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telegate Group

IR-Newsletter

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Your telegate Investor Relations Team

telegate with clear revenue growth in first quarter 2006

In the current fiscal year is characterized by capital expenditures in the long-term profitable growth, as the now completed first quarter demonstrates. Though the revenues were up by 40%, profitability fell significantly over the short-term due to built-up of the brand of the French directory assistance service and the related advertising costs.

In the first quarter the Group generated revenues of €47.2 million (previous year: €33.8 million). As before, growth is mainly driven by International business, with revenues increasing from €5.9 million in the first quarter of 2005 to more than €18.6 million now. Domestic revenues also rose slightly from €27.9 million to €28.6 million compared to the previous year.

The development of the French business contributes above average to the growth of the telegate Group. The expansion of branded business there is, however, accompanied by one-off significantly higher advertising costs. With the Group, they rose from €4.7 million in the first quarter of 2005 to €16.1 million in the first quarter of 2006. As a consequence of the clearly increased advertising costs, the earnings before interest, taxes, depreciation and amortization (EBITDA) in the first quarter of 2006 fell to about €0.3 million (previous year: €10.5 million). Though the positive growth of the gross profit that improved from €20.8 million in 2005 to €22.5 million in the first quarter of 2006 underlines the unaltered high profitability of the business.

telegate is able to self-finance its European expansion. Although the company has a negative free cash flow of minus €4.1 million (previous year: plus €7.7 million) due to large investments in marketing, telegate still has excellent financial resources, with liquid assets of just €47.5 million as per March 31, 2006 (previous year: €41.8 million), with which it can continue to fully exploit growth potentials in Europe. The equity ratio is 46% as at the close of the first quarter (previous year: 48%).

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Dividend announcement 2006

The Annual Shareholders' Meeting of telegate AG resolved to distribute a dividend of EUR 0.65 per no-par share for the eligible share capital of €20,987,045 for the fiscal year 2005.

The dividend payment is paid out without deducting capital yield tax or solidarity surcharge due to distribution out of the taxable deposit account. The dividend was distributed by Clearstream Banking AG, Frankfurt am Main, to the single custodian accounts on May 16, 2006.

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New telegate Supervisory Board

The annual shareholder meeting of telegate AG elected two new supervisory board members to office. Henceforth, Dr. Arnold R. Bahlmann (53), formerly a member of the Bertelsmann board of directors, and Jürgen von Kuczowski (65), former German and European head of Vodafone, will enforce the supervisory body of Europe's leading directory assistance and call centre service provider. In the course of cyclical elections, they succeed current supervisory board members Dr. Joachim Dreyer and Dr. Martin Hartl.

Furthermore, the annual shareholder meeting confirmed the following members as shareholder representatives on the supervisory board for an additional term: Herbert Brenke (chairperson of the supervisory board), Stanislas Laurent (COO AOL Europe), Luca Majocchi (CEO Seat Pagine Gialle) and Maurizia Squinzi (CFO Seat Pagine Gialle). The supervisory board of telegate AG is completed by the following persons as representatives of the associates and the unions: Birgit Labs, Silke Lichner, Daniela Lübbert, Anett Kaczorak, Ilona Rosenberg and Jürgen Heinath.

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IR Calendar

Publication 6-Months Report 2006	07/25/2006
Publication 9-Months Report 2005	10/25/2006

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Analyst Coverage

Institute	Analyst	Recommendation	Target price (in Euro)		Date
			new	old	
Intermonte	Umberto Grimi	buy	27.50	27.60	04/26/2006
HVB Equity Research	Thomas Friedrich	Outperform	23.00	23.00	04/26/2006
DZ Bank AG	Wolfgang Specht	buy	23.00	23.00	04/26/2006
Sal Oppenheim	Frank A. Rothauge	neutral	21.00	21.00	04/25/2006
Cheuvreux	Felix Braune	Outperform	22.50	21.50	04/19/2006

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Germany/Austria

telegate takes over DA-business from SNT Germany

The DA and call center provider telegate AG signed an agreement with SNT Deutschland AG for takeover of SNT's classic DA-business. telegate will take over SNT Germany's DA-telephone numbers "11881", "11882" and "11889", as well as all existing customer contracts related to these numbers. A central component of the acquisition is thus a long-term partnership with the mobile phone carrier O2 Germany, which exclusively markets the DA-number "11881" on its net.

The purchase price approximately equals one and a half times the annual sales of around €6 million, which SNT Deutschland earns in the classic DA-business. Both companies agreed to keep additional terms of the acquisition confidential. The transaction is expected to be completed by the end of June 2006.

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France

France: 3 months after liberalization

Since the full market liberalization of the French directory assistance market on April 3, 2006, 4 relevant market players have entered the competition for consumers' favor (InfoNXX, PagesJaunes, France Telecom & telegate). telegate is currently holding the number 2 position in terms of brand awareness – behind InfoNXX and ahead of France Telecom and PagesJaunes.

Two items have significantly influenced the liberalization process. First of all: The decline in total market volume was considerably higher than all market players had assumed. Second one: The advertising spending of the total market amounting to well over €100 million were dramatically higher than expected by all market participants. A significant reduction of marketing expenses was evident for the first time in May.

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Italy

Update: Italian DA-market

The joint market entry of telegate and Seat Pagine Gialle S.p.A. in fiscal year 2005 has continued to proceed according to plan over the first months of fiscal 2006. 6 months after the market opening, Seat group achieved with its numbers '12 40' and '89 24 24' a market share of 35 to 40% in the Italian DA-market. Thus, the expiring outsourcing agreement with Telecom Italia Mobile S.p.A. (TIM) was more than compensated for in sales and earnings over the first quarter 2006 by the 12 40-directory assistance, which constitutes a solid basis for ongoing profitable growth.

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