Half-Year Report 2015

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Content

Letter from the Management Board

Dear shareholders, customers and business partners,

This report provides information about the development of our company's business in the first half of 2015. We are satisfied with our performance because as of 30 June 2015 we are fully on track to meet our earnings guidance published at the beginning of the year. Better still: by the end of the first half year, we had nearly reached our targets.

In parallel with our company's economic development, the main focus of our work in the first six months of the current financial year was on broadening our product range. With the April rollout of Facebook and Google products that are growing in popularity among our customers, we meaningfully supplemented our online marketing package through the addition of the leading social media presences.

Our company's Management Board was also expanded. I, Christian Maar, came on board as telegate AG's new CEO. In my career to date, I have succeeded on several occasions in getting the best out of companies and thus turning them into – or back into – significant market players. This is now my goal at telegate AG as well. Our company, which has been a firm fixture in Germany for almost twenty years, represents good service, reliability and quality – a solid base on which we need to build further.

Over the coming months, we will analyse how we can continue the course we have taken so as to be able to make even better use of synergies and add even more value for our customers at the same time. It goes without saying that in spite of all this, the profitability of our company will be our top priority once again in the second half of 2015.

We would like to thank you for the trust you put in our work!

Christian Maar
Chief Executive Officer

Franz Peter Weber
Member of the Board

Michael Geiger
Member of the Board

Key Financial Figures

in m Euro	6M 2015	6M 2014	Variance absolute	Variance in Percent
Revenues & profit Group				
Revenues	27.4	32.1	-4.7	-14.6%
EBITDA[1]	0.5	0.0	0.5	-
EBITDA[1] before non-recurring items	2.8	5.2	-2.4	-45.8%
Non-recurring items for data cost claims	0.5	0.1	0.4	-
Non-recurring items for adaption of structural costs	1.3	5.1	-3.8	-
Non-recurring items for relaunches	0.5	0.0	0.5	-
Net income	-4.1	-3.4	-0.7	-
Details Segment				
Revenues Digital	16.4	17.6	-1.2	-6.7%
EBITDA[1] before non-recurring items Digital	0.4	1.1	-0.7	0.0%
Revenues Classic DA	11.0	14.5	-3.5	-24.2%
EBITDA[1] before non-recurring items Classic DA	2.4	4.1	-1.7	-
Balance Sheet				
Balance sheet total	53.3	96.5	-43.2	-44.8%
Cash, cash equivalents & financial assets	21.6	26.5	-4.9	-18.3%
Equity	43.4	50.6	-7.2	-14.3%
Equity ratio (in percent)	81.4%	52.5%	-	-
Cash Flow				
Cash flow from operating activities	-3.2	-2.7	-0.5	20.1%
Cash flow from investing activities	0.1	-1.8	1.9	-
Cash flow from financing activities	0.0	-1.8	1.8	-
Net Cash Flow[2]	-3.8	-4.1	0.3	-7.9%
KPIs telegate share				
Earnings per share (in Euro)	-0.21	-0.18	-0.04	20.2%
Share price (in Euro)[3]	1.25	5.57	-4.32	-77.6%
Market capitalization	23.89	106.45	-82.6	-77.6%
Employeest				
Number of employees[4]	842	985	-143	-14.5%

[1] Earnings before interest, tax and depreciationt
[2] cash flow from operations + cash flow from investing activities +/- interest income/expenses adjusted for non-recurring items from data cost litigation and the purchases and disposals of available for sale financial assets
[3] XETRA-closing prices as of last trading day
[4] Headcounts as of June 30

Management Report

In summary: 6-month report 2015

In the first six months of 2015, telegate AG's business performed in line with expectations. The group is continuously working on procedural improvements in all divisions for quality assurance purposes as a basis for further product development and the relaunch of the klicktel brand. In 2015, the focus will be on large-scale investments in new products and product enhancements. Alongside the implementation of the new product portfolio, the first half of 2015 was dominated by the preparations for the brand relaunch. In addition, customer segments were analysed with the aim of offering customised product concepts and optimizing market coverage. In this connection, key partnerships (for example with Google) were renewed in the first quarter.

Earnings (EBITDA) before non-recurring items in the first half of 2015 are within the range of the guidance published. EBITDA including non-recurring expenses even showed an increase compared with the prior-year period. Consolidated revenues, however, decreased, due in particular to the decline in the directory assistance business. The share of consolidated revenues accounted for by the digital business continues to rise and amounted to 60 percent in the first six months of 2015. Revenues from traditional voice-based directory assistance declined by 24 percent as expected on account of the continuing downturn in the market. In the Digital division, revenues declined by 7 percent against the prior-year period – a consequence of the strategy to focus on sustainability and profitability. The group's costs showed an encouraging trend, with extensive measures generating a significant reduction in expenses compared with the prior-year period.

The Management Board of telegate AG gained a third member in the first half of the current financial year. Christian Maar, a specialist in digital transformation, marketing and sales, was appointed to the Management Board of telegate AG on 24 June 2015 and took over as chairman.

Financial situation

Results of operations

Consolidated revenues at the 30 June 2015 reporting date were € 27.4 million (previous year: € 32.1 million).

The cost of revenues including and excluding non-recurring expenses was € 13.9 million in the first half of 2015, down 20 percent on the prior-year figure (€ 17.4 million). This is due primarily to the adjustment of capacities in the directory assistance business.

Selling and distribution costs were reduced from € 13.4 million to € 12.8 million, mainly on the back of lower sales personnel costs. Adjusted for non-recurring items, selling and distribution costs in the first six months of the current financial year were € 12.1 million. This increase of 3 percent or € 0.4 million (previous year: € 11.7 million) is primarily the result of comprehensive training in connection with new product launches.

The general administrative expenses incurred in the first six months decreased year-on-year from € 7.3 million to € 5.6 million. This can be attributed in particular to the adjustment of structural overhead costs, which led to high non-recurring expenses in 2014.

Consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by € 0.5 million to € 0.5 million from € 0.0 million in the prior-year period. Adjusted for non-recurring items, EBITDA amounted to € 2.8 million (previous year: € 5.2 million). Earnings after taxes amounted to € -4.1 million in the first six months (previous year: € -3.4 million).

Net assets and financial position

Capital expenditure

Capital expenditure in the first half of 2015 totalled € 3.1 million (previous year: € 3.9 million). This figure essentially includes capitalised sales commission of € 1.9 million (previous year: € 2.5 million) as well as capitalised customer websites in the amount of € 0.7 million (previous year: € 0.7 million). Acquisitions also included the purchase of licences, production costs for intangible assets under construction and technical equipment.

Statement of financial position

As of 30 June 2015, total assets amounted to € 53.3 million, showing a marked decrease of € 43.2 million year-on-year (previous year: € 96.5 million).

Current assets declined from € 72.7 million to € 34.9 million. This is mainly due to the items relating to dividend payments for shares held in free float and the payments made to Telegate Holding GmbH and SEAT Pagine Gialle S.p.A. (formerly SEAT Pagine Gialle Italia S.p.A.) in the 2014 financial year. This resulted in a decrease in cash and cash equivalents and a reduction in the other financial assets of € 31.9 million in total. As of the 30 June 2015 reporting date, telegate had investments mainly in liquid money market funds that are classified as available-for-sale financial assets. The fair value of these investments is € 20.5 million (previous year: € 22.6 million). Other current assets fell from € 2.2 million to € 2.0 million. They include capitalised direct selling expenses associated directly with the customer order in the advertising sales business as well as websites for customers which are amortised over their respective contract period.The decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume.

As of the reporting date, the Group had non-current assets worth € 18.5 million (previous year: € 23.8 million). The decline by € 5.3 million stems from the decrease in property and equipment and intangible assets as a result of depreciation and amortisation.

On the liabilities side, current liabilities decreased significantly from € 34.5 million to € 8.3 million (previous year: € 42.8 million). The reason for this is mainly the reduction of other financial liabilities by € 30.3 million due to the dividend payment made in December 2014 to telegate Holding GmbH and SEAT Pagine Gialle S.p.A. (formerly SEAT Pagine Gialle Italia S.p.A.).Accrued current liabilities decreased by € 2.5 million from € 8.0 million to € 5.5 million.

telegate has no significant non-current liabilities, no liabilities in foreign currencies and no loan liabilities to banks.

Equity declined by € 7.2 million year-on-year to € 43.4 million (previous year: € 50.6 million). This is due to the accumulated deficit of € 7.7 million (previous year: € -0.6 million). This reduction is primarily related to the dividend payment made and the net loss incurred in 2014. On 30 June 2015, the equity ratio was 81.4 percent (30 June 2014: 52.5 percent).

Cash flow & financing

The cash flow from operations in the first six months of 2015 amounted to € -3.2 million, compared to € -2.7 million during the prior-year period. This figure includes items related to data cost litigation. Adjusted for these items, the cash flow from operating activities amounted to € -2.0 million (previous year: € -0.7 million). Since prepayments that concern the full financial year or employee bonus payments have a stronger impact on the first half of the year, cash flow from operations in this period tends to be lower than that in the second half-year.

The cash inflow from investing activities in the first six months amounted to € 0.1 million (previous year: outflow of € 1.8 million). The cash flow from investing activities includes the purchase and sale of liquid money market funds and the purchase of current financial investments. Adjusted for these investments, the cash flow from investing activities improved by € 1.5 million year-on-year, from € -3.4 million to € -1.9 million.

The cash flow from financing activities was € 0.0 million in the first six months, which is unchanged from the previous year.

Net cash flow in the first half of 2015 (cash flow from operations + cash flow from investing activities +/- interest income/expense) improved year-on-year from € -6.2 million to € -3.1 million. Adjusted for the non-recurring items from data cost litigation, the purchases and disposals of available-for-sale financial assets and the valuation of financial assets, the Q2 figure is € -3.8 million (previous year: € -4.1 million) and is therefore in line with the end-of-year forecast of € -6 million to € -7 million.

Segment report

At € 16.4 million, revenues in the Digital business were slightly down year-on-year (previous year: € 17.6 million). The Digital business now accounts for around 60 percent of total revenue (previous year: 55 percent). EBITDA including non-recurring items for adjustments of structural costs, data costs and costs for relaunches in the Digital segment amounted to € -0.6 million (previous year: € -1.0 million).From a full cost perspective, six-month earnings (EBITDA) before non-recurring items were € 0.4 million (previous year: € 1.0 million).

The traditional directory assistance business accounted for € 11.0 million of total revenue (previous year: € 14.5 million). The decrease in this segment of € 3.5 million was not as high as in the previous year (€ 4.9 million). Earnings (EBITDA) improved by € 0.1 million in the first six months to € 1.1 million (previous year: € 1.0 million). In addition to the continuing downturn in the market, non-recurring effects of € 1.2 million (previous year: € 3.2 million) arose in this segment, largely due to capacity adjustments. Adjusted for these items, EBITDA as of the reporting date amounted to € 2.4 million (previous year: € 4.1 million).

Outlook

Directory Assistance segment

The negative trend for call volume in the traditional directory assistance business is expected to continue over the course of the year. Actions to increase revenue per user and reduce expenditure – especially in terms of personnel – will be taken to limit the downturn in revenue and earnings as far as possible.

telegate expects the Directory Assistance segment to generate revenues of € 19-21 million in 2015. In 2014, segment revenues were € 27.7 million.

In terms of the development of earnings, telegate plans to post EBITDA before non-recurring items of around € 2.5 million to € 3.0 million for the Directory Assistance segment in 2015 with earnings at the upper limit of the guidance published at the beginning of the year. In 2014, EBITDA before non-recurring items amounted to € 7.7 million.

Digital segment

The main focus in the digital segment is on investments in products and brands with the aim of driving sustained revenue and customer growth. In the area of new customer business, sales efficiency will continue to be improved. This increase is to be achieved by implementing various measures, including the launch of new products, for example, as well as the further optimisation of sales processes and continued measures to improve and ensure quality in all areas of the company.

In the existing customer business, the churn rate remains a very important key figure. Further improvements in these figures are expected to be achieved through continuing process optimisation and product launches.

At group level, we expect the Digital segment to generate revenues comparable to the previous year. In 2014, segment revenues were € 34.6 million. As far as non-accrued revenues are concerned, the company expects slight growth in the second half of the year, which will result in year-on-year revenue growth in 2016.

Turning to the development of earnings in the Digital segment, telegate AG expects EBITDA before non-recurring items in 2015 of € -1.0 to 0.0 million due to the planned capital expenditure. On account of the strong first quarter, we currently anticipate earnings in the upper range of the guidance published. By means of comparison, the figure for the last financial year was € 1.8 million.

Group

At group level, telegate expects to post revenues of € 52.0 to 56.0 million in 2015. In comparison, revenues in 2014 were € 62.3 million.

In terms of profitability, the group expects EBITDA before non-recurring items in 2015 to be in the range of € 2.0 to € 3.0 million as a result of capital expenditure in the digital business. In comparison, earnings in 2014 before non-recurring items were € 9.4 million.

Litigation

In a judgement delivered on 22 April 2015, the Düsseldorf Higher Regional Court dismissed an appeal by telegate AG in the action for damages against Deutsche Telekom AG with an amount in dispute of just under € 100 million (including interest). The right to further appeals was not granted.

In compliance with the time limit, telegate AG filed an appeal with the German Federal Court of Justice on 21 May 2015 against the refusal of leave to appeal. The Federal Court of Justice lawyer mandated by telegate AG is now analysing in detail the prospects of success of an appeal. A statement of reasons for the appeal against the refusal of leave to appeal must be submitted by 24 August 2015.

Employees

On 30 June 2015, the telegate Group had 842 employees (head count; excluding trainees, “mini-jobs” and dormant employment contracts). Year-on-year, this represents a decline of 15 percent (previous year: 985). This decline in numbers is largely due to a further capacity reduction in the directory assistance business. Furthermore, the headcount in administration and overhead were reduced in connection with the adjustment of structural costs.

Report on post-balance sheet date events

Effective 1 July 2015, telegate Media AG, a wholly owned subsidiary of telegate AG, changed its name to klicktel AG.

Planegg-Martinsried, 27 July 2015

The Management Board

Consolidated Income Statement (IFRS)

	Quarterly Report Report (unaudited)		6-Months Report (unaudited)	
in kEUR	**1.4. - 30.06.2015**	**1.4. - 30.06.2014***	**1.1. - 30.06.2015**	**1.1. - 30.06.2014***
Continuing operations				
Revenues	13,412	15,645	27,371	32,069
Cost of revenues	-6,808	-8,913	-13,903	-17,400
Gross profit	**6,604**	**6,732**	**13,468**	**14,669**
Selling and distribution costs	-6,436	-6,553	-12,797	-13,403
General administrative expenses	-2,912	-3,405	-5,635	-7,285
Other operating income	0	10	2	159
Other operating expense	-1	-10	-7	-10
Operating income (loss)	**-2,745**	**-3,226**	**-4,969**	**-5,870**
Interest income	102	5	230	304
Interest expense	-4	-22	-9	-45
Gain (loss) from marketable securities	0	24	-21	33
Gain (loss) on foreign currency translation	-1	0	1	0
Financial income (loss)	**97**	**7**	**201**	**292**
Income (loss) before income tax	**-2,648**	**-3,219**	**-4,768**	**-5,578**
Current income tax	14	144	40	140
Deferred income tax	442	877	693	1,591
Income tax	**456**	**1,021**	**733**	**1,731**
Net income (loss) from continuing operations	**-2,192**	**-2,198**	**-4,035**	**-3,847**
Discontinued operations				
Net income (loss) from discontinued operations	-10	520	-15	476
Net income (loss)	**-2,202**	**-1,678**	**-4,050**	**-3,371**
Attributable to:				
Owners of the parent	-2,202	-1,678	-4,050	-3,371
Non-controlling interests	0	0	0	0
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.12	-0.09	-0.21	-0.18
Earnings per share for *continuing operations* for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.12	-0.12	-0.21	-0.20
Earnings per share for *discontinued operations* for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	0.00	0.03	0.00	0.02

* Amount adjusted according to IAS 8 (details see note 3).
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

	3-Months Report (unaudited)		6-Months Report (unaudited)	
in kEUR	**1.4. - 30.06.2015**	**1.4. - 30.06.2014***	**1.1. - 30.06.2015**	**1.1. - 30.06.2014***
Net income (loss)	**-2,202**	**-1,678**	**-4,050**	**-3,371**
Other comprehensive income (loss)				
Items that can be reclassified subsequently to profit or loss				
Available for sale financial assets - Changes of the fair value, net	6	116	-120	-10
Available for sale financial assets - Reclassification to profit or loss, net	20	-35	15	-40
Other comprehensive income (loss) after tax	**26**	**81**	**-105**	**-50**
Total comprehensive income (loss)	**-2,176**	**-1,597**	**-4,155**	**-3.421**
Thereof from:				
Continuing operations	-2,166	-2,117	-4,140	-3,897
Discontinued operations	-10	520	-15	476
	-2,176	**-1,597**	**-4,155**	**-3,421**
Attributable to:				
Owners of the parent	-2,176	-1,597	-4,155	-3,421
Non-controlling interests	0	0	0	0

* Amount adjusted according to IAS 8 (details see note 3).
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position (IFRS)

ASSETS in kEUR	(unaudited) 30 June 2015	(unaudited) 30 June 2014*	31. 12. 2014
Current assets			
Cash and cash equivalents	1,176	3,924	4,262
Trade accounts receivable	10,886	12,898	11,915
Current tax assets	215	505	145
Available for sale financial assets	20,471	22,583	22,606
Other financial assets	176	30,646	413
Other current assets	1,964	2,161	1,697
Total current assets	**34,888**	**72,717**	**41,038**
Non-current assets			
Goodwill	6,789	6,773	6,789
Intangible assets	8,772	12,275	10,439
Property and equipment	2,880	4,687	3,693
Other financial assets	15	15	15
Deferred tax assets	4	3	0
Total non-current assets	**18,460**	**23,753**	**20,936**
Total assets	**53,348**	**96,470**	**61,974**
LIABILITIES AND EQUITY in kEUR			
Current liabilities			
Trade accounts payable	916	1,333	1,634
Accrued liabilities	5,462	8,046	7,973
Provisions	150	703	156
Current tax liabilities	0	33	19
Other financial liabilities	0	30,307	0
Other current liabilities	1,743	2,380	2,106
Total current liabilities	**8,271**	**42,802**	**11,888**
Non-current liabilities			
Provisions	534	620	653
Provisions for retirement benefits	88	24	88
Deferred tax liabilities	1,030	2,381	1,765
Total non-current liabilities	**1,652**	**3,025**	**2,506**
Total liabilities	**9,923**	**45,827**	**14,394**
Equity			
Share capital	19,111	19,111	19,111
Additional paid in capital	32,059	32,059	32,059
Retained earnings	-7,706	-578	-3,656
Other components of equity	-39	51	66
Equity attributable to owners of the parent	**43,425**	**50,643**	**47,580**
Total equity	**43,425**	**50,643**	**47,580**
Total liabilities and equity	**53,348**	**96,470**	**61,974**

* Amount adjusted according to IAS 8 (details see note 3).
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in kEUR	(unaudited) 1.1. - 30.06.2015	(unaudited) 1.1. - 30.06.2014*
Cash flow from operating activities		
Income (loss) before income tax from continuing operations	-4,768	-5,578
Income (loss) before income tax from discontinued operations	-15	476
Income (loss) before income tax	**-4,783**	**-5,102**
Adjustments for:		
Amortisation and impairment of intangible assets	3,619	3,587
Depreciation and impairment of property and equipment	932	1,074
Depreciation of current intangible assets	901	1,193
Gain (loss) on disposal of property and equipment	4	0
Interest income	-230	-304
Interest expense	9	45
Gain (loss) from marketable securities	21	-33
Gain (loss) on foreign currency translation	-1	0
Valuation allowance for trade accounts receivable	119	-97
Gain (loss) from the sale of subsidiaries	15	-476
Changes in non-current provisions	-118	260
Operating profit (loss) before changes in operating assets and liabilities	***488***	***147***
Changes in operating assets and liabilities:		
Trade accounts receivable	559	-42
Current intangible assets [1)]	-1,053	-1,242
Miscellaneous current assets	121	9
Trade accounts payable	-373	519
Current provisions	-6	120
Accrued expenses and other current liabilities	-2,872	-1,067
Income taxes paid	-50	-1,098
Cash used in operating activities	**-3,186**	**-2,654**
Cash flow from investing activities		
Purchase of intangible assets excl. sales commissions	-968	-1,980
Purchase of sales commissions with contract period > 1 year	-980	-1,492
Purchase of property and equipment	-123	-87
Proceeds from sale of property and equipment	3	23
Disbursement (proceeds) for the sale of subsidiaries	-21	-164
Proceeds from investment grants	0	57
Purchase of other current financial assets	0	-5,914
Purchase of available for sale financial assets	-6,986	-4,499
Disposal of available for sale financial assets	8,950	12,006
Interest received	231	278
Cash provided by (used in) investing activities	**106**	**-1,772**
Cash flow from financing activities		
Dividends paid to free float	0	-1,730
Interest paid	-10	-22
Cash used in financing activities	**-10**	**-1,752**
Effect of exchange rate changes on cash and cash equivalents	**4**	**0**
Change in cash and cash equivalents	**-3,086**	**-6,178**
Cash and cash equivalents at the beginning of reporting period	**4,262**	**9,950**
Cash and cash equivalents for cash flow purposes at the end of reporting period	**1,176**	**3,772**
Utilized current account credits at the end of the period	0	152
Cash and cash equivalents at the end of reporting period	**1,176**	**3,924**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period	*21,647*	*26,507*

[1)] Current intangible assets include exclusively purchases for capitalized sales commissions and websites for customer with a contract period up to one year and are shown separately within the operating activities.

* Amount adjusted according to IAS 8 (details see note 3). See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders' Equity (IFRS)

in kEUR	Equity attributable to owners of the parent						
	Share capital	Additional paid in capital	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	**19,111**	**32,059**	**-3,656**	**66**	**47,580**	0	**47,580**
Net income (loss)	-	-	-4,050	-	-4,050	-	**-4,050**
Available for sale financial assets	-	-	-	*-105*	*-105*	-	***-105***
Other comprehensive income	-	-	0	-105	-105	-	**-105**
Total comprehensive income (loss)	**0**	**0**	**-4,050**	**-105**	**-4,155**	**0**	**-4,155**
Dividends	-	-	0	-	0	-	0
Balance at June 30, 2015	**19,111**	**32,059**	**-7,706**	**-39**	**43,425**	**0**	**43,425**
Balance at January 1, 2014	**19,111**	**32,059**	**10,437**	**101**	**61,708**	**0**	**61,708**
Net income (loss)*	-	-	-3,371	-	-3,371	-	**-3,371**
Available for sale financial assets	-	-	-	*-50*	*-50*	-	*-50*
Other comprehensive income	-	-	**0**	**-50**	**-50**	-	**-50**
Total comprehensive income (loss)	**0**	**0**	**-3,371**	**-50**	**-3,421**	**0**	**-3,421**
Dividends	-	-	-7,644	-	-7,644	-	-7,644
Balance at June 30, 2014	**19,111**	**32,059**	**-578**	**51**	**50,643**	**0**	**50,643**

* Amount adjusted according to IAS 8 (details see note 3).
See accompanying notes to the consolidated financial statements.

Notes to the Interim Consolidated Financial Statements

1. Presentation of the interim consolidated financial statements

The business operations of the telegate group consisting of telegate AG and its subsidiaries comprise the performance of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements as well as the performance of DA services (directory assistance services) via the subscribers of public telephone networks and other DA services in Germany and abroad.

Telegate AG is a listed stock corporation under German law domiciled in Martinsried near Munich, Germany; it is the parent company of the telegate group.

The interim consolidated financial statements of telegate AG and its subsidiaries for the first six months ending 30 June 2015 were prepared in accordance with the International Financial Reporting Standards (IFRSs) as applicable in the European Union.

All International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretations Committe (SIC) whose application was mandatory as of 30 June 2015 were taken into account.

The interim consolidated financial statements were prepared in accordance with IAS 34 Interim Financial Reporting and should be read in the context of the audited consolidated financial statements of telegate for the 2014 financial year.

The interim consolidated financial statements of telegate AG (hereinafter also the group / telegate / the telegate group / the company) are presented in euros (EUR). Unless stated otherwise, all values were rounded to thousands of euros (EUR thousand).

The interim consolidated financial statements are generally prepared using the historical cost system.

The interim consolidated financial statements have not been audited. They were released for publication by the Management Board on 27 July 2015.

The consolidated financial statements and the group management report prepared as of 31 December 2014 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

2. Changes in accounting policies

The accounting policies applied in the interim consolidated financial statements are consistent with those applied in the consolidated financial statements for the 2014 financial year, except for the changes explained below.

Annual improvements to IFRS – 2011-2013 cycle

The IASB published the Annual Improvements to IFRS - 2011-2013 Cycle document. This clarifies the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The amendments were published in December 2013 and must be applied for the first time in financial years beginning on or after 1 January 2015. As a result of adoption of the amendments by the EU, the date of mandatory application was changed for companies within the EU, deviating from the original rule, which stipulated application for reporting periods beginning on or after 1 July 2014.

The application of these amendments do not affect the group's net assets, financial position and results of operations.

3. Adjustment of comparative figures

In financial year 2014, telegate corrected an error with retroactive effect in accordance with IAS 8 with regard to accounting for internally developed intangible assets (see note 4 in the consolidated financial statements for the 2014 financial year).

Consolidated statement of financial position	**as of 30 June 2014**		
in EUR thousand	Before adjustment	Adjustment acc. to IAS 8	After adjustment
Assets			
Other current assets	1,989	172	2,161
Intangible assets	11,354	921	12,275
Equity and liabilities			
Deferred tax liabilities	2,053	328	2,381
Retained earnings	-1,343	765	-578

Consolidated income statement	**1 April - 30 June 2014**			**1 January - 30 June 2014**		
in EUR thousand	Before adjustment	Adjustment acc. to IAS 8	After adjustment	Before adjustment	Adjustment acc. to IAS 8	After adjustment
Cost of revenues	-8,835	-78	-8,913	-17,380	-20	-17,400
Income taxes, deferred	855	22	877	1,586	5	1,591
Net loss	-1,622	-56	-1,678	-3,356	-15	-3,371

The effects of the adjustments for financial year 2014 on earnings per share were less than EUR 0.01.

4. Non-recurring items in the income statement

The total amount of non-recurring items included in the income before income tax amounts to an expense of EUR 2,316 thousand (2014: EUR 5,184 thousand) and is due to the following:

Adjustment of structural costs

Due to the adjustment of structural costs, the group incurred expenses of EUR 1,321 thousand in the first six months of the current financial year (2014: EUR 4,280 thousand). These expenses are mainly attributable to

costs for capacity adjustments and are reported under cost of revenues, selling and distribution costs as well as general administrative expenses.

The restructuring plan initiated in the 2014 financial year for the purpose of consolidating two call centres was completed in the first six months of the current financial year. No costs were incurred in this context in the reporting period (2014: EUR 772 thousand).

Data costs

Current legal disputes regarding data costs resulted in expenses of EUR 498 thousand in the first half of 2015 (2014: EUR 132 thousand). This amount is included in the income statement under general administrative expenses.

Brand and product relaunch

In the first six months of the current financial year, the group incurred expenses of EUR 497 thousand (2014: EUR 0 thousand) for the brand and product relaunch. These were reported in the income statement under selling and distribution costs, general administrative expenses and the cost of revenues.

5. Operating segments

For the purpose of management control, the telegate group divides its activities into two operating segments, Directory Assistance and Digital.

The two segments' main key performance indicators for operations are revenues and EBITDA (earnings before interest, taxes, depreciation and amortisation). EBITDA before non-recurring items is an indicator that provides additional information on the company's profitability.

The accounting principles for the segments match those described in the consolidated financial statements for the year ended 31 December 2014.

There were no inter-segment revenues in the first six months of the current financial year or in the same period of the preceding year.

The table below shows the revenues and earnings of the group's operating segments:

1 January – 30 June 2015 in EUR thousand	**Directory Assistance**	**Digital**	**Group**
Revenues			
Revenues from transactions with external customers	10,971	16,400	**27,371**
Total revenues	**10,971**	**16,400**	**27,371**
Earnings			
EBITDA	1,127	-643	**484**
Depreciation and amortisation	-1,363	-4,090	**-5,453**
Net financial income			**201**
Earnings before income taxes			**-4,768**
EBITDA before non-recurring items	2,356	444	**2,800**

1 January – 30 June 2014 in EUR thousand	**Directory Assistance**	**Digital**	**Group**
Revenues			
Revenues from transactions with external customers	14,483	17,586	**32,069**
Total revenues	**14,483**	**17,586**	**32,069**
Earnings			
EBITDA	908	-923	**-15**
Depreciation and amortisation	-1,391	-4,464	**-5,855**
Net financial income			**292**
Earnings before income taxes			**-5,578**
EBITDA before non-recurring items	4,120	1,049	**5,169**

6. Financial instruments

The following table shows both the carrying amounts and the fair values of all financial instruments recognised in the consolidated financial statements, including their levels in the fair value hierarchy: It does not contain any information about the fair value of financial assets and liabilities that were not measured at fair value if the carrying amount suitably approximates the fair value.contain any information about the fair value of financial assets and liabilities that were not measured at fair value if the carrying amount suitably approximates the fair value.

	Carrying amounts pursuant to IAS 39 measurement category:			**Fair value**		
as of 30 June 2015, in EUR thousand	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	-	20,471	-	20,471	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	1,176	-	-			
Trade accounts receivable	10,886	-	-			
Current other financial assets	176	-	-			
Non-current other financial assets	15	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	916			

as of 31 December 2014, in EUR thousand	Carrying amounts pursuant to IAS 39 measurement category:			Fair value		
	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	-	22,606	-	22,606	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	4,262	-	-			
Trade accounts receivable	11,915	-	-			
Current other financial assets	413	-	-			
Non-current other financial assets	15	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	1,634			

In the first six months until 30 June 2015, there were no changes in the valuation techniques applied and no transfers between the levels of the fair value hierarchy.

7. Related party transactions

Transactions with related parties (companies)

Business transactions between telegate AG and its subsidiaries that are considered related parties were eliminated in consolidation and are not explained in these notes to the financial statements.

No other companies that were related parties existed as of 30 June 2015.

As of 30 June 2014, related parties included telegate Holding GmbH, Planegg, which held a majority interest of 61.13 percent in telegate AG. All shares in telegate Holding GmbH were held by SEAT Pagine Gialle Italia S.p.A. (Turin), which in turn was a subsidiary of SEAT Pagine Gialle S.p.A. (Milan). As of 30 June 2014, the primary controlling parent was SEAT Pagine Gialle S.p.A., which indirectly held a 16.24% stake via SEAT Pagine Gialle Italia S.p.A. and a 61.13% stake via Telegate Holding GmbH in telegate AG.

Services were rendered or purchased at arm's length.

As of 30 June 2014 there were dividend distribution liabilities including interest expenses to Telegate Holding GmbH and SEAT Pagine Gialle Italia S.p.A. in the amount of EUR 30,156 thousand. The interest expenses totalled EUR 14 thousand. This amount was invested as time deposits by telegate AG. The interest rate was commensurate with the rate of the liability described.

Transactions with related parties (persons)

Related parties here primarily comprise the members of the Management Board and the Supervisory Board. In the first six months of the current financial year, there were no transactions between the telegate group and members of the Management Board or the Supervisory Board extending beyond the existing employment, service or appointment relationship or the contractual remuneration for this relationship.

As of 30 June 2015, members of the management of SEAT Pagine Gialle S.p.A. (former parent company), Turin, Italy, were Supervisory Board members of telegate AG. These persons were entitled to Supervisory Board remuneration in the amount of EUR 50 thousand (2014: EUR 56 thousand), which accordingly was recognised as a current liability.

8. Litigation

In a judgement delivered on 22 April 2015, the Düsseldorf Higher Regional Court dismissed an appeal by telegate AG in the action for damages against Deutsche Telekom AG with an amount in dispute of just under EUR 100 million (including interest). The right to further appeals was not granted.

In compliance with the time limit, telegate AG filed an appeal with the German Federal Court of Justice on 21 May 2015 against the refusal of leave to appeal. The Federal Court of Justice lawyer mandated by telegate AG is now analysing in detail the prospects of success of an appeal. A statement of reasons for the appeal against the refusal of leave to appeal must be submitted by 24 August 2015.

9. Governing bodies of telegate AG

Changes in the Management Board

The Management Board of telegate AG gained a third member in the first half of the current financial year. Christian Maar, a specialist in digital transformation, marketing and sales, was appointed to the Management Board of telegate AG on 24 June 2015 and took over as chairman.

10. Events after the reporting period

Effective 1 July 2015, telegate Media AG, a wholly owned subsidiary of telegate AG, changed its name to klicktel AG.

11. 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 relating to the German Corporate Governance Code was made on 26 May 2015. The exact wording of the declaration can be retrieved under www.telegate.com.

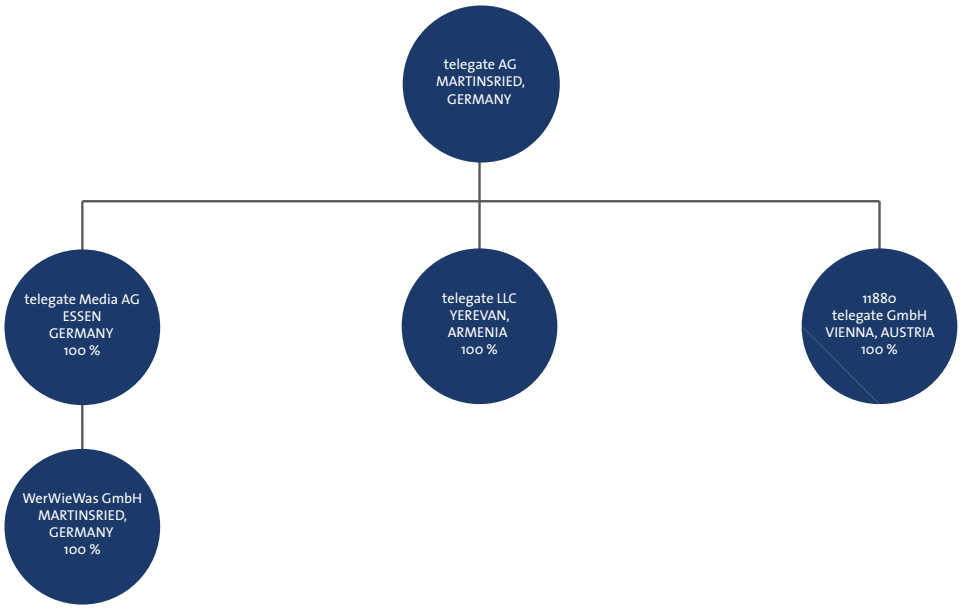
Planegg-Martinsried, 27 July 2015

Christian Maar
Chief Executive Officer

Franz Peter Weber
Member of the Board

Michael Geiger
Member of the Board

Corporate Structure telegate Group



www.telegate.com

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