

telegate group: Annual financial results 2009

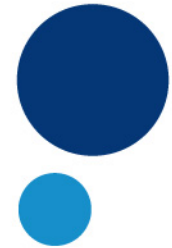
Munich,
March 11, 2010

telegate 

11880.com
Da werden Sie gehalten.

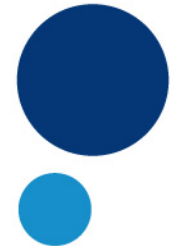
klickTel 
Find people and places.

Agenda



- **2009 in summary:**
 - **Transformation towards local search provider**
 - **Financials 2009 & Outlook 2010**
 - **Digital Marketing: Focus areas for telegate**

telegate 2009: Overview



Classical DA business

- Shrinking markets across Europe following digital substitution
- Financial impact partly compensated by higher revenue/call and strict cost optimization

New Media Business

- Successful completion of klickTel integration
- Continuously growing Media business (8%* yoy), representing 23%* of revenues in Q4

Strategic focus

- Sale of French business, concentration on German core market

Data cost claim

- BGH (German Federal Court) resent the reclamation claim to the 2nd instance court
- Unchanged expectation to finally win the lawsuit (reclamation claims > EUR 100 m)

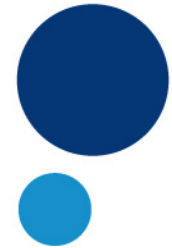
Financial result

- EUR 35 Mio. EBITDA in line with guidance (March 09: EUR 32 – 37 m)

*Germany

Transformation towards local search provider

Key milestones 2009



- **Strong usage growth!**

- Nearly 30% usage growth of digital channels (11880 + klickTel) more than offsetting decline of traditional channels
- Leadership in mobile local search in Germany: 500.000 downloads of apps, ~35% market share

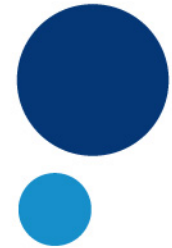
- **A compelling local search advertising offer for SMEs!**

- Integration of all 11880 and klickTel channels in an integrated advertising product
- Product enhancement with SEM via Google reseller partnership
- Preparation of additional product started, to be launched in 2010

- **Building a powerful nationwide sales force!**

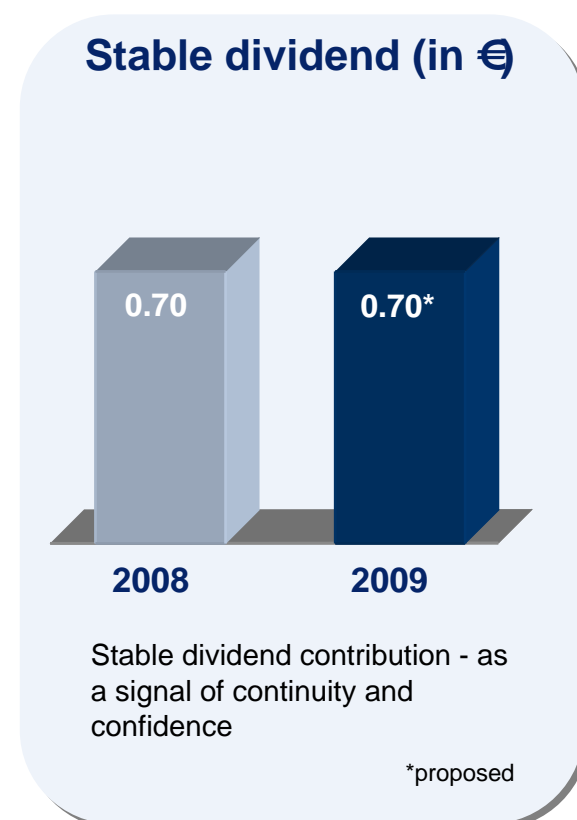
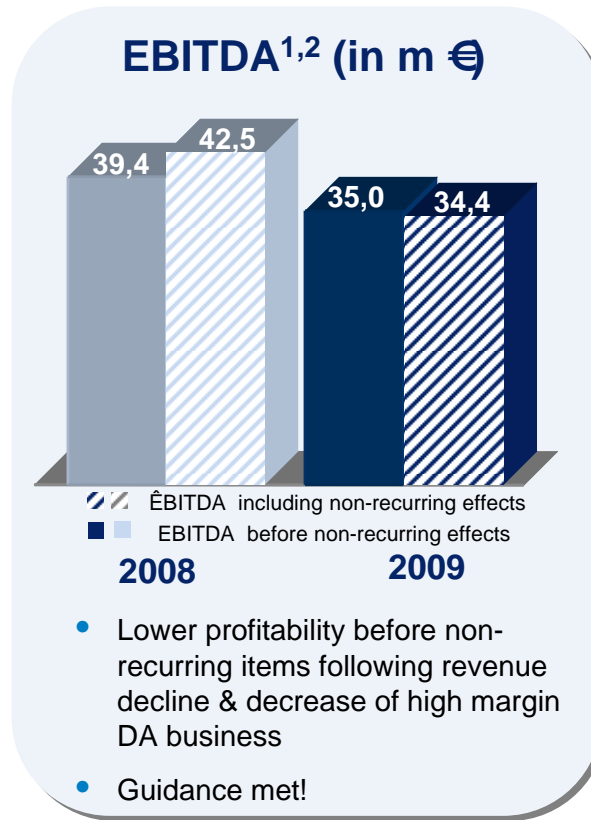
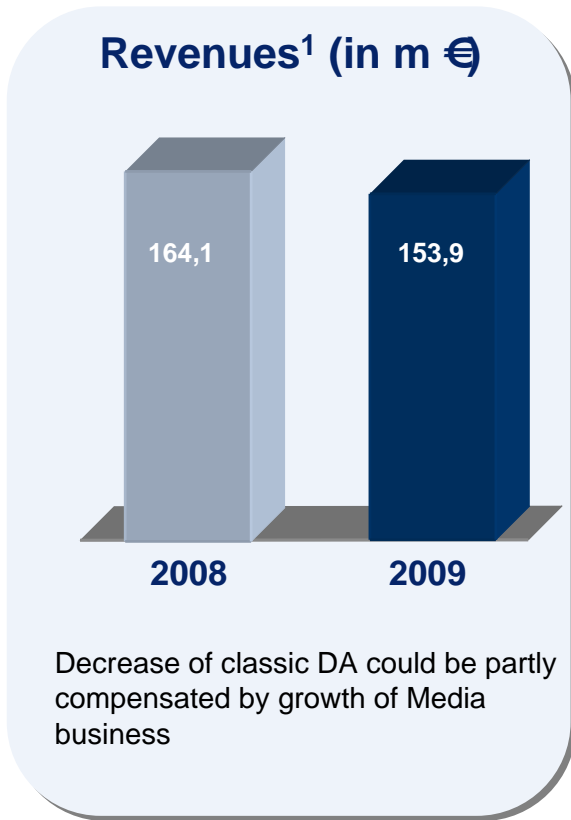
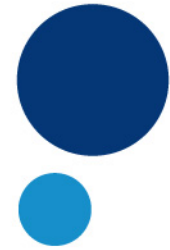
- Successful integration of telegate and klickTel sales organizations
- Expanding sales force to 450 people, strong growth of field sales channel
- Continuously growing advertiser base (Net additions: +6000 paid entries)

Agenda



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Solid operational performance despite difficult economic environment in 2009



¹ with segment France as discontinued operations accordingly to IFRS

² non-recurring effects are: a) in 2009 cost for capacity adjustments -1.4 m€, integration costs -0.9 m€ and income from settlement agreement of 1.7 m€, net -0.6 m€
 b) in 2008 integration costs of -2.5 m€ and data cost litigation of +5.6 m€, net +3.1 m€

Consolidated profit and loss statement

in kEUR	Q4 2009	Q4 2008	2009	2008
Revenue	36.737	42.181	153.889	164.113
Revenue DA solutions	29.991	35.775	129.433	145.359
Revenue Media	6.746	6.406	24.456	18.754
Gross profit	20.426	24.080	86.694	93.843
Gross profit in %	55,6%	57,1%	56,3%	57,2%
Advertising costs	-4.399	-5.141	-12.662	-16.898
Personnel costs	-5.776	-6.699	-25.527	-24.371
Depreciation and amortisation	-2.565	-2.724	-10.466	-9.561
Other administrative expenses	-4.175	-5.290	-16.446	-16.529
Other operating income	209	253	2.296	6.444
EBITDA before non-recurring effects	6.543	7.643	34.959	39.407
EBITDA after non-recurring effects	6.285	7.203	34.355	42.489
EBIT	3.720	4.479	23.889	32.928
Income tax - current	-933	-1.563	-7.710	-10.751
Income tax - deferred	489	-12	871	-429
Income from continuing operations	3.731	3.645	19.131	24.440
Income from discontinued operations	-133	324	-3.068	-189
Net income	3.598	3.969	16.063	24.251
Earnings per share for continuing operations (in Euro)	0,18	0,17	0,90	1,16

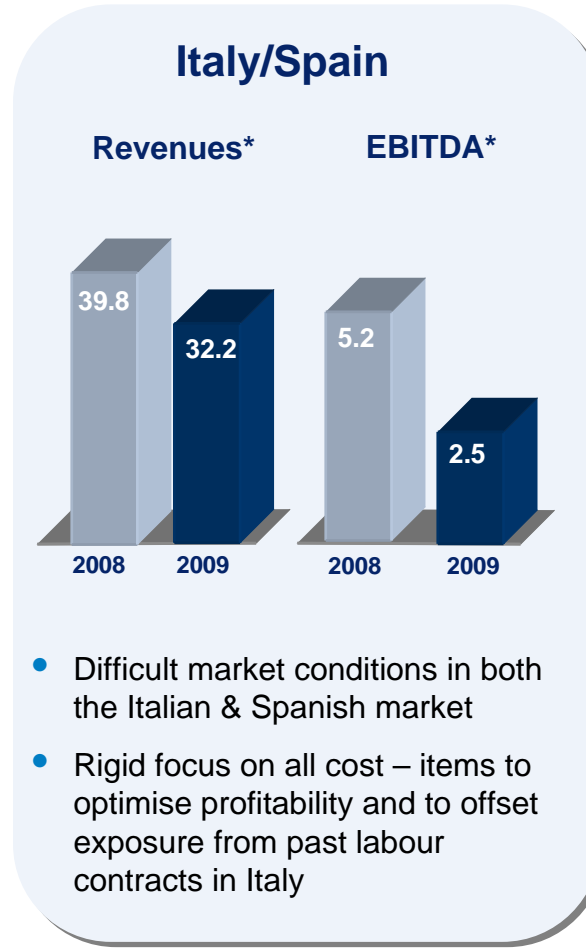
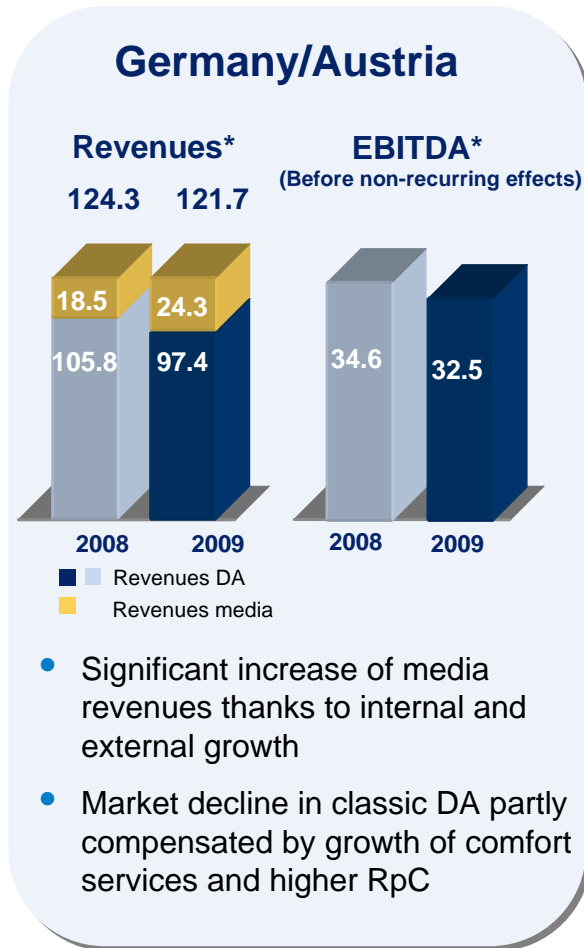
Continued growth of Media revenues both against previous quarter as well as prior-year

Positive non-recurring income: 1.7m € in 2009, 5.6m € in 2008

Lower operating profit, non-recurring cost, partly compensated by less tax expenses

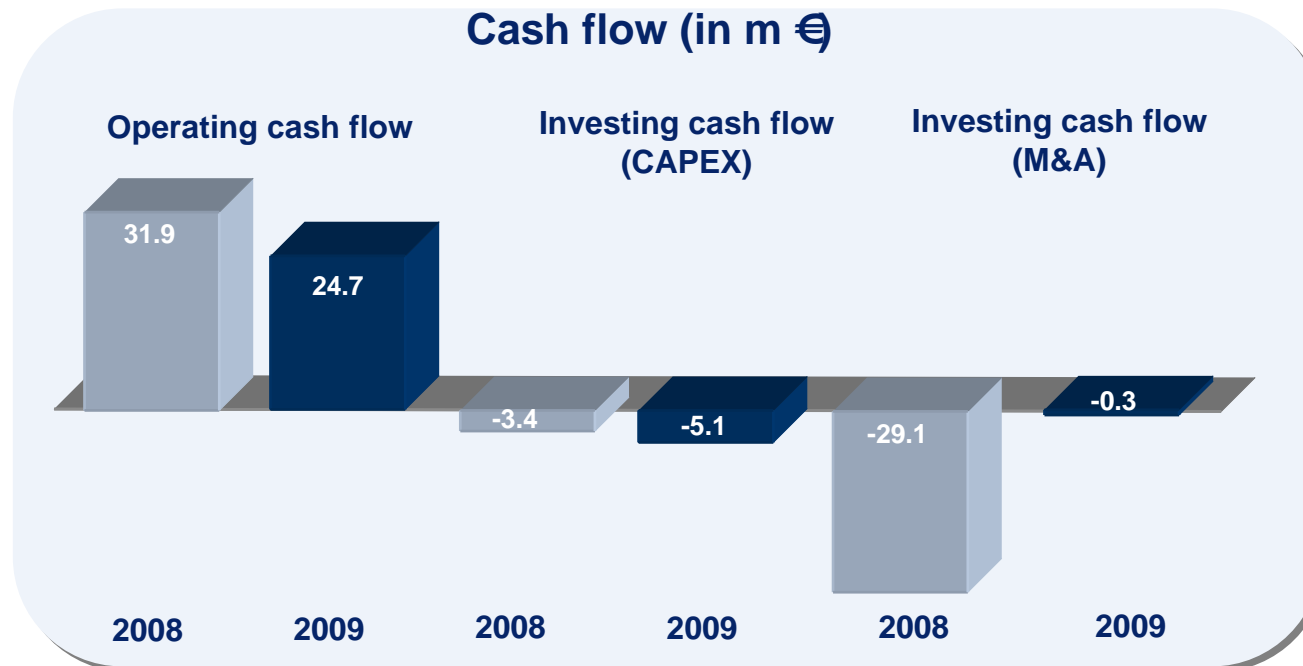
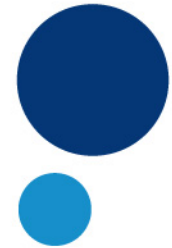
French subsidiary as discontinued operations, negative income '09 driven by extraordinary write-offs

Visible progress in company transformation in Germany, whilst Italy/Spain are hurt by difficult economic environment



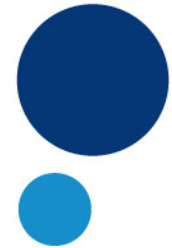
* in m€

Solid free cash flow generation underlines robust business model



- **Operating** cash flow: 2009 contained significant outflows due to income tax payments that in part still refer to 2008
- **Investing** cash flow (CAPEX): Investments in CRM system to support Media business as well as projects in the course of integration of telegate Media AG
- Cash-out (**M&A**) in '09 for the increase of the stake in tg MEDIA AG to now 100% & escrow account
- **Net financial position** (31.12.09): 59.9 m€ despite dividend payment of 14.9 m€ in May '09

Share buyback program in 2010



Background & Reason - why

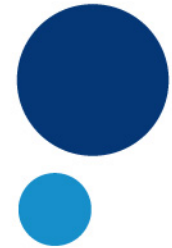
- High Net Financial Position (NFP 59,9 m€ as of 31.12.09)
- Significant positive FCF historically and also expected for the future
- Expected cash-inflow from data-claims against DTAG not to be expected during 2010/later
- Equity ratio of > 50 % in tg group, > 60 % in tg AG
- ➔ Partial distribution of the current ~ 60 m € NFP reasonable, would not limit strategic growth opportunities



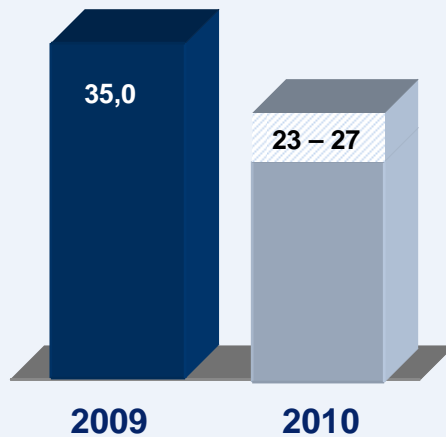
Process & Timing of buyback

- ➔ Distribute part of the NFP in a tax-optimal way to shareholders
- Share buyback program of up to 10 % decided by Management Board and Supervisory Board (accord. to § 71/1 No.8 AktG)
- Purchase via public offer to all shareholders with aim of repurchase close to 10 %
- Main shareholder Seat Pagine Gialle intends to participate in the offer
- Shares will be redeemed after repurchase
- Indicative timing: after AGM 2010

Business dynamics and profit guidance 2010



EBITDA¹ (in m €)



¹ Before non-recurring effects

Decrease of high margin Voice business

- Decline in voice volume in Germany(~20%)
- Compensation effects (revenue per call & Comfort Services) are limited

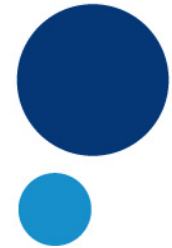
Growth of Media business

Target:

- Significant double digit growth (but still lower margin than voice business)
- Investment to build up sales force to benefit from shift of funds of advertising
- Investments in product innovations mobile + traffic to maintain leadership in mobile local search

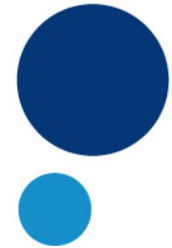
Within next 18 months, final success in data cost reclamation claims is expected (~100 m€)

Agenda



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- **Financials 2009 & Outlook 2010**
- **Digital Marketing: Focus areas for telegate**

Key drivers for next phase of digital marketing Outlook 2010 and beyond



Mobile!

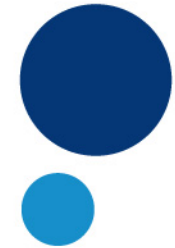
Social!

Local!

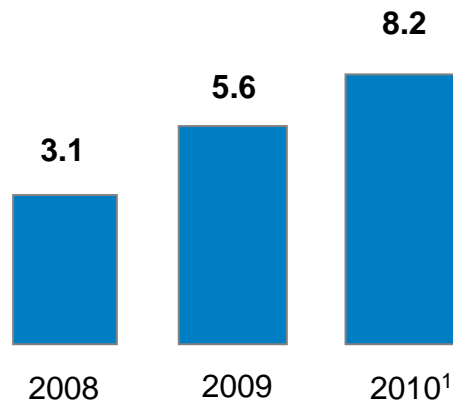


**Core of telegate's
strategy with
three focus areas**

Accelerated smartphone penetration will further fuel the growth of mobile internet usage

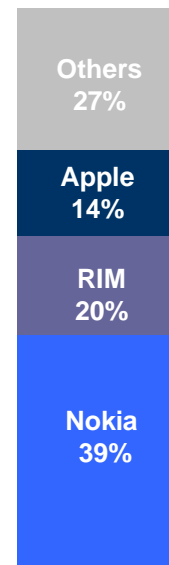


Every third new mobile phone sold will be a smartphone in 2010*



¹German smartphone market, in m units sold

telegate present in all relevant segments

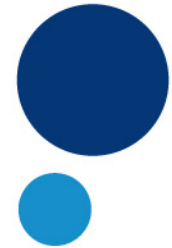


New partnership



*Source: ABI Research, February 2010, total: 172.2 million Smartphones worldwide

telegate will expand its leading market position in German mobile local search market



Focus area #1: **Mobile partnerships**

- **Only provider with app solutions for iPhone, Android, Blackberry and Window Mobile**
 - 500.000+ installed apps (~35% market share)
 - Constant product development and enrichment
- **Strategic partnership with Vodafone**
 - Pre-installment of telegate apps on VF smartphones
 - 11880 voice DA service as preferred partner (pre-installment on all SIM cards)
- **Strategic partnership with Nokia**
 - Jointly building local search solution for OviMaps



Accelerated usage of telegate's local search apps

More and high interest reach for telegate's advertisers

The local search market is becoming more fragmented –
 Social web will play increasing role



Social Communities

Smart Phones

Video Channel

Transactional Sites

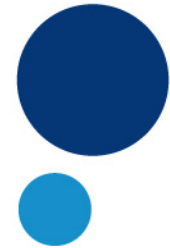


Online Directories

Search Engines

User Review Directories

telegate will benefit from embedding its local search solutions in the social web

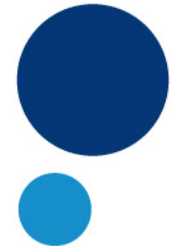


Focus area #2: Social web integration

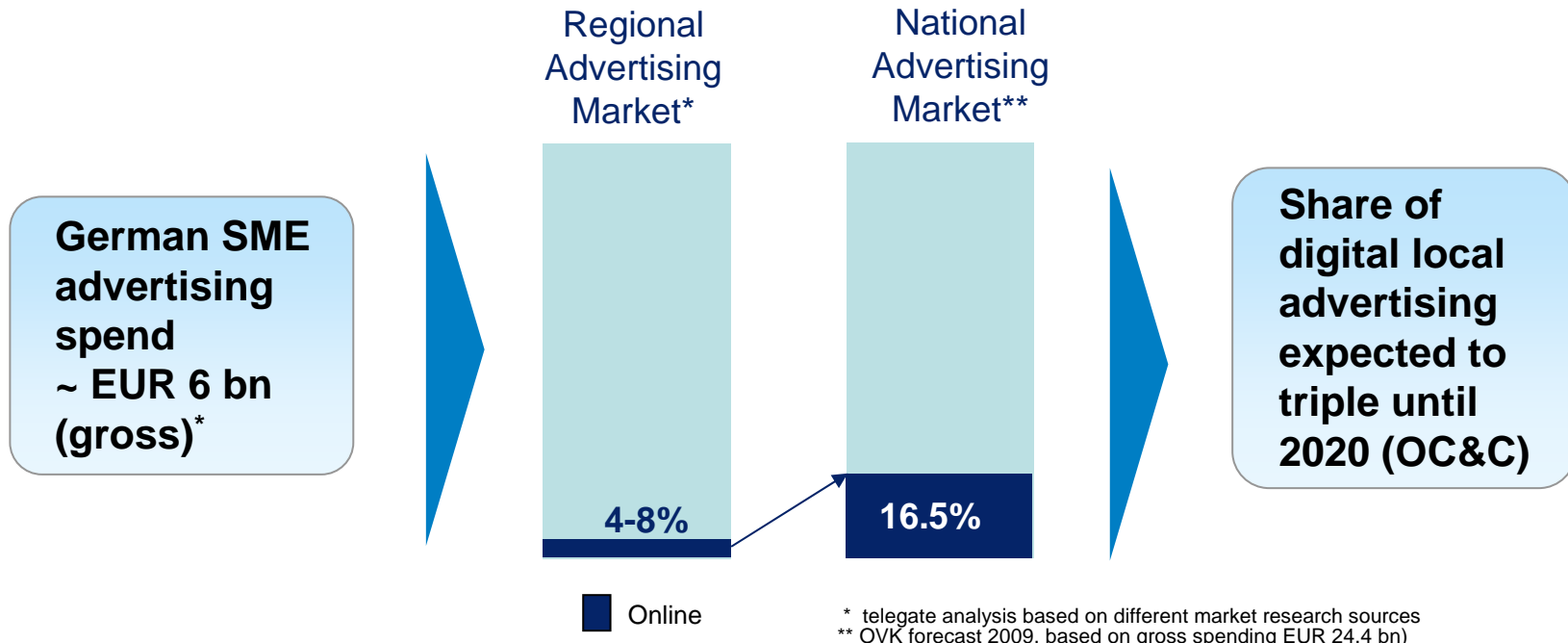
- **Enriching directory information:** via webcrawling and user generated content (reviews, self enrichment of entries)
- **Broadening the scope and variety of local information for and by users:** www.WerWieWas.de local information site
- **Integration of directory functionalities with social networks,** e. g.



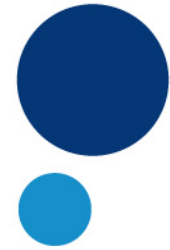
The local advertising market in Germany in early phase of transformation towards digital media



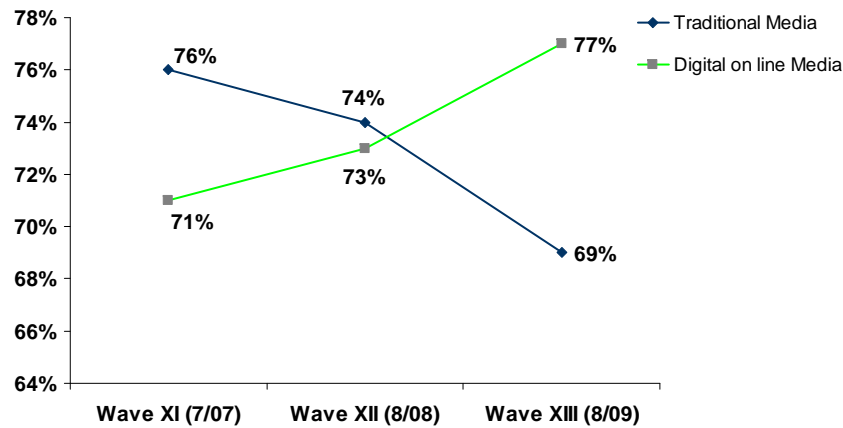
Focus area #3: Local advertising market



Transition of US local advertising market demonstrating the potential of digital local advertising

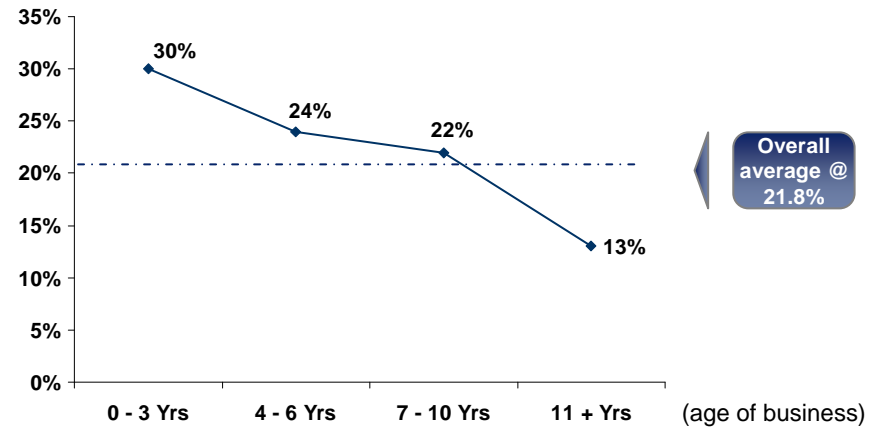


USA: Penetration of online media exceeds traditional media for the first time



Percent of SMEs using each type of media

USA: SME spend already more than 20% online

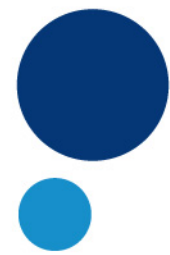


Percent of advertising budget spent online

Source: BIA Kelsey, Local Commerce Monitor Wave XI July 2007 (sample: 304); Wave XII August 2008 (sample: 299); Wave XIII August 2009 (sample: 302). Methodology: Online. Cosponsor: ConStat.

Source: BIA Kelsey, local commerce monitor wave XIII August 2009 (sample:302). Methodology: Online. Cosponsor: ConStat

The growing digital marketing playground offers significant opportunities for telegate's sales force



The „digital playground“



telegate[•]MEDIA

SEO & SEM (alliance with Google)	➔	ADWORDS QUALIFIED COMPANY Google	ADWORDS AUTORISIERTER RESELLER Google
Partnerships (local search portals)	➔	vodafone NOKIA Falk	Gigaset freenet
Own brands (5 Media channels)	➔	klickTel Find people and places.	11880 So werden Sie gefunden.

telegate MEDIA guarantees coverage via all modern digital media

* 1,99 EUR/Min. aus dem Festnetz der Deutschen Telekom. Aus dem Mobilfunknetz können ggf. abweichende Preise gelten. Preis einer SMS-Anfrage nur 0,99 € (VF D2 Anteil 0,12 €) im Inland

- Many opportunities, but also challenges for SME as complexity is significantly increasing

- US trend is confirming that the role of “intermediaries” which build “one stop shopping” solutions is becoming increasingly important
- telegate will further grow the capacity of its sales force (currently ~450, up to ~500) and range of services for SMEs in 2010

Contact telegate AG

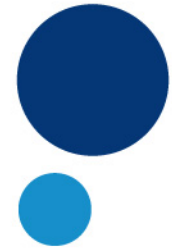
Financial calendar



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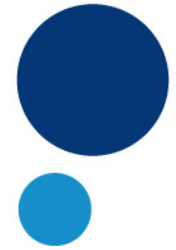
March 11, 2010	annual results 2009
May 5, 2010	3-month results 2010
June 9, 2010	AGM
August 3, 2010	6-month results 2010
November 9, 2010	9-month results 2010

Disclaimer



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Backup

Consolidated balance sheet



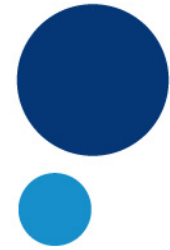
in kEUR	2009	2008
Assets		
Cash & cash equivalents	59.932	53.461
Tangible, intangible & financial assets	51.440	61.159
Trade accounts receivable	48.481	58.110
Other assets	11.785	10.867
Total Assets	171.638	183.597
Liabilities & Shareholders' equity		
Current liabilities	59.844	72.488
Non-current liabilities	14.509	14.299
Shareholders' equity attributable to the parent	97.285	96.810
Total liabilities & shareholders' equity	171.638	183.597

Consolidated cash flow statement



in kEUR	2009	2008
Net income before income tax	22.915	35.451
Depreciation & amortisation	14.113	10.512
Changes in operating assets & liabilities	1.573	-8.154
Income taxes paid	-16.066	-4.208
Other items	2.152	-1.698
Cash flows from operating activities	24.687	31.902
Capital expenditures	-5.105	-3.357
Acquisition/purchase of a subsidiary, net of cash acquired/purchased	623	-27.788
Acquisition of minority interests	-952	-1.317
Cash flows used in investing activities	-5.434	-32.462
Dividend paid	-14.864	-14.864
Interests received	2.155	2.402
Interests paid	-73	-295
Cash flows provided by (used in) financing activities	-12.782	-12.757
Increase in cash and cash equivalents	6.471	-13.317
Cash and cash equivalents at beginning of reporting period	53.461	66.778
Cash and cash equivalents at end of reporting period	59.932	53.461

Status: Data cost-proceedings DTAG



Reclamation claims

Federal Court decision on October 13

- As expected the court has referred the case back to OLG Düsseldorf
- The court confirmed telegate's claim on the merits
- OLG Düsseldorf will have to take further evidence on the relevance and the actual costs of additional data which DTAG delivered
- telegate is optimistic, that DTAG will fail to prove the correctness of its abusive cost calculations in the past

Next steps

- New hearing at OLG Düsseldorf during 2010

105 m € (incl. interest)²

Damage claims

Proceedings:

- 1st instance: 2nd oral hearing in February 2008 confirms our confidence in a positive ruling
- Expert opinion (causality & amount) currently in drafting due to assignment by court

140 m € (incl. interest)

¹ incl. telegate Media AG

² 74 m€ net of tax; 12.3 m€ already paid by DTAG in 2007, no P&L impact yet