

# telegate group:

9-months results 2011

Munich,  
November 8, 2011

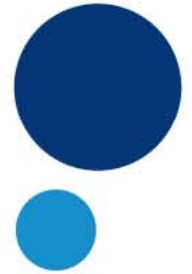
telegate 

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**11 88 0**.com  
Da werden Sie gehalten.

**klickTel**   
Find people and places.

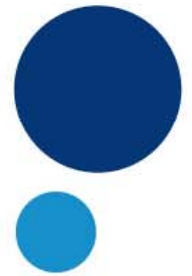
# Agenda



## The “new” telegate:

- Transformation towards local search provider
- Financials 9-months 2011
- Outlook 2011/2012

# Key achievements: Audience – digital search channels with strong growth



- **Increased reach:**

Traffic on telegate consumer channels is expected to grow from 280 m search requests in 2010 to close to 300 m in 2011

- **Status digital transformation:**

Today we already receive about 75 % of our close to 300 m searches via mobile apps & stationary internet, share is continuously growing

- **Mobile searches with extraordinary growth:**

> 100 % growth yoy – driven by both our own mobile apps (> 1,1 m downloads as of now) as well as cooperations; share of mobile increased to 25 % of our total internet searches; 4.2 m mobile internet searches per month

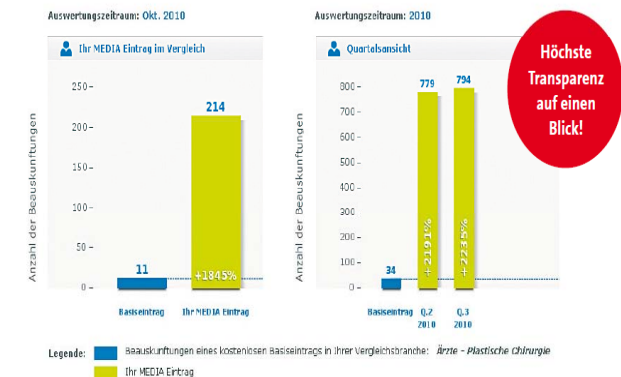
- **Stationary internet with good performance:**

> 50 % growth yoy in recent months – driven by cooperations, new functions for users and the optimization of SEO measures; referring to IVW numbers No. 1 position ahead of GelbeSeiten.de

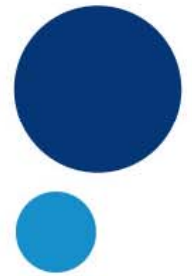


# Key achievements: Advertisers – growth & new product portfolio & proof of performance

- Growth:**  
 Revenues from business segment Media grow +22% in 9 months; Share of Media revenues of total revenues increased to 31% in 9 months 2011 from 23% in 9 months 2010
- Proof of performance for Media customers:**  
 Ongoing roll-out of a new data-based customer platform that shows the return of advertising; +30% improvement of rate at which churning clients are won back; additionally performance reasoning for new client acquisition and for existing clients retention
- Product strategy:**  
 Enlargement of the advertising product portfolio referring to customer requirements; e. g. broadening the website product family and offering new bundle products



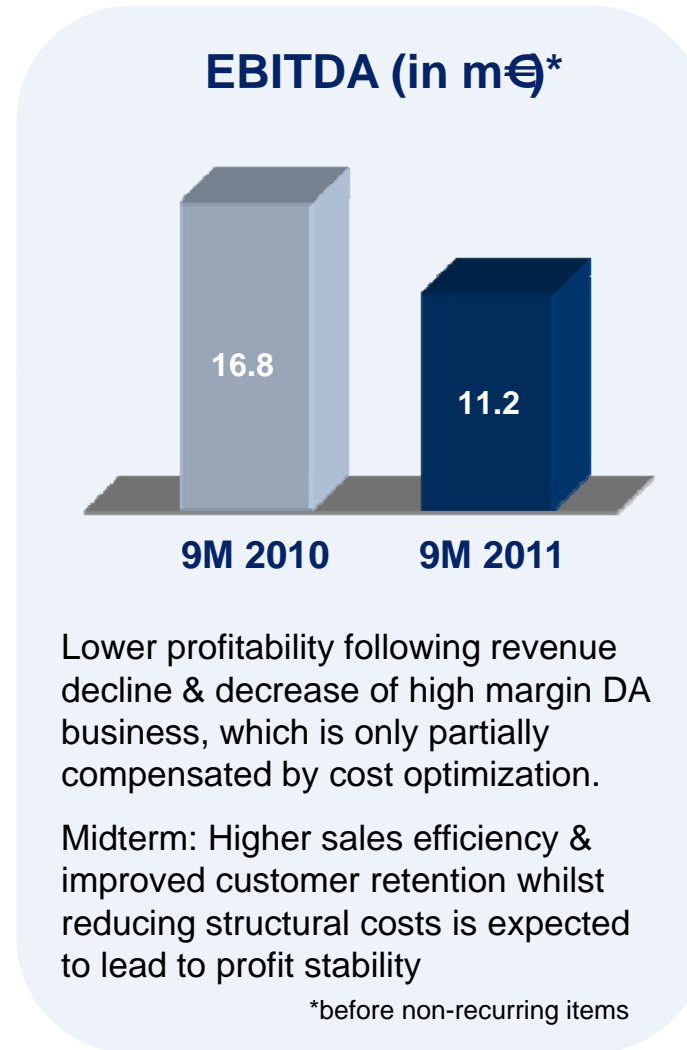
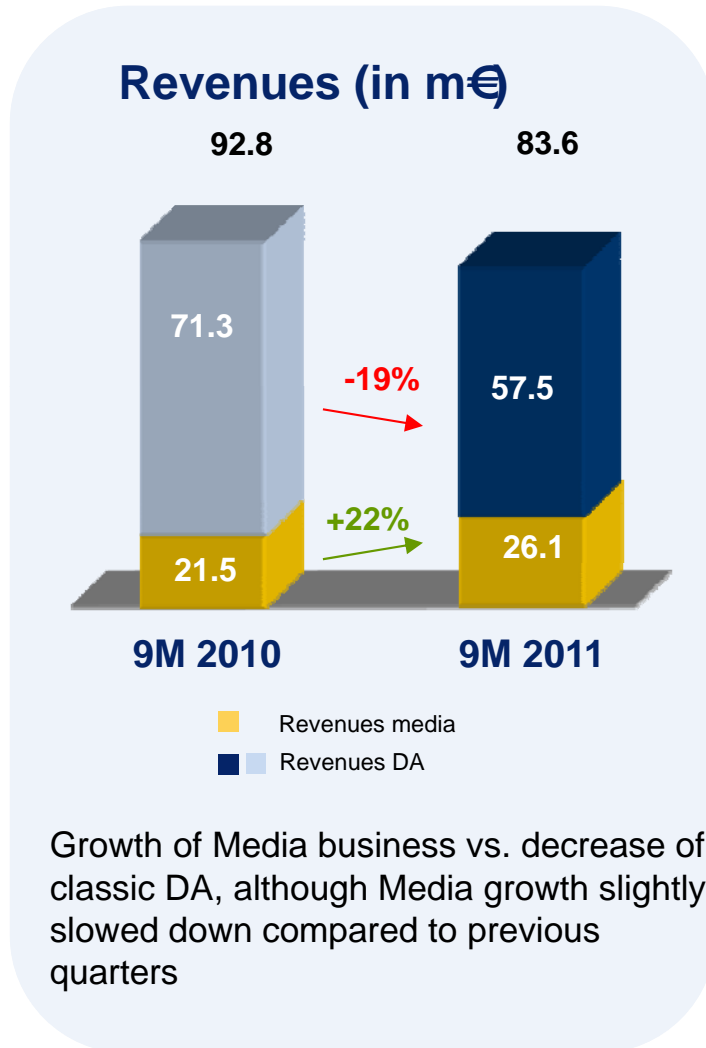
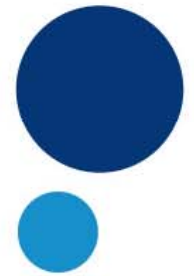
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# 9-months – results in line with full-year guidance



# Consolidated profit and loss statement

in kEUR	Quarterly Report		9-months report	
	Q3 2011	Q3 2010	2011	2010
<i>Continuing operations</i>				
<b>Revenues</b>	<b>27.726</b>	<b>31.423</b>	<b>83.615</b>	<b>92.771</b>
Revenue DA solutions	18.832	23.925	57.482	71.271
Revenue Media	8.893	7.498	26.133	21.500
Cost of revenues	-12.093	-12.132	-35.512	-37.186
<b>Gross profit</b>	<b>15.633</b>	<b>19.291</b>	<b>48.103</b>	<b>55.585</b>
Gross profit in %	56,4%	61,4%	57,5%	59,9%
Selling and distribution costs	-11.649	-12.504	-35.033	-34.633
General administrative expenses	-3.011	-3.469	-9.935	-11.686
Other operating income	0	119	1	393
Other operating expense	-15	-30	-60	-55
<b>Operating income</b>	<b>958</b>	<b>3.407</b>	<b>3.076</b>	<b>9.604</b>
<b>EBITDA before non-recurring effects</b>	<b>3.947</b>	<b>5.785</b>	<b>11.167</b>	<b>16.809</b>
<b>EBITDA after non-recurring effects</b>	<b>2.914</b>	<b>5.785</b>	<b>9.083</b>	<b>16.809</b>
<b>Financial income</b>				
Income tax - current	-1.073	-1.662	-3.227	-5.172
Income tax - deferred	890	726	2.100	2.424
<b>Income from continuing operations</b>	<b>929</b>	<b>2.977</b>	<b>3.134</b>	<b>8.438</b>
<i>Discontinued operations</i>				
Income from discontinued operations	0	8	0	2.425
<b>Net income</b>	<b>929</b>	<b>2.985</b>	<b>3.134</b>	<b>10.863</b>
<b>Earnings per share for continuing operations (in Euro)</b>	<b>0,05</b>	<b>0,14</b>	<b>0,16</b>	<b>0,39</b>

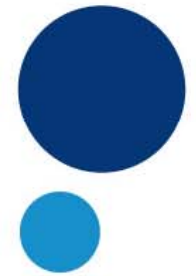
Constant decrease of DA revenues at about -19 % whilst Media grows at +22 % within 9-months and 19% Q3 yoy

Build up of sales network finalized. 9-months costs slightly higher than prev. year, whilst yoy Q3 already at a lower level

Efforts of structural cost reduction are paying off

Non-recurring effects in '11 of 2.083 k€ mainly from CC-capacity restructuring in Germany & Spain (see also following slide)

Income from sale of Italian subsidiary in 2010



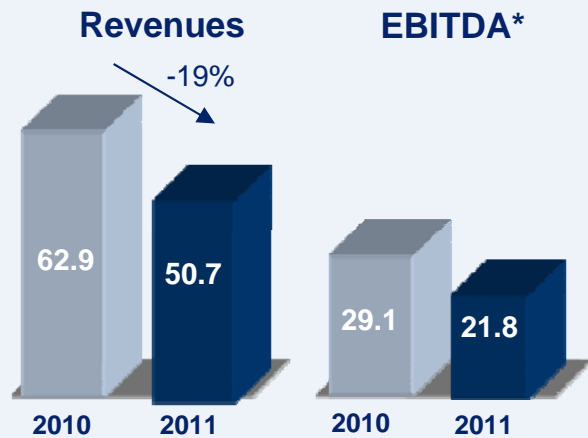
# Non-recurring effects YTD 2011

- In total, **2.1 m€ non recurring expenses** have been incurred in the first 9 months 2011
- **Reasons** were:
  - a) **Call center capacity reduction Germany** by merging the call center Wismar with the two closest locations
  - b) **Closing of the Spanish inhouse call center** in Madrid and fully moving call handling to an offshore-located outsourcer (Peru)
- The closing of the Spanish call center will allow for both
  - a) **fully variable call handling cost** moving forward as of 7.10.11  
→ important in a structurally significantly declining voice-market
  - b) **significantly lower call handling cost** thanks to much lower cost offshore at **comparable and well tested quality** (~1/3 of the traffic operated already offshore for about two years)
- Additional non-recurring cost will be incurred in Q4 2011 following the termination agreement with CEO Dr. Andreas Albath

# Ongoing company transformation in Germany, Spain to benefit from full outsourcing moving forward

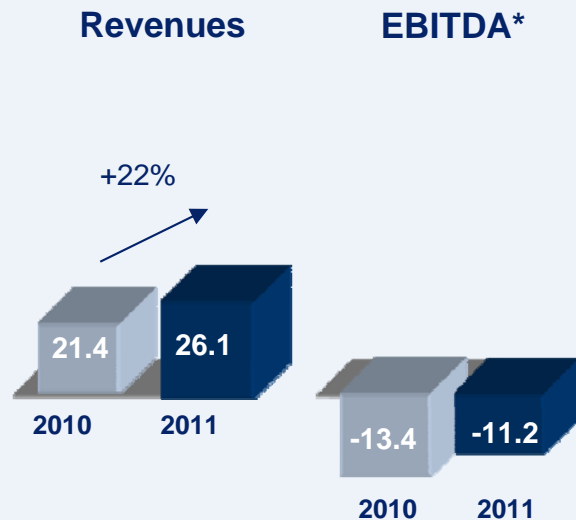


## DAS Germany (m€)



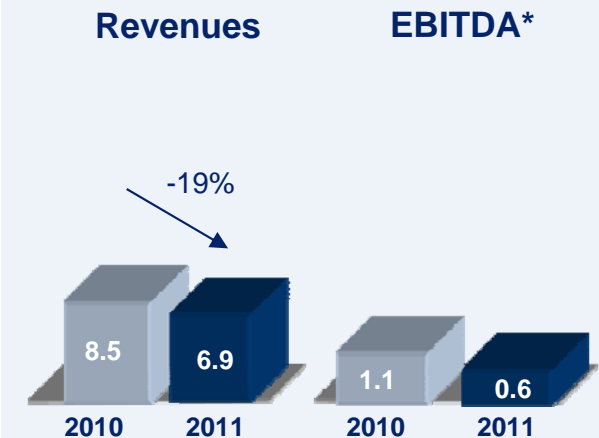
- Market decline in classic DA has been compensated only to minor extend by higher revenues per call
- Lower profitability due to lower top-line and underproportional reduction of fix costs

## Media Germany (m€)



- Increase of Media revenues +22 %, although growth rate below previous quarters
- Loss from Media business (at full cost) reduced but still very significant

## Spain (m€)



- Lower call volume has been only partially compensated by higher revenue per call
- Increasing flexibility and cost efficiency of CC operations with full effect October 2011 onwards (Outsourcing offshore & close-down of Madrid Call Center)

\* before non recurring items, based on full cost

# Free cash-flow\* impacted by declining operating profitability



## Operating cash-flow (m€)



- YoY cash-flow follows profit development
- cash-flow additionally influenced by disproportional high tax payments related to 2010

## Investing cash-flow\* (CAPEX + M&A) (m€)



- Higher level of capital expenditures in 2011 mainly due to modernization of the voice technology
- Sale of Italian business in 2010 → Cash inflow: 3.5 m €

- **Net Financial Position (incl. fix term deposit)** of 41.8 m€ (30.09.11) vs. 48.8 m€ (31.12.10). Deposit at Seat had been reduced to 0 m€ already as of 31.07.11. Stop of forfeiting process during Q3 2011 resulted in 1.2 m€ reduced NFP (cash -1.2 m€; receivables +1.2 m€)
- **Dividend payment** of 0.50 €/share (or 9.55 m€) as of 30.06.2011

\*excluding impact from fixed term deposits & financial assets available for sale → changes of fixed term deposits >3 months are reported as part of investing cash-flow (IAS 7.16), 3 months or less as part of operating cash-flow

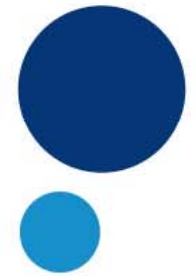
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# Outlook 2011/2012 – Audience



- **Directory Assistance:** Launch of mobile DA-service SMS-Connect (connection to non-public mobile number via SMS-notification); start delayed to 2012 due to necessary agreements of the telecom carriers (agreement with 1 carrier still pending)
- **Mobile:** Further enlargement of telegate's mobile local search apps – launch of smartphone apps for the platforms Symbian & Windows Phone in autumn, launch of an iPad solution is scheduled for the upcoming months
- **Open-API:** telegate launched an Open-API version of the klickTel white and yellow pages to the developer's world – this will increase the reach of the SME customers' media entries



# Outlook 2011/2012: Advertisers – new product design: company website as center for the sales strategy



„To be successfully found in the digital world“

**Internet presence**  
(„your point of sale“)

WEBSITE  
(SEO/Google optimized)



**Digital advertising**  
(„getting prospects to your shop“)

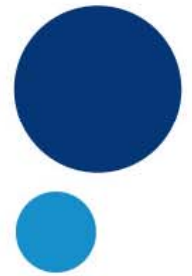
Directory entry



SEM  
(Google AdWords)



# Outlook 2011/2012: Advertisers – Google premium partner & new tools & ongoing focus on retention



- **Google premium partner:**

In October, Google announced the reorganization of its SME reseller partner network; telegate is categorized as "premium partner": 'tailwind' for telegate's sales force at the PoS

- **New website tool:**

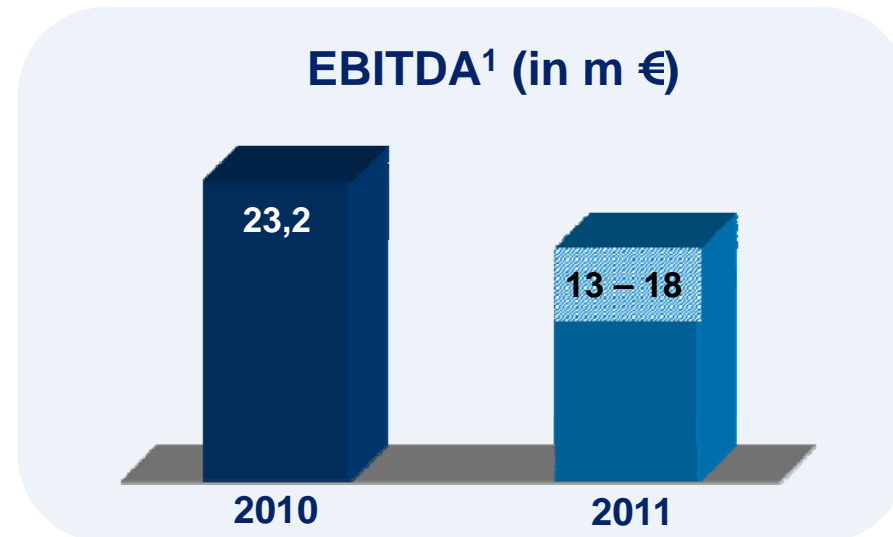
The tool enables telegate sales force to check SME customer's website performance; launch & roll-out by the end of 2011, aimed at supporting sales of website products

- **Ongoing strong focus on customer retention programs & measures:**

Several individual improvements (such as roll-out of RoA to existing customer base, process changes, pre-renewal offers, etc.) all targeted at reducing customer churn



# Profit guidance



<sup>1</sup> Before non-recurring items & potential income from data claims

- Profitability 2011 overall affected by ongoing investment to transform the company into a local search provider → Revenue growth of Media business not yet able to compensate revenue decline in classic DA. 9-month 2011 in line with full year guidance
- We expect the judgment on data cost proceedings (reclamation claims of 94 m€\*) to become final by latest mid 2012

\* Cash-impact: minus tax-payment and minus 12.3 m€ already paid by DTAG in 2007 (no P&L impact yet) of approx. 50 m€ expected

# Contact telegate AG

# Financial calendar



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November 21, 2011

German Equity Forum  
Frankfurt / Main



# Backup

# Consolidated balance sheet 9M



in kEUR	9M 2011	9M 2010
<b>Assets</b>		
Cash & cash equivalents	41.811	57.882
Tangible, intangible & financial assets	30.601	44.707
Trade accounts receivable	32.662	32.238
Financial assets & assets available for sale	1.186	1.567
Tax assets	7.892	6.577
Other assets	5.003	5.262
<b>Total Assets</b>	<b>119.155</b>	<b>148.233</b>
<b>Liabilities &amp; Shareholders' equity</b>		
Current liabilities	51.056	50.285
Non-current liabilities	6.039	10.383
Shareholders' equity attributable to the parent	62.060	87.565
<b>Total liabilities &amp; shareholders' equity</b>	<b>119.155</b>	<b>148.233</b>

# Consolidated cash flow statement 9M



in kEUR	9M 2011	9M 2010
Net income before income tax	4.261	14.169
Depreciation & amortisation	6.007	8.163
Changes in operating assets & liabilities	-795	-1.870
Income taxes paid	-4.357	-3.320
Other items	-491	-6.858
<b>Cash flows from operating activities</b>	<b>4.625</b>	<b>10.284</b>
Capital expenditures	-3.130	-2.633
financial assets available for sale & deposit (< 3months)	24	0
Disposal of a subsidiary	0	3.505
<b>Cash flows used in investing activities</b>	<b>-3.106</b>	<b>872</b>
Purchase of treasury shares	-12	-36
Dividend paid	-9.555	-14.864
Interests received	1.122	1.703
Interests paid	-31	-12
<b>Cash flows provided by (used in) financing activities</b>	<b>-8.476</b>	<b>-13.209</b>
<b>Change in cash and cash equivalents</b>	<b>-6.957</b>	<b>-2.050</b>
<b>Cash and cash equivalents at beginning of reporting period</b>	<b>48.768</b>	<b>59.932</b>
<b>Cash and cash equivalents at end of reporting period</b>	<b>41.811</b>	<b>57.882</b>

# Data cost-proceedings: Encouraging progress

## Reclamation claims

### OLG Düsseldorf:

#### Judgment in favor of telegate

- The Federal High Court has referred the case back to OLG Düsseldorf in October 2009
- On April 13 & June 8, 2011, OLG Düsseldorf ordered Deutsche Telekom to repay improper excessive costs of subscriber data in an amount of approx. 94 m€ (incl. interest)

#### Next steps

- The right to appeal was not granted. DTAG raised a non-admission complaint as last remaining remedy. It may take up until mid 2012 for the judgment to become final

94 m €(incl. interest)<sup>1</sup>

## Damage claims

### Proceedings:

- 1<sup>st</sup> instance: 2<sup>nd</sup> oral hearing in February 2008 confirms our confidence in a positive ruling
- Claim set on hold – likely awaiting decision on reclamation claims

100 m €(incl. interest)

<sup>1</sup> Cash-impact: minus tax-payment and minus 12.3 m€ already paid by DTAG in 2007 (no P&L impact yet) of approx. 50 m€ expected