for this welcome development is to be found in reduced expenditure on advertising and marketing, alongside reduced sales personnel costs in the Media division resulting, among others, from the reduction in sales employee numbers.

General administrative expenses adjusted for non-recurring effects decreased by € 0.3 million from € 6.2 million to € 5.9 million in the first six months.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) from continuing operations adjusted for non-recurring effects decreased from € 7.5 million to € 5.2 million. It should be noted that sales commission is now capitalised (both in the current and the previous reporting period). Non-recurring effects in the first six months of 2013 totalled € 2.1 million (previous year: € 2.2 million). These include non-recurring effects from structural cost adjustments of € 1.7 million (previous year: € 2.2 million) plus expenses for data cost litigation of € 0.4 million (previous year: € 0.0 million).

Earnings after taxes amounted to € -2.0 million compared to € -0.8 million of the previous year. This also includes the earnings from the discontinued operations in Spain, which was € -0.3 million (previous year: € -0.5 million).

Financial position and cash flows

Investments

Investments in the first half of 2013 totalled € 2.7 million (previous year: € 1.5 million). Acquisitions, which rose as planned year-on-year, are related to the modernisation of the technology used in voice-based directory assistance services. The company is currently migrating its entire technology to a state-of-the-art IP-enabled system. Over the next years, investments in this field will therefore be significantly lower again. One should bear in mind that the figure for total investments in the first six months also includes capitalised sales commission.

Balance Sheet

As of 30 June 2013, total assets amounted to € 125.8 million, showing a marked year-on-year increase of € 41.2 million (30 June 2012: € 84.6 million) primarily as a result of the successful data cost litigation.

On the asset side of the statement of financial position, current assets rose by € 47.1 million to € 102.4 million (30 June 2012: € 55.3 million). This is largely the result of the successful outcome of data cost litigation in the second half of 2012. The decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume.

Non-current assets decreased by € 5.9 million to € 23.4 million (30 June 2012: € 29.3 million). Alongside a decrease in intangible assets, this figure also reflects a reduction in deferred tax assets. The latter is due to the utilisation of telegate Media AG's losses carried forward as part of the proceeds from data cost litigation.

Liabilities decreased by € 4.7 million to € 26.7 million (30 June 2012: € 31.4 million). The main reason for this change stems from the reduction in current liabilities by € 6.4 million. This sum reflects on the one hand the derecognition through profit or loss of a liability vis-à-vis Deutsche Telekom due to the successful outcome of data cost litigation (Deutsche Telekom conditionally transferred around € 12 million in 2007; this became final in 2012). Also reflected is an increase in liabilities due to the rise in provisions for income tax expenses in connection with the successful outcome of data cost litigation from the previous year.

Equity increased significantly by € 45.9 million to € 99.1 million (30 June 2012: € 53.2 million). On the reporting date of 30 June 2013, net retained profits were € 43.7 million (30 June 2012: € -22.4 million); they are mainly due to proceeds from data cost litigation. On the reporting date of 30 June 2013, the equity ratio was 78.8 percent (30 June 2012: 62.9 percent; 31 December 2012: 70.2 percent).

Cash flow & financing

Cash flow from operations in the first six months 2013 amounted to € -7.2 million, compared to € -1.6 million during the prior-year period. Adjusted for cash effects from data cost litigation (almost exclusively affecting 2012 tax payments), cash flow from operations in the first half of 2013 was € 0.3 million and therefore around € 1.9 million higher year-on-year (previous year: € -1.6 million). Since the impact of annual payments – such as prepayments for the full financial year or employee bonus payments – is felt more strongly in the first half of the year, cash flow from operations in this period tends to be lower than that in the second half-year.

In the first six months, the cash flow from investments was € -56.7 million; this compares the previous year's figure of € -1.9 million. The difference is mainly due to the acquisition of securities in the amount of € 53.0 million (previously liquidity was invested in cash and cash equivalents). Adjusted by the purchase of securities the cash flow from investments amounted to € -3.7 million. This was mainly the result of payments in connection with the modernisation of the infrastructure used for voice-based directory assistance services. This contrasts with an inflow of cash of € 0.6 million from the sale of the Spanish operations in June.

The cash flow from financing activities was € 0.1 million in the first six months (previous year: € -6.4 million). The difference results from a dividend payment in the previous year, which has not yet been executed due to the postponement of the 2013 Annual General Meeting.

Net cash flow (cash flow from operations + cash flow from investing activities +/- interest income/expenses) amounted to € -63.8 million in the first six months of 2013 after € -3.3 million in the previous year. Adjusted for non-recurring effects from data cost litigation and the reclassification of € 53.0 million to current assets, the figure for the first six months of 2013 is € -3.3 million (previous year: € -3.3 million).

On 30 June 2013, cash and cash equivalents and financial assets amounted to € 82.4 million, representing a significant improvement of € 53.3 million compared to the previous year's figure (30 June 2012: € 29.1 million; 31 December 2012: € 93.3 million).

Segment report

Germany/Austria

The mobile Internet use continues to get more and more important. As shown by the "SME and Advertising Part 3" report commissioned by telegate AG in May 2013, around 40 percent of small and medium-sized enterprises are now using the mobile Internet. The trend also suggests that Internet usage via mobile devices will continue to gain in popularity over the next few years. One fact of special importance for telegate is the Top 3 placement of telegate brands 11880.com and klicktel.de among mobile search apps utilised by small and medium-sized businesses. From here, it's just a small step to exploitation by this kind of company: if they believe local search apps offer key benefits, then – especially in a local context – SMEs will be easier to recruit for mobile advertising. As a competent marketing partner, telegate can continue to offer SMEs further potential for future growth in this area.

The second quarter also continued the trend of achievements in terms of improved customer satisfaction and thus improved customer loyalty. The most important key indicator in this context – the contract termination rate – showed positive development over the first six months, recording a substantial 26 percent decline year-on-year. In this context, it is also very pleasing to see that it was also possible to once again increase the number of new customers signing up to a contract with a 24-month term. In the first half of 2013, 65 percent of our new customers signed a 24-month agreement. This compares to 39 percent in the prior-year period.

In the reporting period now ended, revenue in the Media division declined by 9 percent to € 15.8 million (previous year: € 17.4 million). The Media business now accounts for around 43 percent of total revenue (previous year: 39 percent). From a full cost perspective, half-year earnings (EBITDA) before non-recurring effects in the Media division were € -2.1 million, representing a year-on-year improvement of € 1.1 million or 34 percent (previous year: € -3.2 million). This development is a consequence of a strategy of focusing on both sustainability and profitability. The declared objective remains to achieve break-even in the Media division by the end of 2013.

Year-on-year, revenue in the traditional directory assistance business decreased by 24 percent to € 21.2 million (previous year: € 27.7 million). On a full cost basis, earnings (EBITDA) before non-recurring effects fell in the first six months by 31 percent to € 7.4 million (previous year: € 10.7 million).

Consolidated revenue for the Germany segment decreased by € 8.1 million or 18 percent to € 37.0 million (previous year: € 45.1 million). The segment result (EBITDA) before non-recurring effects decreased compared to the prior-year period by € 2.3 million to € 5.2 million (previous year: € 7.5 million). The non-recurring effects recognised in the first six months amount to € 1.7 million (previous year: € 2.2 million). In this context it has to be noted that sales commission totalling € 1.8 million was capitalised in the first half of 2013 and is therefore not accounted for in EBITDA (previous year: € 2.4 million).

Spain

As said above, telegate AG disposed of its Spanish business with effect from 7 June 2013.

Prior to the disposal date, the Spain segment generated revenue of € 1.9 million (previous year: € 3.3 million) and an EBITDA of € 0.7 million (previous year: € 0.1 million) in 2013.

Outlook

For the traditional directory assistance business, our forecast of a persistent negative trend in caller volume remains unchanged. Actions to increase revenue per user and reduce expenditure – especially in terms of personnel and marketing – will be taken to limit the downturn in revenue and earnings as far as possible.

For the Media division, we will continue to focus primarily on improving earnings. In terms of new customer business, the measures introduced to drive product portfolio improvements and long-term gains in sales efficiency will continue to be pursued as before. As shown by current business developments, revenue has fallen in the first six months, although the decline was reduced in the second quarter. This downturn is a deliberate consequence of the strong focus on satisfying customers and improving margins. Over the course of the next six months, however, we expect to see revenue growth regain its positive momentum, alongside significant improvements to profitability.

At the Group level, we expect earnings to fall by about 15 to 20 percent over the course of the year. Based on the measures planned in the Media division to increase profitability and the cost savings planned across all operating segments, we expect EBITDA before non-recurring effects to be in the € 10–12 million range for the 2013 financial year (previously € 11–13 million, adjusted to account for EBITDA contribution from Spanish business).

Employees

On 30 June 2013, the telegate Group had 1,181 employees (head count; excluding trainees, "mini-jobs" and dormant employment contracts). Year-on-year, this represents a decline of 16 percent (previous year: 1,405). This decline is primarily due to capacity adjustments made within the declining traditional directory assistance business.

Planegg-Martinsried, 25 July 2013
The Management Board

Consolidated Statements of Operations (IFRS)

in kEUR	Quarterly Report (unaudited)		6-Months Report (unaudited)	
	Q2 2013	Q2 2012	6M 2013	6M 2012
<i>Continuing operations</i>				
Revenues	18,213	21,644	36,959	45,065
Cost of revenues	-8,940	-9,796	-17,523	-19,311
Gross Profit	9,273	11,848	19,436	25,754
Selling and distribution costs	-7,676	-8,855	-15,222	-19,309
General administrative expenses	-3,733	-3,586	-6,775	-7,004
Other operating income	234	0	384	2
Other operating expense	-16	-1	-23	-12
Operating income (loss)	-1,918	-594	-2,200	-569
Interest income	35	87	102	225
Interest expense	-71	-12	-86	-26
Gain (loss) on foreign currency translation	0	0	0	-1
Financial income (loss)	-36	75	16	198
Income (loss) before income tax	-1,954	-519	-2,184	-371
Current income tax	123	-182	-9	-691
Deferred income tax	364	330	558	822
Income tax	487	148	549	131
Net income (loss) from continuing operations	-1,467	-371	-1,635	-240
<i>Discontinued operation</i>				
Income (loss) from discontinued operations	-628	-588	-330	-546
Net income (loss)	-2,095	-959	-1,965	-786
Basic and dilutive earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.11	-0.05	-0.10	-0.04
Earnings per share for continuing operations - basic and dilutive, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.08	-0.02	-0.09	-0.01
Earnings per share for discontinued operation - basic and dilutive, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.03	-0.03	-0.01	-0.03

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in TEUR	Quarterly Report (unaudited)		6-Months Report (unaudited)	
	Q2 2013	Q2 2012	6M 2013	6M 2012
Net income (loss)	-2,095	-959	-1,965	-786
Items which can be reclassified subsequently into the profit or loss				
Available for sale financial assets	-5	0	-5	0
Foreign currency translation differences	0	0	0	1
Other comprehensive income (loss)	-5	0	-5	1
Total comprehensive income (loss)	-2,100	-959	-1,970	-785
Thereof from:				
continuing operations	-1,472	-371	-1,640	-239
discontinued operations	-628	-588	-330	-546
	-2,100	-959	-1,970	-785

See accompanying notes to the consolidated financial statements.

Consolidated Balance Sheets (IFRS)

Assets in kEUR	(unaudited)	(unaudited)	
	June 30, 2013	June 30, 2012*	Dec 31, 2012
Current assets			
Cash and cash equivalents	29,411	29,099	93,250
Trade accounts receivable	13,891	16,261	16,266
Current tax assets	256	817	27
Available for sale financial assets	52,976	0	0
Other financial assets	1,156	1,219	1,162
Other current assets	4,663	4,551	7,926
Assets of disposal group classified as held for sale	0	3,345	0
Total current assets	102,353	55,292	118,631
Non-current assets			
Goodwill	6,773	6,715	6,746
Intangible assets	11,596	15,049	12,252
Property and equipment	4,986	3,914	5,952
Other financial assets	68	258	200
Other non-current assets	0	313	3
Deferred tax asset	14	3,063	266
Total non-current assets	23,437	29,312	25,419
Total assets	125,790	84,604	144,050
Liabilities and equity in kEUR	June 30, 2013	June 30, 2012 *	Dec 31, 2012
Current liabilities			
Trade accounts payable	969	845	4,286
Accrued liabilities	11,396	10,513	16,171
Provisions	3,354	1,766	3,398
Current tax liabilities	4,535	0	12,094
Other current liabilities	2,451	15,006	2,540
Liabilities directly associated with the assets classified as held for sale	0	993	0
Total current liabilities	22,705	29,123	38,489
Non-current liabilities			
Provisions	354	590	262
Deferred tax liability	3,624	1,674	4,222
Total non-current liabilities	3,978	2,264	4,484
Total liabilities	26,683	31,387	42,973
Equity			
Share capital	19,111	19,111	19,111
Additional paid in capital	32,059	32,059	32,059
Other revenue reserves	4,236	24,401	4,236
Retained earnings	43,705	-22,354	45,670
Other components of equity	-4	0	1
Total equity	99,107	53,217	101,077
Total liabilities and equity	125,790	84,604	144,050

* Amounts adjusted according to IAS 8 (details see number 5 of the notes to the consolidated financial statements).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	(unaudited)	(unaudited)
	6M 2013	6M 2012 *
Cash flows from operating activities		
Income (loss) before income tax from continuing operations	-2,184	-371
Income (loss) before income tax from discontinued operation	-315	-54
Income (loss) before income tax	-2,499	-425
Adjustments for:		
Amortisation and impairment of intangible assets	2,540	2,905
Depreciation and impairment of property and equipment	1,082	761
Gain (loss) on disposal of property and equipment	-143	14
Gain (loss) from government grants	-4	-8
Interest income	-102	-225
Interest expense	89	30
Gain (loss) on foreign currency translation	0	1
Valuation allowance for trade accounts receivable	-338	-249
Derecognition current financial asset	638	0
Gain (loss) from the sale of subsidiaries	845	0
Changes in non-current provisions	11	-33
Changes in non-current other and financial assets	-824	143
Operating profit before changes in operating assets and liabilities	1,295	2,914
Changes in operating assets and liabilities:		
Trade accounts receivable	1,230	1,135
Other current and financial assets	2,642	-734
Trade accounts payable	-254	-359
Current provisions	-5	144
Accrued expenses and other current liabilities	-4,317	-3,849
Income taxes paid	-7,783	-874
Cash used in operating activities	-7,192	-1,623
Cash flows from investing activities		
Purchase of intangible assets	-2,210	-753
Purchase of property and equipment	-2,099	-1,148
Proceeds from sale of property and equipment	0	11
Paid subsequent purchase price adjustment	-27	0
Disposal of subsidiaries, net of cash disposed of	595	0
Proceeds from government grants	4	8
Purchase of available for sale financial assets	-52,981	0
Cash used in investing activities	-56,718	-1,882
Cash flows from financing activities		
Dividends paid	0	-6,690
Interest received	78	258
Interest paid	-7	-6
Cash provided by (used in) financing activities	71	-6,438
Effect of exchange rate changes on cash and cash equivalents	0	-2
Change in cash and cash equivalents	-63,839	-9,945
Cash and cash equivalents at the beginning of reporting period	93,250	39,048
Cash and cash equivalents at the end of reporting period	29,411	29,103
<i>Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period</i>	<i>82,387</i>	<i>29,103</i>

* Amounts adjusted according to IAS 8 (details see number 5 of the notes to the consolidated financial statements). 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	Other components of equity**	Total equity
Balance at Jan 1, 2013	19,111	32,059	4,236	45,670	1	101,077
Net income (loss)				-1,965		-1,965
<i>Available for sale financial assets</i>					-5	-5
<i>Foreign currency translation</i>					-	0
Other comprehensive income (loss)					-5	-5
Total comprehensive income (loss)	0	0	0	-1,965	-5	-1,970
Dividends				-		0
Balance at June 30, 2013	19,111	32,059	4,236	43,705	-4	99,107
Balance at Jan 1, 2012 *	19,111	32,059	24,401	-14,878	-1	60,692
Net income (loss)				-786		-786
<i>Available for sale financial assets</i>					-	0
<i>Foreign currency translation</i>					1	1
Other comprehensive income (loss)					1	1
Total comprehensive income (loss)	0	0	0	-786	1	-785
Dividends				-6,690		-6,690
Balance at June 30, 2012	19,111	32,059	24,401	-22,354	0	53,217

* Amounts adjusted according to IAS 8 (details see number 5 of the notes to the consolidated financial statements).

** Items which can be reclassified subsequently into the profit or loss

See accompanying notes to the consolidated financial statement.

Segment Report (IFRS)

The activities of the telegate group are assigned to operating segments for the purpose of management control.

In addition to the historically developed regional segmentation of Germany/Austria and Spain, the Germany/Austria segment is further divided into DA Solutions and Media.

The 'DA Solutions' operating segment offers the user information and DA services via various service channels in Germany and Austria. The 'Media' operating segment provides advertising services for SMEs mainly in Germany.

The 'Spain' operating segment comprises all activities on the Spanish market, which almost exclusively concern DA Solutions. With effect of June 07, 2013 the operating segment 'Spain' was sold. Revenues and costs connected with this discontinued operation were eliminated within the scope of reconciliation.

The prevailing measurement standards of the Management Board correspond to those in the consolidated financial statements of the group and are presented in this report on the same basis. Performance of the segments is assessed and resources are allocated to the segments mainly based on operating results.

The management controls the segments on the basis of earnings performance indicators up to EBITDA. As of the current fiscal year depreciation on intangible assets of capitalized sales commissions are no longer considered by the calculation of the EBITDA but disclosed within the depreciation and amortization; the figures of the previous year were correspondingly adjusted. Capital allocation (liabilities and assets) within the Germany/Austria segment is not controlled at division level.

Financial income and financial expenses as well as income taxes are not components of net income, since these are decided centrally and are not subject to the direct control of segment management. Elimination is carried out at the level of Germany/Austria and Spain. In accordance with IFRS 8.27, net segment income was carried over to net profit or loss for the period before taxes. The presentation for 2012 was correspondingly adjusted.

Intersegment sales are recognized at amounts comparable with sales to third party customers and are eliminated during consolidation.

in kEUR	Germany / Austria			Spain	Reconciliation ¹⁾	telegate group
	Directory Assistance Solutions	Media	sum			
01.01. - 30.06.2013						
Revenues						
External revenues	21,157	15,802	36,959	1,875	-1,875	36,959
Inter-segment revenues	0	0	0	0	0	0
Total revenues	21,157	15,802	36,959	1,875	-1,875	36,959
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	6,570	-3,044	3,526	678	-1,084	3,120
Depreciation and amortization	-2,061	-3,259	-5,320	-148	148	-5,320
Financial income (loss)			-25	38	3	16
Income (loss) before income tax			-1,819	568	-933	-2,184

	Germany / Austria			Spain	Reconciliation ¹⁾	telegate group
	Directory Assistance Solutions	Media	sum			
01.01. - 30.06.2012						
Revenues						
External revenues	27,697	17,368	45,065	3,317	-3,317	45,065
Inter-segment revenues	2	0	2	0	-2	0
Total revenues	27,699	17,368	45,067	3,317	-3,319	45,065
Earnings						
Earnings before interest, taxes, depreciation and amortization (EBITDA)	9,281	-3,974	5,307	105	-132	5,280
Depreciation and amortization	-1,789	-4,060	-5,849	-181	181	-5,849
Financial income (loss)			162	31	5	198
Income (loss) before income tax			-380	-45	54	-371

1) The effects of data cost proceedings are not a component of net segment income, since they would have impaired the quality of information provided by the development of the segments due to their special nature. The data cost proceedings resulted in an effect of kEUR ./. 403 (2012: kEUR 0) on EBITDA and earnings before income taxes respectively.

All other positions within the reconciliation refer to the elimination of sales and costs of the discontinued operation because revenues and costs of the discontinued operation is not included in the group's profit and loss statement. They are shown separately as 'Income after tax from discontinued operations'.

See accompanying notes to the consolidated financial statement.

Notes to the Consolidated Financial Statements

1 Description of consolidated financial statements

The business operations of telegate AG comprises the performance of telecommunications services of all kinds, the design and marketing of information data bases and marketing advertisements as well as the performance of DA services (directory assistance services) via the subscribers in public telephone networks and other DA services at home and abroad.

The consolidated interim financial statements of telegate AG and the subsidiaries included in the financial statements were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) - as applicable in the European Union - by June 30, 2013.

The interim financial report is 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 IFRS Interpretations Committee (formerly IFRIC), that were mandatory applicable per June 30, 2013, were complied with.

The consolidated interim financial report of telegate AG (hereinafter also the group/telegate/telegate group/company) is stated in Euro (EUR). Unless stated otherwise, all values were rounded to thousand (kEUR). For computational reasons, rounding differences of the mathematically exact values may occur in tables and references.

Preparation of the consolidated financial statements is basically made by using the acquisition cost concept.

telegate AG is a stock corporation with seat in Martinsried near Munich, Germany. The shares of telegate AG are traded publicly.

The consolidated annual financial statements and corporate management report prepared by December 31, 2012 are submitted to the provider of the electronic Federal Official Gazette and electronically published in the Federal Official Gazette.

2 Summary of main accounting and valuation principles

The accounting policies adopted in the preparation of this consolidated interim financial report are consistent with those followed in the preparation for the group's consolidated annual financial statements for the fiscal year 2012 except for the changes which are explained as follows.

3 Changes of accounting and valuation principles

IFRS 7 Financial instruments: disclosures

The new disclosures under IFRS 7 are to include future gross and net amounts from offsetting as well as amounts for existing offsetting rights which do not satisfy the requirements for the presentation of net amounts.

The amendment was published in December 2011 and shall be applied for the first time for financial years and interim periods beginning on or after 1 January 2013 (retrospective application). This change affects only the disclosure requirements and has no effect on the accounting methods applied by the group.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 introduce new rules for the presentation of positions in other income. Users are given the choice of presenting a single statement of comprehensive income or presenting a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income. Only the presentation of other income is amended such that subtotals are required for line items that can be recycled (e.g. foreign currency translation) as well as those that cannot be recycled.

The amendment to IAS 1 was published in June 2011 and shall be applied for the first time in the financial year beginning on or after 01 July 2012. Earlier application is permitted. This amendment to IAS 1 solely concerns the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

IAS 19 Employee Benefits (revised 2011)

In June 2011 the IASB published comprehensive amendments to IAS 19.

Actuarial gains and losses are to be recognised directly in other comprehensive income; i.e. the corridor method has been eliminated. Other amendments relate among others to the presentation of changes in the net liability or in net assets from defined benefit plans and expanded disclosures in the notes regarding such defined benefit plans.

By the change of IAS 19 the term remeasurements were new introduced. They are composed by actuarial gains and losses, return on plan assets excluding amounts included in net interest on the net defined benefit liability (asset) and any change in the effect of the asset ceiling. They will be recognized in total in the other comprehensive income in the reporting period, in which they occur and be transferred in other reserve revenue because a reclassification into the income statement will never happen. Amounts to be recognized in the income statement compose current service cost, any past service cost, gain or loss on settlement and net interest on the net defined benefit liability (asset).

There were no effects on the pension provision as at 31 December 2011 and 31 December 2012 due to IAS 19R. No material effects on the financial and profit position arise.

In addition the accounting for termination benefits, including the differentiation of benefits paid in exchange for services rendered and benefits resulting from termination of employment, is revised.

Annual improvements to IFRS – 2009-2011 cycle

In May 2012, the IASB published another amendment (Annual Improvements to IFRSs – 2009-2011 Cycle) as part of its annual process of minor improvements to standards and interpretations. It contains amendments to the following five standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The amendments must be applied for the first time retrospectively in reporting periods of a financial year that begins on or after 01 January 2013.

Application of this amended standard influence the presentation in the consolidated financial statements and the scope of disclosures in the notes and thus not affect the group's financial position, cash flows and financial performance.

IFRS 13 Fair Value Measurement

This standard provides guidance on measuring the fair value and defines comprehensive quantitative and qualitative disclosures on fair value measurements. This standard does not address the issue when assets and liabilities must or may be measured at the fair value. The standard is not applied to business transactions under *IFRS 2 Share-based Payments* or *IAS 17 Leases* and measurements which show similarities to the fair value but are not fair value, e.g. the value in use in *IAS 36 Impairment of Assets*. IFRS 13 defines the fair value as the price that a party would receive or pay, respectively, in a regular transaction between market participants for the sale of an asset or the transfer of a liability on the measurement date. For non-financial assets, measurement is based on the assumption that the fair value shall express the value of the best possible use.

IFRS 13 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. Earlier application is permitted (prospectively). In the current financial statements, there are no effects for the group's financial position, cash flows or financial performance.

IAS 27 Separate Financial Statements (revised and renamed 2011)

The adoption of IFRS 10 and IFRS 12 has limited the scope of IAS 27 solely to the accounting for subsidiaries, jointly controlled entities and associates in a company's separate financial statements.

The revised standard was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. The application of revised IAS 27 is not expected to affect the group's financial position, cash flows or financial performance.

IAS 28 Investments in Associates and Joint Ventures (revised and renamed 2011)

The adoption of IFRS 11 and IFRS 12 broadened the scope of IAS 28 such that the equity method shall now also be applied to joint ventures besides associates.

The revised standard was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. Since neither associates nor joint ventures are included in telegate's consolidated financial statements, the group does not expect the revised standard to have any effect on the presentation of its financial position, cash flows or financial performance.

4 Future changes of accounting and valuation principles

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (revised 2012)

The IASB issued 'Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)'.

This clarifies the transition guidelines in IFRS 10 and grants additional exemptions in all three standards, including, among other things, the limitation of the disclosure of adjusted comparative figures to the two immediately preceding periods in the case of first-time application.

The amendments were published in June 2012 and be applied for the first time in financial years beginning on or after 01 January 2014 (corresponding to the first-time application of IFRS 10, IFRS 11, IFRS12).

IAS 32 Financial Instruments: Presentation

The amendments to IAS 32 clarified the netting provisions for financial instruments in order to remove existing inconsistencies regarding the interpretation of existing provisions for the netting of financial assets and financial liabilities.

The amendments were published in December 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014 (retrospective application). These amendments solely concern the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the requirements of both *IAS 27 Consolidated and Separate Financial Statements* and *SIC-12 Consolidation – Special Purpose Entities*.

IFRS 10 establishes a uniform control concept that applies to all companies, including special purpose entities. In contrast to the previously prevailing legal situation, the changes that IFRS 10 introduces generally require management to exercise substantial discretion in answering the question which entities the group controls and whether the given entities thus should be included in the consolidated financial statements by means of full consolidation. IFRS 10 also sets forth the accounting requirements for the presentation of consolidated financial statements.

IFRS 10 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014 (retrospective application). Earlier application is permitted. The application of the new IFRS 10 will not affect the group's basis of consolidation and thus has no effects on the group's financial position, cash flows and financial performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces both *IAS 31 Interests in Joint Ventures* and *SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. IFRS 11 thus eliminates the previously available option of proportionate consolidation for joint ventures. In the future, such entities may only be consolidated using the equity method.

IFRS 11 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014. Earlier application is permitted. With regard to the effects, please see the explanations to IAS 28.

IFRS 12 – Disclosures of Interests in Other Entities

This standard governs the disclosure requirements related to group accounting principles and consolidates the disclosures required of subsidiaries (heretofore subject to IAS 27); the disclosures required of jointly controlled and associated entities (heretofore subject to IAS 31 and IAS 28, respectively); as well as those required of structured entities.

The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, cash flows and financial performance. IFRS 12 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014. Earlier application is permitted. The application of the new IFRS 12 will only result in more comprehensive disclosure requirements and has no effects on the accounting methods applied by the group.

IAS 36 Impairment of assets

Relating to a consequential amendment of IFRS 13 "Fair Value Measurement" the IASB change some regulations in IAS 36 "Impairment of assets" concerning the assessment of the recoverable amount of impaired assets. In May 2013, the disclosure requirements have been corrected. In the current financial statements, there are no effects for the group's financial position, cash flows or financial performance. The amendments are effective retrospectively for the annual periods, which are beginning on or after 01 January 2014. Earlier application is permitted but only for periods, which also applies IFRS 13.

The amendments have not yet been transposed into European law.

IFRIC 21 Charges

IFRIC 21 provides guidance, when a debt for a charge must be recognized which was imposed by the government. This interpretation applies to charges which are balanced according to IAS 37 and for charges are called date and amount.

IFRIC 21 shall be applied for the first time for financial years beginning on or after 01 January 2014 in accordance with the requirements of IAS 8. IFRIC 21 has no effects on the group's financial position, cash flows and financial performance.

The amendments have not yet been transposed into European law.

IFRS 9 Financial Instruments

In November 2009, the IASB issued a new standard for the classification and measurement of financial instruments. The publication represented the first part of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 will introduce new rules for the classification and measurement of financial assets. It applies a uniform approach of recognising a financial asset at amortised cost or fair value.

In October 2010, the IASB issued rules for the recognition of financial liabilities. These rules are added to IFRS 9 and represent the completion of the classification and measurement phase of the IASB's project to replace IAS 39. They supplement the publication of IFRS 9 in November 2009, which regulated the classification and measurement of financial assets.

This standard has not yet been transposed into European law.

In December 2011, the IASB postponed the date of mandatory first-time application for IFRS 9 from 1 January 2013 to 1 January 2015. Earlier application still is permitted. The effects of the amendment on the financial position, cash flows and financial performance are currently being reviewed.

5 Adjustment of prior year values

In the previous year, telegate has conducted corrections with regard to recording, valuation and presentation of elements of the consolidated financial statements (for more information see Note 4 in the consolidated financial statements 2012). In this regard, the reference values are adapted as follows:

Exposure of trade receivables and reporting of accrued and deferred items

Group balance sheet	as of June 30, 2012		
	before adjustment	adjustment acc. to. IAS 8	after adjustment
in kEUR			
Assets			
Trade receivables	29,425	-13,164	16,261
Liabilities			
Other current liabilities	28,170	-13,164	15,006

Disclosure and valuation of deferred taxes

Consolidated balance sheet	as of June 30, 2012		
in kEUR	before adjustment	adjustment acc. to IAS 8	after adjustment
Assets			
Deferred tax assets (total)	7,482	-4,418	3,064
Effect of balancing		-4,418	
Liabilities			
Deferred tax liability (total)	4,438	-2,763	1,675
Effect of balancing		-4,418	
Effect of debt consolidation		1,655	
Retained earnings	-20,699	-1,655	-22,354
Effect of debt consolidation		-1,655	

6 Change in the scope of consolidation

Sale of Company

The subsidiaries 11811 Nueva Información Telefónica S.A.U and Uno Uno Ocho Cinco Cero Guías, S.L. were sold as of June 07, 2013. For this purpose, see note 12 "Discontinued operation".

7 Cash and cash equivalents

In the actual fiscal year 2013 telegate invested in liquid money market funds in the amount of EUR 53 m, which are disclosed in assets available for sale.

8 Other financial Assets

In the current reporting period, a depreciation of the current financial assets in the amount of kEUR 638 (2012: kEUR 0) was made.

9 Deferred sales commissions

In the current and in the previous period directly attributable sales commissions will be recognised as an intangible asset (in accordance with IAS 38) and will be depreciated over the term of the customer contract basis. This distribution costs are shown in the other current assets respectively in the non-current assets under the position intangible assets.

10 Special item within the income statements

Capacity adjustments were made in the current fiscal year. The resulting of these non-recurring item of the profit and loss statement amounts to kEUR 1,002 (2012: kEUR 1,306) and is included in cost of revenues, selling and distribution costs and general administrative expenses.

In the second quarter 2012, a detailed and formal restructuring plan for improvement of the economic efficiency as well as for optimization of the cost structure of the business sector directory assistance solutions was announced for the purpose of the combination of a call center with two further ones. Implementation of this plan was already started. The restructuring measure are completed now. The costs, which are directly linked to the restructuring measures, amounted in the first half of the year 2013 to kEUR 0 (2012: kEUR 913).

There is an effect on the income statement due to successful data cost claims in the amount of kEUR 403 (2012: kEUR 0).

Furthermore there is an expense relating to contract terminations in the amount of kEUR 704 (2012: kEUR 0).

11 Related party disclosures

Business transactions between the company and its subsidiaries which are considered as related companies were eliminated by consolidation and are not disclosed in these notes.

The following companies are affiliated companies:

Telegate Holding GmbH, Planegg, holds a majority interest of 61.13% in telegate AG as of 30 June 2013. Die SEAT Pagine Gialle Italia S.p.A., Turin, Italy, in turn holds a 100% stake in Telegate Holding GmbH.

SEAT Pagine Gialle S.p.A., Milan, Italy, holds a 100% stake in Telegate Holding GmbH as of the reporting date and includes telegate AG, the parent of the largest group of consolidated companies, as a fully consolidated company into its consolidated financial statements. As of 31 March 2013, SEAT Pagine Gialle S.p.A. indirectly holds a 16.24% stake via SEAT Pagine Gialle Italia S.p.A. and a 61.13% stake via Telegate Holding GmbH in telegate AG.

The primary controlling parent 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.

Transactions with related companies

As at June 30, 2013, telegate AG has receivables in the amount of EUR 0.1 m (2012: EUR 0.1 m) against the SEAT group.

Transactions with related persons

As of June 30, 2013, employees of the SEAT group were members of telegate AG's Supervisory Board. These persons are entitled to Supervisory Board payments in the amount of kEUR 64 (2012: kEUR 70), which were recorded correspondingly as current liabilities.

12 Discontinued operation

As at As at 07, June 2013 the telegate AG sold the spanish subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. to the company Titania Corporate S.L..

The sale resulted from the long-term strategy, to focus on the opportunities and potentials of the German market.

The amount received on the reporting date of 30 June 2013, amounts to kEUR 3,668 which was fully paid in form of cash. A further amount of kEUR 475 is due at 31 December 2013. The subsidiaries were reported as a separate segment.

The deconsolidation from the telegate group was made correspondingly as of June 07, 2013.

The results of 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. for the reporting period are presented below:

in kEUR	Quarterly Report		6-Months Report	
	1.4.-30.06.2013	1.4.-30.06.2012	1.1.-30.06.2013	1.1.-30.06.2012
Revenues	758	1,585	1,875	3,317
Expenses	-526	-1,681	-1,345	-3,371
Income (loss) before income tax from discontinued operation	232	-96	530	-54
Income tax	-15	-492	-15	-492
Income (loss) from discontinued operation	217	-588	515	-546
Income from the disposal of the discontinued operation	-845		-845	
Net income from the discontinued operation	-628		-330	

The income from the disposal of the discontinued operation includes also direct attributable expenses, which are accrued as a result of the sale of the Spanish subsidiaries.

Assets and liabilities of the disposed subsidiaries (without Cash):

in kEUR	
Current assets	
Trade accounts receivable	1,152
Current tax assets	8
Other financial assets	30
Other current assets	32
Current asset, total	1,222
Non-current assets	
Intangible Assets	325
Tangible Assets	327
Other financial assets	28
Deferred tax assets	212
Non-current assets, total	892
Current liabilities	
Trade accounts payable	37
Accrued liabilities	236
Reserves	40
Income tax liabilities	37
Other current liabilities	109
Current liabilities, total	459

Cash provided by the sale

in kEUR	
Purchase price included	3,668
Cash sold with the discontinued operation	-3,072
Cash provided (balance)	596

The net cash flows without intercompany transactions of 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. are represented as follows:

in kEUR	1.1.-30.06.2013	1.1.-30.06.2012
Operating activity	629	-172
Investing activity	-58	-279
Financing activity	0	0
Net cash flows	571	-451

13 Share-based payment

The annual general meeting of telegate AG on 12 May 2005 resolved to introduce a stock-option program (for more information see Note 37 in the financial statements 2012).

The deadline for exercise the stock options is the 30 June 2013. Thus, all subscription rights are forfeited now.

The stock options developed as follows during the financial year:

	2013		2012	
	Number of stock options	Weighted average exercise Price (in EUR)	Number of stock options	Weighted average exercise price (in EUR)
Outstanding as of 01 January	269,515	13.41	328,290	13.19
Forfeited	-269,515	17.10	-58,775	12.20
Outstanding as of 31 December	-	-	269,515	13.41
Vested as of 31 December	-	-	-	-

	Exercise Price (in EUR)	Options outstanding as of 30 June 2013	Weighted average remaining contractual life (in years)
June 2008 tranche	11.01	0	-
May 2006 tranche	16.09	0	-
May 2005 tranche	14.28	0	-

The group applies the modified Black Scholes option pricing model for measurement of stock options granted.

The fair value of stock options on the grant date was as follows:

	Tranche June 2008	Tranche May 2006	Tranche May 2005
Measurement date	30 June 2008	31 May 2006	31 May 2005
Fair value of the stock options (in EUR)	1.48	2.28	1.87

The following parameters were integrated in the modified Black-Scholes option pricing model:

	Tranche June 2008	Tranche May 2006	Tranche May 2005
Average share price (in EUR)	11.01	16.09	14.28
Exercise price (in EUR)	11.01	16.09	14.28
Expected volatility (%)	32.3	27.2	23.8
Risk-free interest rate (%)	4.5	3.3	2.2
Expected dividends (%)	7.3	4.0	2.5
Expected vesting period (in years)	2.25	2.25	2.25

The contractual vesting period of the stock options, on which the expected vesting period is based, was adjusted by the management according to the best possible estimate in order to take into consideration the particularities of employee stock options, such as non-transferability and limitations on exercise.

14 German Corporate Governance Code

The joint declaration of compliance by the management board and supervisory board of telegate AG, in accordance with section 161 AktG (Stock Corporation Law), relating to the Corporate Governance Code, was declared on December 07, 2012. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, July 25, 2013

The Management Board

Corporate Structure telegate Group

