Half-Year Report 2016

telegate

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A company of telegate AG.

Content

Letter from the Management Board

Dear shareholders, customers and business partners,

We created a new product range for our company in the first half of 2016. This transitional phase began with our successful listing service in September last year, and was followed by the launch of the first vertical portal for the roofing industry in the first quarter of this year. We now offer another six sector-specific portals to users and companies alike, with approximately ten more to follow by the end of the current financial year. At this point we can already state with certainty that the customer loss rate is falling while acquisition rates rise in the segments in which these first verticals have been launched – an absolutely positive sign for the new strategy.

We rounded off our online marketing package for small and medium-sized enterprises at the end of June with our werkenntdenBesten.de ratings portal. WerkenntdenBesten.de is a unique platform that gathers all reviews posted on the Internet in one place for the first time, enabling companies to see at a glance how their customers rate their products and services. We also keep businesses informed about the latest reviews and provide them with a sophisticated advertising package that makes it considerably easier to gather new ratings. With WerkenntdenBesten.de, we offer small companies a unique way to manage their reviews that provides a useful complement to a professional online presence.

Since mid-July, our experienced 11 88 0 staff have also been offering our corporate customers the opportunity to guarantee their telephone availability for customers for a low monthly basic fee. This new secretarial service provides support to small companies in their everyday work, exactly where they need it.

With online marketing becoming increasingly significant for small companies in Germany, the response to our new products has been positive. We offer these companies a neutral environment between manufacturer-specific offerings and huge search engines, where customers can find them and get in touch with them easily. Our products provide companies with a full range of online marketing solutions, from a consistent digital presence all the way to a state-of-the-art homepage combined with a variety of tools designed to optimise online performance. In addition to making our range attractive to all sectors, this diversity also represents a unique selling point for our company.

To underline our new market positioning, telegate AG was renamed 11 88 0 Solutions AG by way of a resolution of the Annual General Meeting on 8 June 2016. As a result, both the directory assistance and digital businesses will operate under the strong 11 88 0 brand, which has been well known across Germany for two decades.

Yet, the figures do not fully reflect this transition within our company because, as is always the case with periods of change, things do not always go quite as smoothly as everyone might wish from day one. We also have some smaller internal problems to tackle that have prevented our success from becoming immediately apparent. Nevertheless, one thing is certain: we have chosen the right path that will lead our company to success. We would like to thank you for your trust and for travelling with us on this journey.

Christian Maar
Chief Executive Officer 11 88 0 Solutions AG

Michael Geiger
Member of the Management Board

Munich, 4 August 2016

Key Financial Figures

in Euro million	6M 2016	6M 2015	Variance absolute	Variance in Percent
Revenues and Earnings telegate Group				
Revenues	23.0	27.4	-4.4	-16%
EBITDA[1]	-1.3	0.5	-1.8	-
Net loss	-5.7	-4.1	-1.6	-
Details Segments				
Revenues Digital	14.7	16.4	-1.7	-10%
EBITDA[1] Digital	-1.1	-0.6	-0.5	-
Revenues Directory Assistance	8.2	11.0	-2.8	-25%
EBITDA[1] Directory Assistance	-0.2	1.1	-1.3	-
Statement of financial position[2]				
Total assets	42.2	49.6	-7.4	-15%
Cash and cash equivalents[3]	13.2	18.5	-5.3	-29%
Equity	32.5	38.2	-5.7	-15%
Equity ratio (in percent)	77%	77%	-	-
Cash flow				
Cash flow from operating activities	-3.3	-3.2	-0.1	-
Cash flow from investment activities	4.0	0.1	3.9	-
Cash flow from financing activities	0.0	0.0	0.0	-
Net Cash Flow[4]	-5.3	-5.2[5]	-0.1	-
Key figures for the telegate share				
Earnings per share (in Euro)	-0.30	-0.21	-0.09	-
Share price (in Euro)[6]	0.98	1.25	-0.27	-22%
Market capitalisation	18.7	23.9	-5.2	-22%
Employees				
Number of employees[7] group	736	842	-106	-13%

1 Earnings before interest, tax, amortisation and depreciation

2 As of December 31

3 Portfolio of cash and cash equivalents as well as financial assets available for sale

4 Cash flow from operations + cash flow from investing activities - interest expense +/- adjusting for sale of money market and bond funds

5 For a better comparability, the 2015 value was ajustesd

6 XETRA-closing prices as of last trading day

7 Headcounts as of June 30

Management Report

In summary: 6-month report 2016

The first half of 2016 was primarily characterised by the introduction of a new product range. This transitional phase began with our listing service in September last year. The company reached an important milestone in the first quarter of this year, launching the first vertical portal for the roofing industry before introducing additional sector-specific portals during the first half of the year. Ap-proximately ten more portals are expected to follow by the end of the current financial year. The launch of the ratings portal werkenntdenBesten.de marked another important step at the end of the first half of the year, and further expanded our online marketing package for small and medium-sized enterprises. This platform makes it possible to gather all reviews published online at a single address, enabling companies to see at a glance how their customers rate their products and services across the entire web.

The figures partly reflect the transition underway within the company. Additional cost optimisation across the group and changes in sales as well as comprehensive investment and the introduction of new products is having a major impact on earnings. As a result, earnings before interest, taxes, depreciation and amortisation (EBITDA) remain negative for the first half of 2016. Consolidated revenues are developing in line with expectations. Revenues declined compared with the prior-year period due to the restructuring of sales. A significant portion of consolidated revenues – 64 percent – was generated by the digital business. Revenues from traditional voice-based directory assistance once again decreased on account of the continuing downturn in the market. Nevertheless, this segment is declining at a slower rate than planned. Fortunately, extensive measures have reduced the cost of sales and selling and distribution costs at group level com-pared with the previous year.

At the Annual General Meeting on 8 June 2016, Mr. Antonio Converti – who was previously court-appointed to the Supervisory Board to succeed Mr. Vincenzo Santelia, was elected to the Supervisory Board.

Financial situation

Results of operations

Consolidated revenues at the 30 June 2016 reporting date were € 23.0 million (previous year: € 27.4 million).

The consolidated cost of revenues was € 13.3 million in the first half of 2016, a decrease of 4 percent year-on-year (previous year: € 13.9 million). The cost reduction is primarily due to declining personnel expenses and lower depreciation/amortisation.

Selling and distribution costs were reduced from € 12.8 million to € 9.4 million, a € 3.4 million or 27 percent improvement, which was primarily the result of the realignment in sales with a focus on telesales.

The general administrative expenses incurred in the first six months increased slightly year-on-year from € 5.6 million to € 5.8 million.

Consolidated EBITDA fell by € 1.8 million to € -1.3 million from € 0.5 million in the prior-year period. Earnings after taxes at the half-year mark were € -5.7 million (previous year: € -4.1 million).

Net assets and financial position

Capital expenditures

Capital expenditures in the first half of 2016 totalled € 3.1 million (previous year: € 3.1 million). In the Directory Assistance segment, these capital expenditures comprised purchases for the modernisation of call centre workstations and investments in IT infrastructure. Capital expenditures in the Digital segment were undertaken primarily in product improvements and innovations. The capital expenditures item also included capitalised customer contracts of € 1.0 million (previous year: € 1.9 million) and capitalised customer websites in the amount of € 0.7 million (previous year: € 0.7 million).

Statement of financial position

As of 30 June 2016, total assets amounted to € 42.2 million, showing a decrease of € 7.4 million compared with 31 December 2015 (31 December 2015: € 49.6 million).

Current assets declined from € 32.2 million to € 26.1 million. This is due primarily to the decrease in available-for-sale financial assets by € 6.0 million. As of 30 June 2016, telegate had investments in short-term money market and bond funds that are reported as available-for-sale financial assets. The fair value of these investments was € 11.5 million (31 December 2015: € 17.5 million). At € 2.2 million, other current assets increased slightly compared with € 1.7 million in the prior-year period. These included mainly current customer contracts in the amount of € 0.6 million (31 December 2015: EUR 0.7 million) as well as customer websites of EUR 0.4 million (31 December 2015: EUR 0.1 million). Current customer contracts concerned capitalised direct selling expenses that are directly associated with the Digital segment. The slight decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume as well as to the realignment of sales.

As of the reporting date, the Group had non-current assets worth € 16.1 million (31 December 2015: € 17.5 million). The decline by € 1.4 million stemmed from the decrease in property and equipment and intangible assets as a result of depreciation and amortisation.

Current liabilities decreased by € 1.6 million to € 8.2 million (31 December 2015: € 9.8 million), with accrued current liabilities falling from € 6.0 million to € 4.5 million, primarily due to the decrease in provisions for personnel and outstanding invoices.

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

Equity declined by € 5.7 million year-on-year to € 32.5 million (31 December 2015: € 38.2 million), due mainly to the net loss for the period.

Cash flow & financing

The cash flow from operations in the first six months of 2016 amounted to € -3.3 million, compared to € -3.2 million during the prior-year period.

The cash inflow from investing activities in the first six months amounted to € 4.0 million (previous year: € 0.1 million). The cash flow from investing activities includes the purchase and sale of money market funds and bond funds. Adjusted for these investments, the cash flow from investing activities decreased by € -0.1 million year-on-year, from € -1.9 million to € -2.0 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 2016 (cash flow from operations + cash flow from investing activities – interest expense +/- changes in money market/bond funds) declined year-on-year from € -5.2 million to € -5.3 million. To facilitate comparability, the prior-year figure has been adjusted to reflect the current definition.

Segment report

At € 14.7 million, revenues in the Digital business were down year-on-year (previous year: € 16.4 million). The Digital business now accounts for around 64 percent of total revenue (previous year: 60 percent). Six-month earnings (EBITDA) as of the reporting date were € -1.1 million (previous year: € 0.6 million).

The traditional directory assistance business accounted for € 8.2 million of total revenue (previous year: € 11.0 million). The decrease in this segment of € 2.8 million was not as high as in the previ-ous year (€ 3.5 million). Earnings (EBITDA) fell by € 1.3 million in the first six months to € -0.2 mil-lion (previous year: € 1.1 million).

Outlook

Directory Assistance segment

In the Directory Assistance segment, telegate AG anticipates that the negative trend with respect to call volumes in Germany will also persist in 2016. The group expects call volume in 2016 for directory assistance to decrease by the same amount as in 2015. To partially offset the effects of this downturn in revenue, the group continued to work on increasing revenue per call in the first half of 2016. The group assumes that it will only be able to achieve smaller increases in the future. Additional business models are being examined in order to ward off decreases in business volume and ensure long-term success.

telegate continues to expect the Directory Assistance segment to generate revenues of € 15.3 to € 16.2 million in 2016. In 2015, segment revenues were € 21.0 million.

In terms of the development of earnings, telegate plans posting EBITDA of around € 0.8 to 1.2 million for the Directory Assistance segment in 2016. In 2015, EBITDA amounted to € 2.9 million.

Digital segment

The strategic focus of the Digital segment will be on the implementation of the Genesis project. Comprehensive capital expenditures in new products and the brand as well as an optimised corporate structure, an improved product portfolio and the development of vertical markets will facilitate sustainable growth in revenues and customers. In the area of new customer business, telegate is working on a noticeable increase in the 2016 financial year. Telegate also intends to achieve success in its existing customer business with the help of a catalogue of measures in order to develop the loss of customers, which had already subsided considerably at the end of 2015, into a significant expansion of the customer portfolio in 2016.

Overall, the group plans to generate revenues within a range from € 29.3 to € 32.5 million in the Digital segment in 2016. In 2015, segment revenues were € 32.5 million.

In the second half of 2016, the telegate group is facing the challenge of meeting the still realistic guidance for the 2016 financial year of EBITDA Digital coming in between EUR -0.2 million and EUR -1.8 million. By means of comparison, the figure for the last financial year was € -3.2 million.

Group

At group level, telegate expects to post revenues of € 44.6 to € 48.7 million in 2016. In comparison, revenues were generated in the amount of € 53.5 million in 2015. In comparison, the company generated EBITDA in the amount of € -0.2 million in 2015. In the second half of 2016, the company is facing the challenge of meeting the still realistic guidance for the 2016 financial year of earnings (EBITDA) coming between EUR -1.2 million and EUR 0.9 millon.

In 2016, the company expects a net cash flow of between € -6.3 and € -8.4 million due to the capital expenditures in the digital business and the further business transformation.

Litigation

The action for damages brought by telegate AG against Deutsche Telekom AG was dismissed by the Düsseldorf Higher Regional Court in April 2015. The company filed an appeal with the German Federal Court of Justice (BGH) in May 2015 against the refusal of leave to appeal this ruling. This appeal was dismissed by the BGH in May 2016. Therefore, the action for damages has been finally ruled against telegate AG.

Employees

On 30 June 2016, the telegate group had 736 employees (head count; excluding trainees, “mini-jobs” and dormant employment contracts). Year-on-year, this represents a decline of 13 percent (previous year: 842). This decline in numbers is largely due to continued capacity adjustments and further personnel capacity adjustments reflecting the new sales structure.

Report on post-balance sheet date events

On 1 July 2016, group parent company telegate AG was renamed 11 88 0 Solutions AG. The change of company name was resolved by the Annual General Meeting on 8 June 2016.

Planegg-Martinsried, 25 July 2016

The Management Board

Consolidated Income Statement (IFRS)

	Quarterly Report Report (unaudited)		6-Months Report (unaudited)	
in kEUR	**1.4. - 30.06.2016**	**1.4. - 30.06.2015**	**1.1. - 30.06.2016**	**1.1. - 30.06.2015**
Continuing operations				
Revenues	11,164	13,412	22,956	27,371
Cost of revenues	-6,841	-6,808	-13,314	-13,903
Gross profit	**4,323**	**6,604**	**9,642**	**13,468**
Selling and distribution costs	-4,696	-6,436	-9,362	-12,797
General administrative expenses	-2,812	-2,912	-5,785	-5,635
Other operating income	20	0	21	2
Other operating expense	-1	-1	-13	-7
Operating income (loss)	**-3,166**	**-2,745**	**-5,497**	**-4,969**
Interest income	66	102	133	230
Interest expense	-24	-4	-27	-9
Gain (loss) from marketable securities	25	0	-11	-21
Gain (loss) on foreign currency translation	0	-1	0	1
Financial income (loss)	**67**	**97**	**95**	**201**
Income (loss) before income tax	**-3,099**	**-2,648**	**-5,402**	**-4,768**
Current income tax	-116	14	-116	40
Deferred income tax	-155	442	-155	693
Income tax	**-271**	**456**	**-271**	**733**
Net income (loss) from continuing operations	**-3,370**	**-2,192**	**-5,673**	**-4,035**
Discontinued operations				
Net income (loss) from discontinued operations	-1	-10	-27	-15
Net income (loss)	**-3,371**	**-2,202**	**-5,700**	**-4,050**
Attributable to:				
Owners of the parent	-3,371	-2,202	-5,700	-4,050
Non-controlling interests	0	0	0	0
	-3,371	**-2,202**	**-5,700**	**-4,050**
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.18	-0.12	-0.30	-0.21
Earnings per share for *continuing operations* for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	-0.18	-0.12	-0.30	-0.21
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	0.00	0.00	0.00

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

	Quarterly Report Report (unaudited)		6-Months Report (unaudited)	
in kEUR	**1.4. - 30.06.2016**	**1.4. - 30.06.2015**	**1.1. - 30.06.2016**	**1.1. - 30.06.2015**
Net income (loss)	**-3,371**	**-2,202**	**-5,700**	**-4,050**
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	2	6	-8	-120
Available for sale financial assets - Reclassification to profit or loss, net	-14	20	-13	15
Foreign currency translation differences	-1	0	-1	0
Other comprehensive income (loss) after tax	**-13**	**26**	**-22**	**-105**
Total comprehensive income (loss)	**-3,384**	**-2,176**	**-5,722**	**-4,155**
Thereof from:				
Continuing operations	-3,383	-2,166	-5,695	-4,140
Discontinued operations	-1	-10	-27	-15
	-3,384	**-2,176**	**-5,722**	**-4,155**
Attributable to:				
Owners of the parent	-3,384	-2,176	-5,722	-4,155
Non-controlling interests	0	0	0	0
	-3,384	**-2,176**	**-5,722**	**-4,155**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Financial Position (IFRS)

ASSETS in kEUR	(unaudited) 30.06.2016	(unaudited) 30.06.2015	31.12.2015
Current assets			
Cash and cash equivalents	1,664	1,176	940
Trade accounts receivable	10,416	10,886	11,092
Current tax assets	123	215	203
Available for sale financial assets	11,518	20,471	17,530
Other financial assets	178	176	690
Other current assets	2,223	1,964	1,734
Total current assets	**26,122**	**34,888**	**32,189**
Non-current assets			
Goodwill	6,789	6,789	6,789
Intangible assets	7,169	8,772	8,146
Property and equipment	2,100	2,880	2,507
Other financial assets	2	15	13
Deferred tax assets	4	4	0
Total non-current assets	**16,064**	**18,460**	**17,455**
Total assets	**42,186**	**53,348**	**49,644**
LIABILITIES AND EQUITY in kEUR			
Current liabilities			
Trade accounts payable	981	916	1,071
Accrued liabilities	4,513	5,462	6,047
Provisions	169	150	266
Current tax liabilities	116	0	0
Other current liabilities	2,388	1,743	2,410
Total current liabilities	**8,167**	**8,271**	**9,794**
Non-current liabilities			
Provisions	777	534	1,034
Provisions for retirement benefits	48	88	48
Deferred tax liabilities	712	1,030	564
Total non-current liabilities	**1,537**	**1,652**	**1,646**
Total liabilities	**9,704**	**9,923**	**11,440**
Equity			
Share capital	19,111	19,111	19,111
Additional paid in capital	32,059	32,059	32,059
Retained earnings	-18,672	-7,706	-12,972
Other components of equity	-16	-39	6
Equity attributable to owners of the parent	**32,482**	**43,425**	**38,204**
Total equity	**32,482**	**43,425**	**38,204**
Total liabilities and equity	**42,186**	**53,348**	**49,644**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in kEUR	(unaudited) 1.1. - 30.06.2016	(unaudited) 1.1. - 30.06.2015
Cash flow from operating activities		
Income (loss) before income tax from continuing operations	-5,402	-4,768
Income (loss) before income tax from discontinued operations	-27	-15
Income (loss) before income tax	**-5,429**	**-4,783**
Adjustments for:		
Amortisation and impairment of intangible assets	2,736	3,619
Depreciation and impairment of property and equipment	541	932
Depreciation of current intangible assets	969	901
Gain (loss) on disposal of property and equipment	13	4
Interest income	-133	-230
Interest expense	27	9
Gain (loss) from marketable securities	11	21
Gain (loss) on foreign currency translation	0	-1
Valuation allowance for trade accounts receivable	321	119
Gain (loss) from the sale of subsidiaries	27	15
Changes in non-current provisions	-259	-118
Changes in non-current financial assets	10	0
Operating income (loss) before changes in operating assets and liabilities	***-1,166***	***488***
Changes in operating assets and liabilities:		
Trade accounts receivable	75	559
Current intangible assets [1]	-1,184	-1,053
Miscellaneous current assets	238	121
Trade accounts payable	225	-373
Current provisions	3	-6
Accrued expenses and other current liabilities	-1,551	-2,872
Income taxes paid	80	-50
Cash used in operating activities	**-3,280**	**-3,186**
Cash flow from investing activities		
Purchase of intangible assets excl. customer contracts	-1,448	-968
Purchase of customer contracts with contract period > 1 year	-364	-980
Purchase of property and equipment	-129	-123
Proceeds from sale of property and equipment	0	3
Disbursement for the sale of subsidiaries	-151	-21
Purchase of available for sale financial assets	0	-6,986
Disposal of available for sale financial assets	5,971	8,950
Interest received	133	231
Cash provided by investing activities	**4,012**	**106**
Cash flow from financing activities		
Interest paid	-7	-10
Cash used in financing activities	**-7**	**-10**
Effect of exchange rate changes on cash and cash equivalents	**-1**	**4**
Change in cash and cash equivalents	**724**	**-3,086**
Cash and cash equivalents at the beginning of reporting period	**940**	**4,262**
Cash and cash equivalents at the end of reporting period	**1,664**	**1,176**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period	13,182	21,647

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

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, 2016	**19,111**	**32,059**	**-12,972**	**6**	**38,204**	**0**	**38,204**
Net income (loss)	-	-	-5,700	-	-5,700	-	**-5,700**
Available for sale financial assets	-	-	-	*-21*	*-21*	-	***-21***
Foreign currency translation	-	-	-	*-1*	*-1*	-	***-1***
Other comprehensive income (loss)	-	-	0	-22	-22	-	**-22**
Total comprehensive income (loss)	**0**	**0**	**-5,700**	**-22**	**-5,722**	**0**	**-5,722**
Balance at June 30, 2016	**19,111**	**32,059**	**-18,672**	**-16**	**32,482**	**0**	**32,482**
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***
Foreign currency translation	-	-	-	*0*	*0*	-	***0***
Other comprehensive income (loss)	-	-	0	-105	-105	-	**-105**
Total comprehensive income (loss)	**0**	**0**	**-4,050**	**-105**	**-4,155**	**0**	**-4,155**
Balance at June 30, 2015	**19,111**	**32,059**	**-7,706**	**-39**	**43,425**	**0**	**43,425**

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 telegate AG (hereinafter also referred to as the company) and its subsidiaries comprise the provision of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements, the provision of online marketing services, the provision of DA services (directory assistance services) about the subscribers of public telephone networks as well as 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 (hereinafter also referred to as the group/telegate/telegate group).

The interim consolidated financial statements of telegate AG and its subsidiaries for the first three months ending 30 June 2016 were prepared in accordance with the International Financial Reporting Standards (IFRS) 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 2016 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 2015 financial year.

The interim consolidated financial statements of the telegate group 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 25 July 2016.

The consolidated financial statements and the group management report prepared as of 31 December 2015 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 2015 financial year, except for the changes explained below.

IAS 19 Employee Benefits - Employee Contributions

The amendment to IAS 19 introduced an option to the standard for accounting for defined benefit pension commitments to which employees or third parties make required contributions.

The amendments were issued in November 2013 and must be applied for the first time in financial years beginning on or after 1 February 2015.

The application of these amendments does not affect the consolidated financial statements.

Annual improvements to IFRS - 2010-2012 Cycle

The changes effect the following standards:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets
- IAS 24 Related Party Disclosures

The amendments were issued in December 2013 and must be applied for the first time in financial years beginning on or after 1 February 2015.

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

Amendments to IFRS 11 Joint Arrangements - Acquisitions of Interests in Joint Operations

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. All of the principles on business combinations accounting must now be applied to the acquisition of interests in a joint operation of this nature.

The new provisions were issued in May 2014 and are applicable prospectively to acquisitions of interests taking place in reporting periods beginning on or after 1 January 2016.

The revised standard does not affect the consolidated financial statements.

Annual Improvements to IFRS - 2012-2014 Cycle

This additional amendment standard as part of the annual improvements (2012-2014 cycle) contains amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures (with subsequent amendment to IFRS 1)
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The amendments were issued in September 2014 and are effective for reporting periods beginning on or after 1 January 2016.

Application of these amendments primarily influences the scope of disclosures in the notes and thus will not affect the group's net assets, financial position and results of operations.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amendments to IAS 1 provide for a stronger focus on the principle of materiality, further options for breaking down the minimum line items in the statement of financial position, as well as the disclosure of subtotals and greater flexibility in the preparation of the notes in relation to the sequence of the disclosures.

The amendments were issued in December 2014 and are effective for reporting periods beginning on or after 1 January 2016.

Application of these amendments influences the method of presentation in the consolidated financial statements and the disclosures in the notes and thus will not affect the group's net assets, financial position and results of operations.

3. Future changes in accounting policies

IFRS 16 Leases

The IASB issued the new standard IFRS 16 on lease accounting which supersedes IAS 17 Leases and the associated interpretations, IFRIC 4, SIC-15 and SIC-27.

A lessee must now account for all leases in the form of a right-of-use asset and a corresponding lease liability at the present value of the minimum lease payments. Consequently, the right-of-use asset must be depreciated over the lease term on a straight-line basis, while the lease liability must be measured using the effective interest method. A uniform presentation is made in the income statement in which a depreciation charge is continuously recognised for each lease agreement and interest expense is allocated over the lease term. While a lessee is no longer required to classify a lease as either a finance lease or an operating lease, IFRS 16 still requires lessors to do so.

The standard was issued in January 2016 and must be applied for the first time for financial years beginning on or after 1 January 2019. Voluntary early application is permitted if the entity also applies IFRS 15 Revenue from Contracts with Customers at this time. The standard has yet to be endorsed by the EU.

telegate is currently reviewing which effects the application of IFRS 16 has on the group's net assets, financial position and results of operations.

Amendments to IAS 12 - Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify the question of the recognition of deferred tax assets on temporary differences from unrealised losses.

The new guidance was issued in January 2016 and – subject to EU endorsement of the standard – must be applied for the first time for financial years beginning on or after 1 January 2017. Voluntary earlier application is permitted.

The amendments are not expected to affect the group's net assets, financial position and results of operations.

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The objective of this amended standard is to improve the information provided about an entity's financing activities. The amendments set out that in the future entities will be required to provide enhanced disclosures on changes in liabilities arising from financing activities in the statement of financial position during the reporting period if cash flows from those financial liabilities were, or future cash flows will be, included in cash flows from financing activities in the statement of cash flows. In addition, the disclosure requirement also applies to changes in the carrying amount of financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

The amendments were issued in January 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2017. Voluntary earlier application – subject to EU endorsement – is permitted. When the entity first applies those amendments, it is not required to provide comparative information for preceding periods.

The amendments are not expected to affect the group's net assets, financial position and results of operations.

Clarifications to IFRS 15 Revenue from Contracts with Customers

The amended standard includes clarifications on the following issues in IFRS 15:

- Identification of performance obligations
- Classifying a company as a principal or an agent
- Revenue from granting licences
- Relief provisions for first-time application

The amendments were issued in April 2016 and must be applied for the first time for reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

The effects of these amendments on the consolidated financial statements are being reviewed as part of the assessment of the effects of the first-time application of IFRS 15.

Amendments to IFRS 2 Share-based Payment - Classification and Measurement of Share-based Payment Transactions

These amendments include the following clarifications and/or revisions:

- Effects of vesting conditions on the measurement of a cash-settled share-based payment transaction
- Classification of share-based payment transactions with net settlement features, i.e. free of withholding tax
- Accounting for modifications to share-based payment transactions from cash-settled to equity-settled

The amendments were issued in June 2016 and must be applied to transactions granted or amended in financial years beginning on or after 1 January 2018. Earlier application is permitted, subject to recognition by the EU. Retrospective application is only permitted if this is possible without the use of hindsight.

The effects of these amendments on the consolidated financial statements are being reviewed.

4. Restructuring measures

The restructuring plan initiated in October 2015 aimed at the discontinuation and closure of the entire field sales unit as of 31 December 2015 was largely completed in the first six months of the current financial year.

As of 30 June 2016, the obligations presented in the consolidated statement of financial position in connection with restructuring measures totalled EUR 242 thousand (31 December 2015: EUR 488 thousand), of which EUR 240 thousand (31 December 2015: EUR 368 thousand) was recorded for obligations arising under vehicle leases that are shown under non-current provisions. No expenses associated with ongoing restructuring measures were shown in the income statement (2015: EUR 0 thousand) in the first three months of the current financial year.

5. Segment reporting

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). Management decided to no longer calculate the key figure „EBITDA before non-recurring items" that was additionally presented in the previous years.

The accounting principles for the segments match those described in the consolidated financial statements for the year ended 31 December 2015.

There were no inter-segment revenues in the first three 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 2016 in EUR thousand	**Directory Assistance**	**Digital**	**Group**
Revenues			
Revenues from transactions with external customers	8,216	14,740	**22,956**
Total revenues	**8,216**	**14,740**	**22,956**
Earnings			
EBITDA	-192	-1,059	**-1,251**
Depreciation and amortisation	-817	-3,429	**-4,246**
Net financial income			**95**
Earnings before income taxes			**-5,402**

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**

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.

as of 30 June 2016, 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	-	11,518	-	11,518	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	1,664	-	-			
Trade accounts receivable	10,416	-	-			
Current other financial assets	178	-	-			
Non-current other financial assets	2	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	981			

as of 31 December 2015, 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	-	17,530	-	17,530	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	940	-	-			
Trade accounts receivable	11,092	-	-			
Current other financial assets	690	-	-			
Non-current other financial assets	13	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	1,071			

In the first six months until 30 June 2016, there were no changes in the valuation techniques applied and no transfers between the levels of the fair value hierarchy.

7. Litigation

The action for damages brought by telegate AG against Deutsche Telekom AG was dismissed by the Düsseldorf Higher Regional Court in April 2015. The company filed an appeal with the German Federal Court of Justice (BGH) in May 2015 against the refusal of leave to appeal this ruling. This appeal was dismissed by the BGH in May 2016. Therefore, the action for damages has been finally ruled against telegate AG.

8. Disclosure regarding the corporate bodies of telegate AG

Change in the Supervisory Board

At the Annual General Meeting on 8 June 2016, Mr. Antonio Converti – who was previously court – appointed to the Supervisory Board to succeed Mr. Vincenzo Santelia, was elected to the Supervisory Board.

9. Events after the reporting period

On 1 July 2016, group parent company telegate AG was renamed 11 88 0 Solutions AG. The change of company name was resolved by the Annual General Meeting on 8 June 2016.

10. German Corporate Governance Code

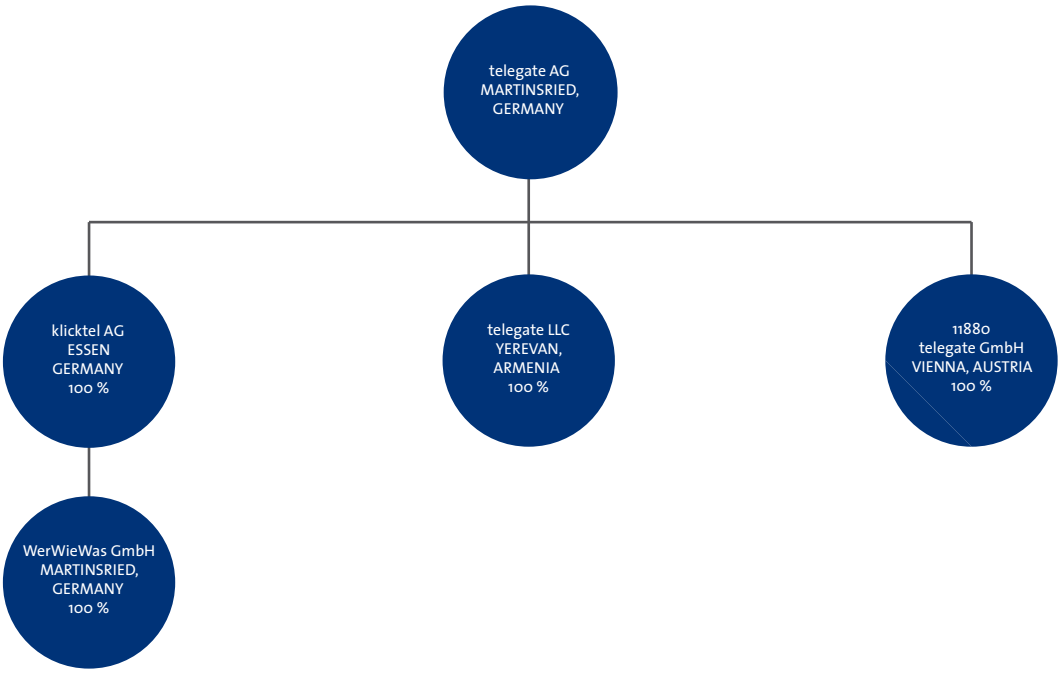
The joint declaration of compliance by the Management Board and Supervisory Board of telegate AG in accordance with section 161 AktG relating to the German Corporate Governance Code was made on 17 December 2015. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, 25 July 2016

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

Corporate Structure telegate Group



www.telegate.com

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