

telegate group: Annual financial results 2010

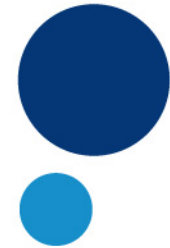
Munich,
March 30, 2011

telegate 

11880.com
Da werden Sie gehalten.

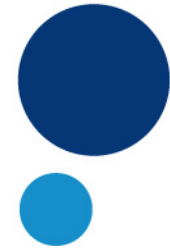
klickTel 
Find people and places.

Agenda

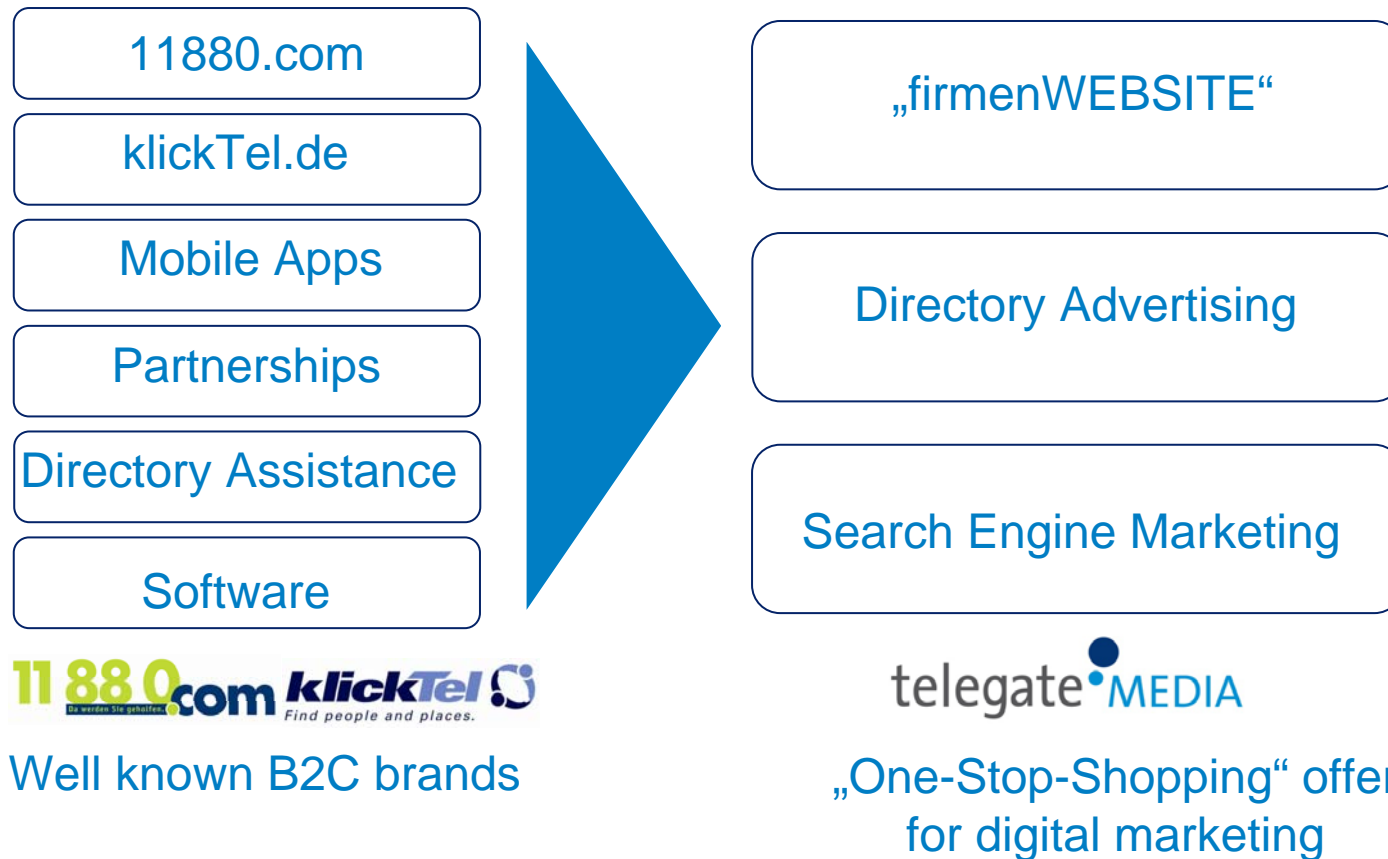


- **The “new” telegate:**
 - **Transformation towards local search provider**
- **Financials 2010**
- **Business development & objectives**

“telegate is evolving from a DA Specialist to...



... a Local Search Expert as well as Marketing Partner for SMEs”



Key milestones 2010

Audience/B2C

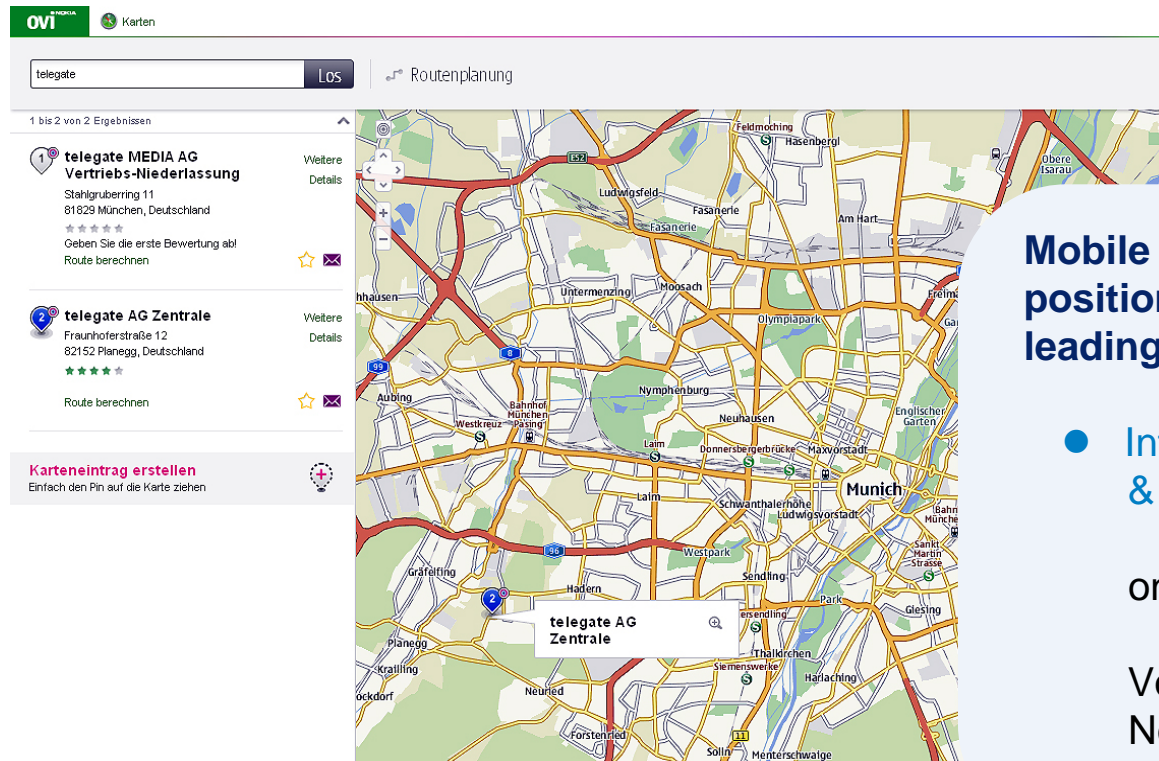
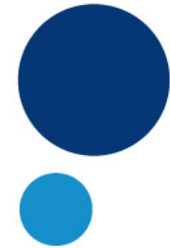
Operational milestones in user's product development

- Particularly strong growth of usage from our **mobile klickTel apps** on all relevant mobile platforms (meanwhile > 800,000 downloads)
- **Social Media integration:**
 - Successful 11 88 0 integration in Facebook with constantly growing fan base
 - Prominent implementation of a new user review function ("Wer kennt die Besten") in web and mobile platforms
- **Software:** automatic online updates for klickTel CD-ROMs; successful extension of the customer relation to B2B-customers



- ⇒ **280 m search requests across all telegate channels (+ 18%)**
→ **increased reach for our advertisers**

Key milestones 2010 Audience/B2C



Mobile partnerships: positioning of telegate as leading mobile local search provider

- Integration of 11 88 0 & klickTel search technology

on:

Vodafone Smartphones
Nokia Ovi Maps
freenet mobile platforms

- ➔ **Leading position in mobile local search:**
➔ **Increased reach for our advertisers**

Key milestones 2010 Advertisers/B2B



Operational milestones in the Media business:

- **Sales force:** with about 500 Media consultants build-up now finished, well positioned for the German SME market; all urban target regions covered
- **Further completion of the product portfolio**
 - Video clips for SMEs bundled in a premium product and promoted in all relevant video channels
 - Website creation (new product „firmenWEBSITE“) & hosting



➔ **Powerful “one-stop-shopping” offer for our advertising customer**

Key milestones 2010 Advertisers/B2B



Key financial milestones of Media business:

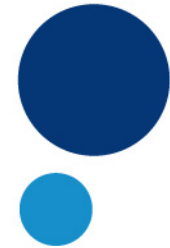
- Group's 12 months Media revenues increased (organically) by approx. 27% YoY (2009: +8 %)
- Share of Media business of group's revenues increased to now 25 % in 2010 (2009: 18 %).
→ Q4 at already 28 %



➔ Strong revenue growth

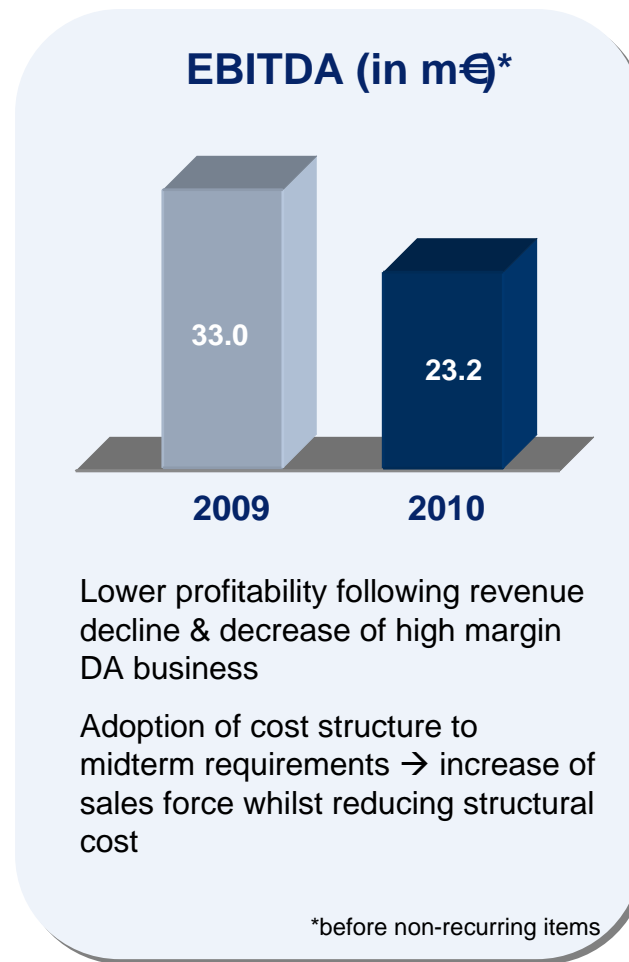
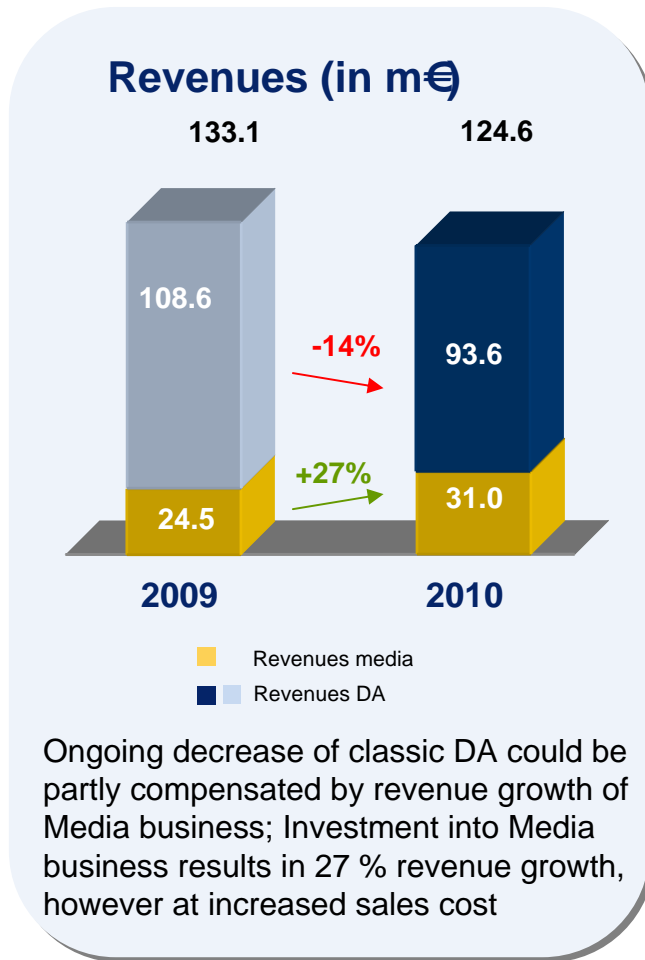
➔ Thanks to enlarged sales network and a more diversified product portfolio

Agenda



- **The “new” telegate:**
 - **Transformation towards local search provider**
- **Financials 2010**
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Margin still affected by investment to transform company into local search player



Different format of P&L structure



- **So far:** presentation of P&L structure according to minimum structure as defined by IAS 1.81 and 1.82. Transfer to so called classic “cost of sales accounting format” according to IAS 1.103 in notes
- **Changes since 2009:** Company transformation accelerated with focus on German market, klickTel integration, build up of Sales Force and partnerships. Change in cost structure due to transfer from TelCo specialist to local search expert and marketing partner of SMEs.
- **Decision therefore:** Present P&L “on the face” (and not in the notes) accordingly to cost of sales accounting format IAS1.103. This change has no effect on revenues, EBIT/net income, balance sheet or CF statement, but only affects the format of the cost items

| So far | |
|-------------------------------|----------------|
| Revenues | 124.648 |
| Cost of revenues | -56.802 |
| Gross profit | 67.846 |
| Advertising costs | -9.695 |
| Personnel costs | -21.665 |
| Depreciation & amortization | -18.108 |
| Other administrative expenses | -14.745 |
| Other operating income | 396 |
| Other operating expense | -56 |
| EBIT | 3.973 |

| From now on | |
|---------------------------------|----------------|
| Revenues | 124.648 |
| Cost of revenues | -50.730 |
| Gross profit | 73.918 |
| Selling and distribution costs | -55.390 |
| General administrative expenses | -14.895 |
| Other operating income | 396 |
| Other operating expense | -56 |
| EBIT | 3.973 |

Consolidated profit and loss statement

| in kEUR | Quarterly Report | | 12-months report | |
|---|------------------|---------------|------------------|----------------|
| | Q4 2010 | Q4 2009 | 2010 | 2009 |
| Revenue | 30.957 | 32.035 | 124.648 | 133.060 |
| Revenue DA solutions | 22.375 | 25.296 | 93.638 | 108.604 |
| Revenue Media | 8.582 | 6.739 | 31.010 | 24.456 |
| Gross profit | 17.413 | 19.584 | 73.918 | 77.449 |
| Gross profit in % | 56,2% | 61,1% | 59,3% | 58,2% |
| Selling and distribution costs | -20.293 | -12.504 | -55.390 | -42.363 |
| General administrative expenses | -3.209 | -3.364 | -14.895 | -14.626 |
| Other operating income/expenses | 2 | 204 | 340 | 2.258 |
| EBITDA before non-recurring effects | 5.933 | 6.545 | 23.197 | 33.017 |
| EBITDA after non-recurring effects | 4.817 | 6.288 | 22.081 | 32.413 |
| EBIT | -6.087 | 3.920 | 3.973 | 22.718 |
| Financial income | 500 | 461 | 2.082 | 2.105 |
| Income tax - current | -1.525 | -957 | -6.697 | -7.063 |
| Income tax - deferred | 3.345 | 144 | 5.620 | 840 |
| Income from continuing operations | -3.767 | 3.568 | 4.978 | 18.600 |
| Income from discontinued operations | -85 | 30 | 2.340 | -2.537 |
| Net income | -3.852 | 3.598 | 7.318 | 16.063 |
| Earnings per share for continuing operations (in Euro) | -0,18 | 0,17 | 0,24 | 0,88 |

Ongoing decrease of DA revenues at about -14 %
+27 % growth of Media business both full year and Q4

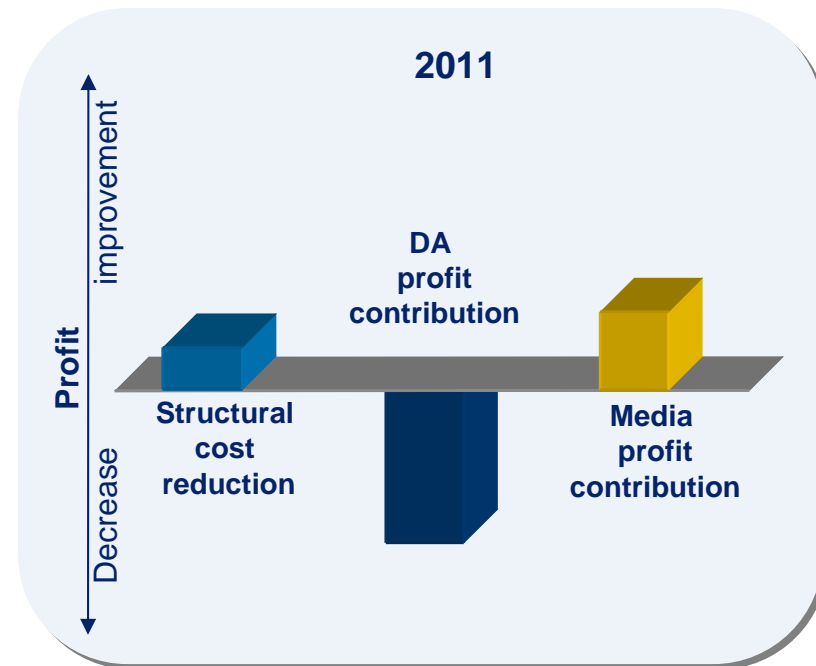
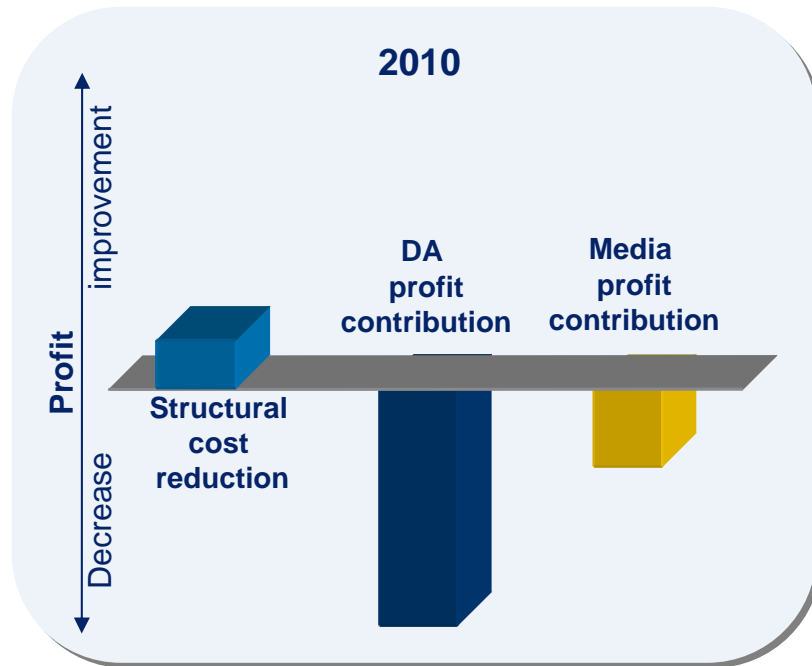
Significant increase yoy driven mainly by build up of sales network and extraordinary write-down of intangible assets "Media customer base" (no cash impact, will result in lower ordinary write-down in the future)

Non-recurring items 2009: Merger of call center Schwedt and klickTel integration (expenses), settlement of dispute with supplier (income).
2010: Merger of call center Wismar

Effect from deferred tax asset due to extraord. amortization of intangible asset and due to tax-loss carry forward of telegate MEDIA AG

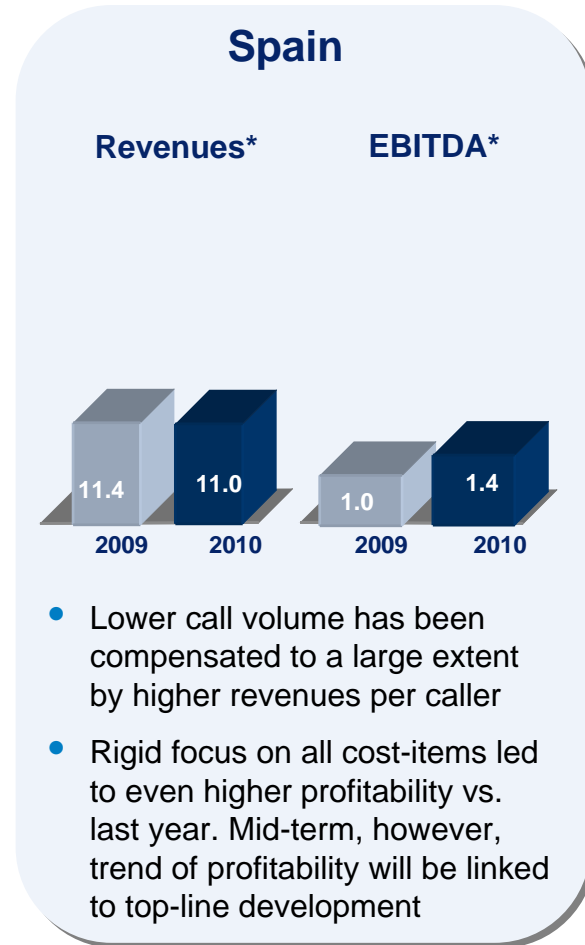
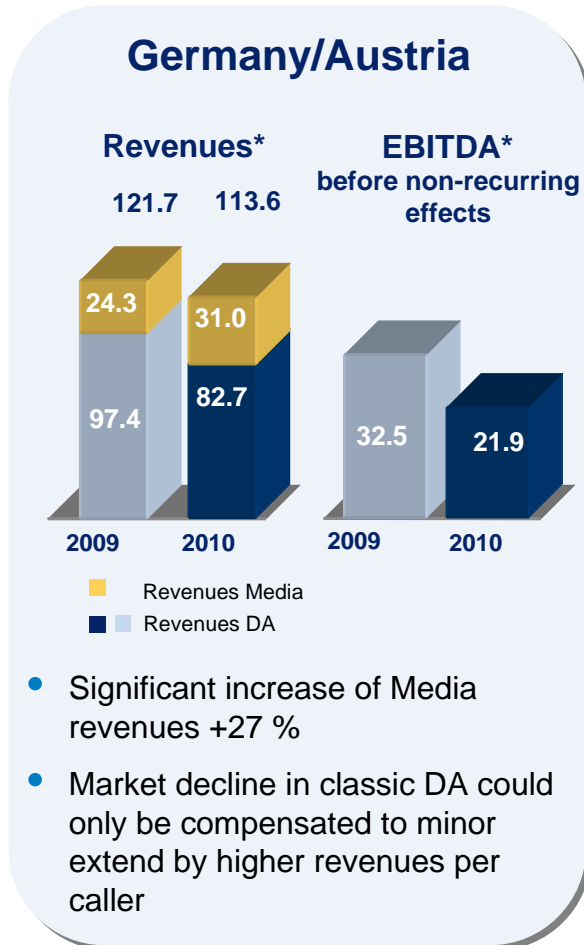
Gain from Italian subsidiary 2010 vs. loss from French subsidiary 2009

Components that drive bottom-line (Schematic perspective)



- ➔ Improvement of Media profitability at decreasing impact of lower DA profitability and ongoing benefit from structural cost reduction

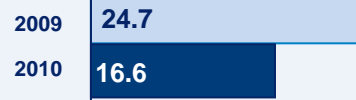
Visible progress in company transformation in Germany, Spanish DA market decrease slightly softening



* in m€

Free cash-flow: H2 catching up gap of H1 as indicated

Operating cash flow (m€)



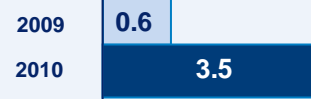
- Lower operating profitability (EBITDA) in 2010
- Significant lower tax payments in 2010 also due to phasing effect 2009/2010

Investing cash flow (CAPEX) (m€)



- Reduced level of capital expenditures, following the completion of the integration of klickTel AG, as communicated already in past conference calls

Investing cash flow (M&A) (m€)



- 2010: Sale of Italian business
- 2009: Sale of French business

Financing cash flow (m€)



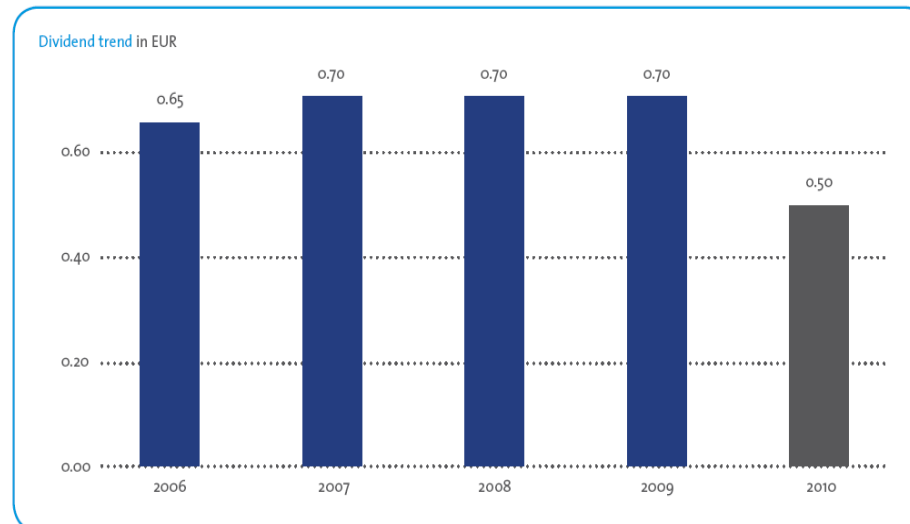
- 2009: Cash-out mainly for dividend payment
- 2010: Share buyback and dividend payment

- Net Financial Position of 48.8 m€ (31.12.10) vs. 59.9 m€ (31.12.09): Dividend payment and share buyback of ~ 30 m€ vs. FCF-generation

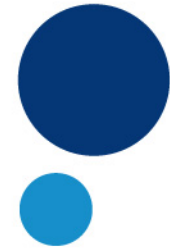
Cash distribution to shareholders



- Measure taken in 2010 to **optimize balance sheet structure**: share buyback in the amount of 14.9 m€
- This – together with dividend payment of 14.9 m€ – resulted in **record cash distribution of 29.7 m€ to our shareholders in 2010**
- Decreasing profit as well as lower cash generation in 2010 and also expected for 2011 – combined with still very high positive net financial position – led to the decision to propose **reduced dividend distribution from 0.70 €/share to 0.50 €/share**
- This level still represents a **very attractive divided yield of 6 - 7 %** (based on current share price)



Agenda



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Directory Assistance Solutions: Launch of new mobile DA service expected for H2'11



Focus on high quality of the directory solution product

- Steady improvement of customer satisfaction and product development in voice and software products
- Effective marketing campaigns around “11 88 0-Eselsbrücke” to maintain brand awareness and continue to gain market share
- Launch of mobile DA-service SMS-Connect (→ connection to non-public mobile number via SMS-notification) to be expected during HY2/2011



Directory Assistance Solutions: Revenue decline due to ongoing shift in user behaviour

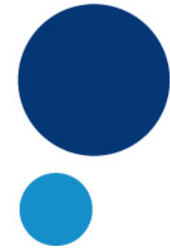


However, business will decline further

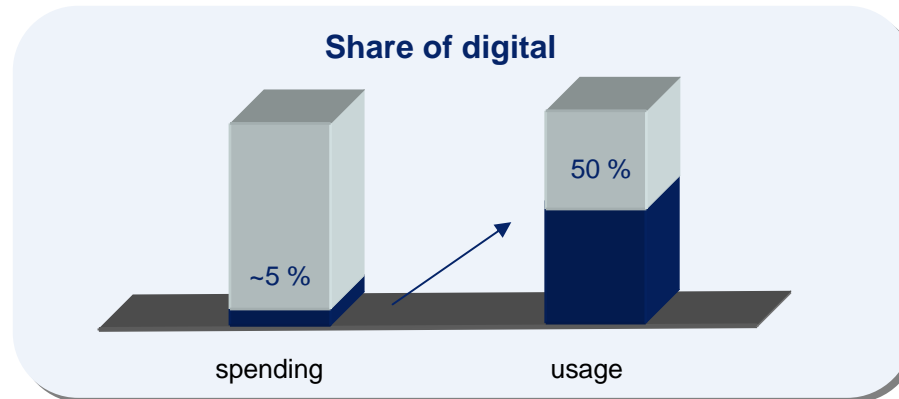
- Market decline rate of >20% p.a.
 - will lead to ongoing capacity adoption of infrastructure
- Limited compensation in revenue per call
 - lower margin (diseconomies of scale) to be expected



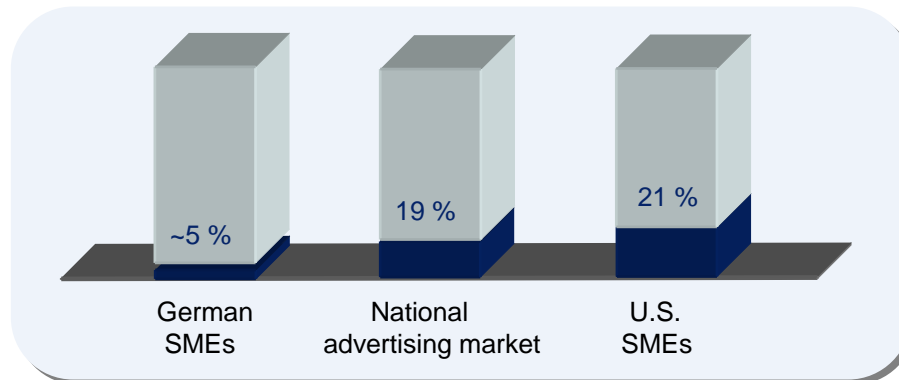
Enormous growth potential for local digital advertising!



Local advertisers/SMEs will – over time – invest where their customers are already searching...

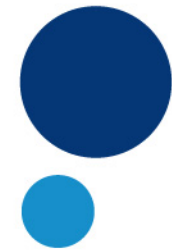


...following the national advertising market with higher share of online

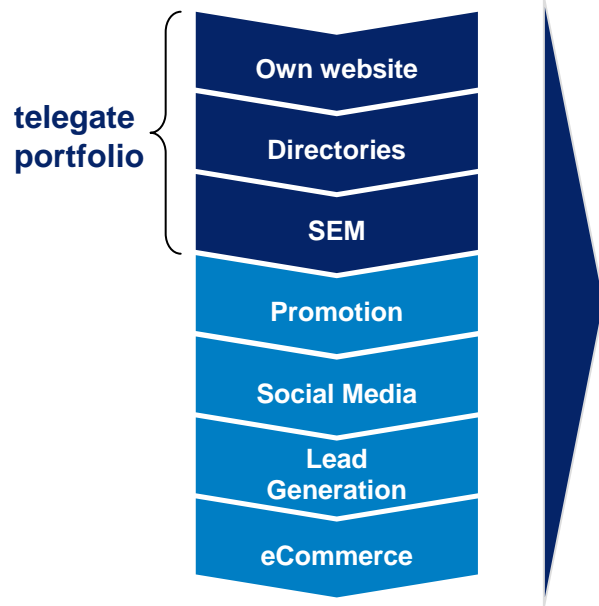


* Sources: telegate analysis, BIA Kelsey local commerce monitor wave XIII (Au.'09), OVK Online Report 2011/01

The huge market growth offers significant opportunities for telegate's sales force



The 'digital portfolio' for SMEs provides strong potential for telegate



| | | | |
|---|--|---|---------------|
| Website design | Full-Service-package for SMEs | → | firmenWEBSITE |
| Directory media advertising and Video marketing | Search requests via partners | → | |
| Search engine marketing (SEM) | Search requests via 5 own media channels | → | |
| | Partnership with Google | → | |

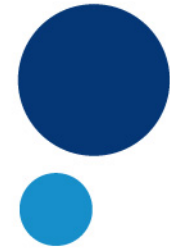
Marketing partner for SMEs via all modern digital media

* € 1,50/min. from the landline of Deutsche Telekom. Prices may differ from the mobile network, if applicable. Price of a SMS request only € 1,99 within the country (Vf D) share € 0,12)

- Many opportunities, complexity is significantly increasing
- SMEs need: consultancy and full-service-providing

- The US trend is confirming the role of “intermediates” which build “one stop shopping” solutions is becoming increasingly important
- telegate is going to extend the product portfolio for SMEs in following years

Key target 2011: Significant revenue-growth driven by Sales-Force performance and customer retention



Focus: Customer acquisition

- Improving **sales force effectiveness** driven by tenure (“learn curve effect”) and enlarged product portfolio (e.g. broader website-offer)
- Benefit from increasing readiness of SMEs to digital marketing and **alignment of advertiser-spending to user behaviour**
- Participation in **leading industry initiatives** such as “Online Motor Deutschland”



Key target 2011: Significant revenue-growth driven by Sales-Force performance and customer retention



Focus: Customer retention and customer care

- “Return on advertising”:
demonstrating advertisers success of their investment
- Customer care process:
Integration of all after sales functions in a best in class customer care organisation & processes to improve customer satisfaction and reduce churn rates



telegate[•]MEDIA

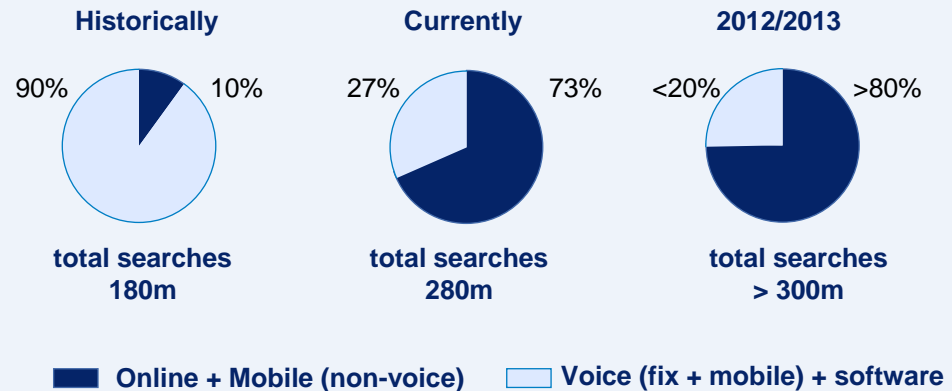
Transformation towards Local Search provider: Long-term perspective



A. User-mix Germany

- Searches constantly growing with digital media as key driver
- Of all searches, >80 % are expected to be online and via mobile-internet by 2012/2013

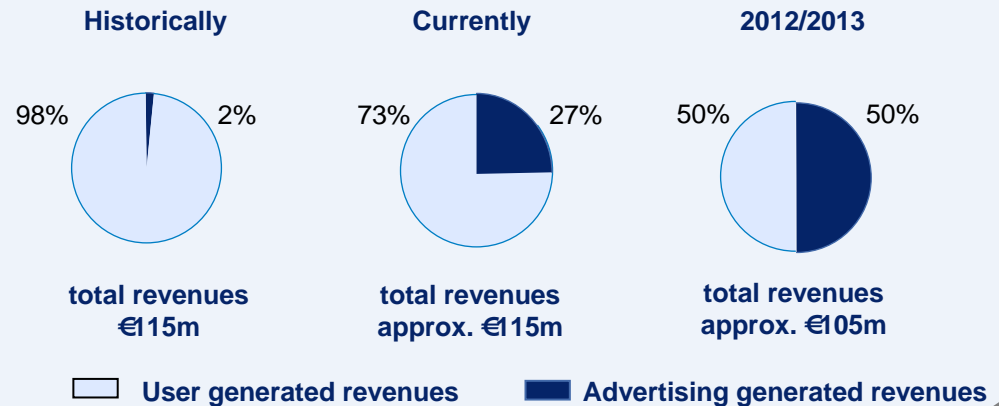
→ Transformation towards digital media



B. Revenue-mix Germany

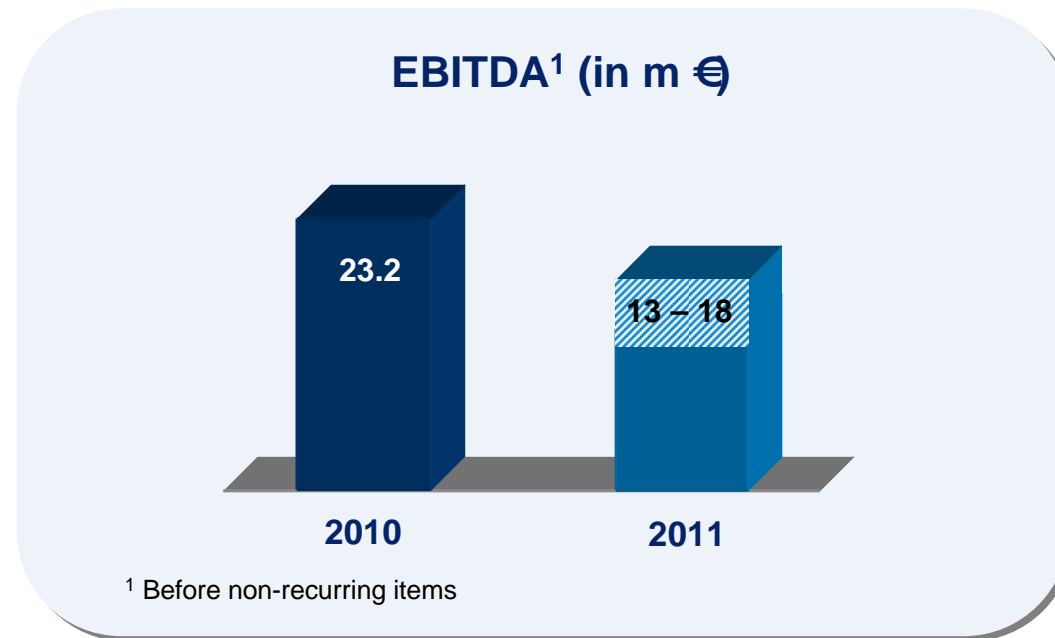
- Advertising-generated revenues to account for about 50 % of total revenues by 2012/2013
- Advertising revenues are expected to compensate reduction in directory service revenues by 2012/2013

→ Transformation towards advertising generated revenues



Source: internal data and GfK study

Profit guidance 2011



- Profitability 2011 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 DA
- For 2012 we expect a stabilization of profitability

Status: Data cost-proceedings DTAG¹



Reclamation claims

Key developments since Federal Court decision 2009

- As expected the court has referred the case back to OLG Düsseldorf
- The court confirmed telegate's claim on the merits
- OLG Düsseldorf: oral hearings took place March 2
- BNetzA set a limit of future data cost for the entire market at 1.65 m€ (decision as of 09/2010)

Next steps

- Release of decision (judgment/order of evidence) scheduled for April 13

105 m €(incl. interest)²

Damage claims

Proceedings:

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

140 m €(incl. interest)

¹ incl. telegate Media AG

² Cash-impact: minus tax-payment, and minus 12.3 m€ already paid by DTAG in 2007 (no P&L impact yet)

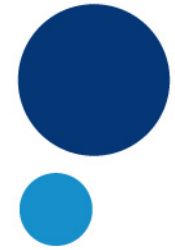
Contact telegate AG

Financial calendar



| | |
|--------------------|--|
| CEO | Dr. Andreas Albath |
| CFO | Ralf Grüßhaber |
| Board Member | Dr. Paolo Gonano |
| Investor Relations | Franz Peter Weber |
| telegate AG | Fraunhoferstraße 12a 82152 Martinsried, Germany |
| Phone | +49 (0) 89-8954-1750 |
| Fax | +49 (0) 89-8954-1710 |
| Email | Investor.relations@telegate.com |
| Homepage | www.telegate.com |

| | |
|------------------|-----------------------|
| March 30, 2011 | Annual results 2010 |
| May 5, 2011 | 3-months results 2011 |
| June 29, 2011 | AGM |
| August 11, 2011 | 6-months results 2011 |
| November 8, 2011 | 9-months results 2011 |



Backup

Consolidated balance sheet



| in kEUR | 2010 | 2009 |
|---|----------------|----------------|
| Assets | | |
| Cash & cash equivalents | 48.768 | 59.932 |
| Tangible, intangible & financial assets | 34.244 | 51.440 |
| Trade accounts receivable | 33.666 | 48.481 |
| Other assets | 10.780 | 11.785 |
| | | |
| Total Assets | 127.458 | 171.638 |
| | | |
| Liabilities & Shareholders' equity | | |
| Current liabilities | 42.473 | 59.844 |
| Non-current liabilities | 10.138 | 14.509 |
| Shareholders' equity attributable to the parent | 74.847 | 97.285 |
| Total liabilities & shareholders' equity | 127.458 | 171.638 |

Consolidated cash flow statement



| in kEUR | 2010 | 2009 |
|--|----------------|----------------|
| Net income before income tax | 8.953 | 22.915 |
| Depreciation & amortisation | 19.067 | 14.113 |
| Changes in operating assets & liabilities | -30 | 1.573 |
| Income taxes paid | -4.055 | -16.066 |
| Other items | -7.306 | 2.152 |
| Cash flows from operating activities | 16.630 | 24.687 |
| Capital expenditures | -3.568 | -5.105 |
| Acquisition/purchase of a subsidiary, net of cash acquired/purchased | 3.505 | 623 |
| Cash flows used in investing activities | -63 | -4.482 |
| Purchase of treasury shares | -14.987 | 0 |
| Acquisition of non-controlling interests* | 0 | -952 |
| Dividend paid | -14.864 | -14.864 |
| Interests received | 2.171 | 2.155 |
| Interests paid | -55 | -73 |
| Cash flows provided by (used in) financing activities | -27.735 | -13.734 |
| Increase in cash and cash equivalents | -11.164 | 6.471 |
| Cash and cash equivalents at beginning of reporting period | 59.932 | 53.461 |
| Cash and cash equivalents at end of reporting period | 48.768 | 59.932 |

* adjusted disclosure