Annual Report 2012

telegate

11 88 0.com
Da werden Sie geholfen.

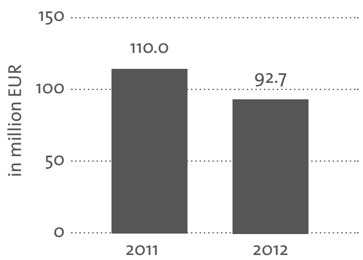
klickTel
Find people and places.

Results telegate Group

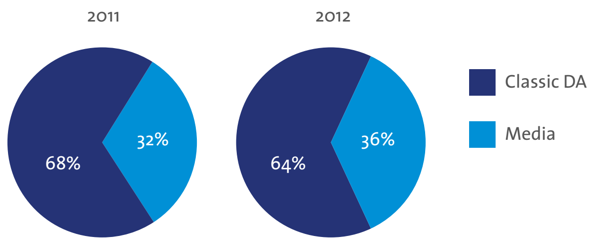
in million Euro	2012	2011	Variation absolute	Variation in percent
Revenues and profit				
Revenues	92.7	110.0	-17.3	-15.7%
EBITDA[1]	61.9	11.1	50.8	456.5%
EBITDA[1] before non-recurring effects	10.4	14.7	-4.3	-29.2%
Non-recurring effects from data cost claims	55.7	0.0	55.7	-
Non-recurring effects from adaption of structural cost base	-4.2	-3.6	-0.7	18.7%
Net Income	47.1	3.4	43.7	-
Details Segment Germany / Austria				
Revenues Media	33.8	35.0	-1.3	-3.6%
EBITDA[1] before non-recurring effects Media	-10.5	-14.6	4.1	28.0%
Revenues Classic DA	52.8	66.3	-13.5	-20.3%
EBITDA[1] before non-recurring effects Classic DA	19.7	28.3	-8.6	-30.5%
Balance Sheet				
Balance sheet total	144.1	96.8	47.3	48.8%
Cash and cash equivalents	93.2	39.0	54.2	138.8%
Equity	101.1	60.7	40.4	66.5%
Equity ratio (in percent)	70.2%	62.7%	-	-
Cash flow				
operating Cash flow	41.6	1.4	40.2	-
Cash flow from financing activties	17.2	-8.3	25.6	-
Net Cash flow	60.9	-0.2	61.1	-
Net cash flow adjusted by effects from data cost claims	1.2	-0.2	1.4	-
KPI telegate share				
Earnings per share (in Euro)	2.46	0.18	2.29	-
Share price at the end of year (in Euro) [2]	7.27	5.31	1.97	37.1%
Market capitalisation at the end of year	139.0	101.4	37.6	37.1%
Dividend and dividend proposal	38.2	6.7	31.5	471.4%
Dividend and dividend proposal per share (in Euro)	2.00	0.35	1.65	-
Dividend yield (in percent) [3]	27.5%	6.6%	-	-
Employees				
Number of employees [4]	1,263	1,507	-244	-16.2%

[1] *Earnings before interest, taxes, depreciation and amortization except amortization of intangible assets from capitalized sales provisions*
[2] *Xetra closing prices*
[3] *The dividend yield defined as (proposed) dividend per share divided by the closing share price (Xetra) as of call date or accordingly the last trading day of corresponding financial year.*
[4] *Headcount as of 31 December*

Revenues on Group Level



Group Revenues: Contribution per channel



Milestones in 2012

January	• The klicktel.de and 11880.com online directories register more than 13.2 million monthly visits according to the IVW (German Audit Bureau of Circulations).
February	• The 11880.com and klickTel iPad apps are launched.
June	• The 11880.com and klickTel smartphone apps have been installed on smartphones 1.5 million times and record five million search queries per month.
July	• Deutsche Telekom has to pay EUR 47.2 million in damages to telegate due to excessive data costs.
October	• City guides with local events are integrated as additional services into the 11880.com and klickTel smartphone apps.
November	• Starting immediately, telegate's business customers are offered a free customised website. • Deutsche Telekom has to pay an additional EUR 50 million in damages to telegate due to excessive data costs.
December	• telegate publishes more than 500,000 customer recommendations at 11880.com and klicktel.de. • In addition to a free homepage, telegate's business customers now receive a free mobile website. This enables them to reach the growing number of users who search for information on smartphones.


Weather
News
Photos
Internet
Calculator
Music
Stocks
Messages
Settings
Contacts
Emails
Phone

Content

Letter from the Management Board

Dear Shareholders, Customers and Friends of telegate AG,

This report covers a highly successful year in the history of our company. We made many changes at operating level – especially in the Media business – that will bear fruit in the years to come. In three legal proceedings, the Federal Court of Justice ordered Deutsche Telekom to compensate us for excessively invoiced data costs of around EUR 100 million in total. We succeeded in reaching the financial targets we had set ourselves at the beginning of the year and also communicated to you. All in all, three reasons to be happy with our performance over the past twelve months and optimistic about the coming year.

The spotlight in the Media business during 2012 was on improving customer loyalty and increasing customer satisfaction. We completely restructured the marketing of our Media products, including our product portfolio, the sales structures and our continuous personal support. In the process, we considered not only the advantages of long-term customer loyalty for our company, but also current consumer trends that will benefit our corporate customers. At the end of 2012, we therefore put together a very special package for our customers comprising a free website as well as a free mobile online presence. This makes us the only provider in the German market to give small and medium-sized enterprises the opportunity to market their products and services in a single package using all online media. When a website is being created, the customer decides on the design and the content. We look after the professional implementation and optimise the content so that this can also be found quickly by major search engines. In the second quarter of 2013, we will also start sending each of our corporate customers a weekly report itemising the number of customer contacts and queries the customer received thanks to its telegate advertising package. In a nutshell: telegate not only provides SMEs with the most extensive offering, but also provides detailed information on its effect. With the wealth of local information they provide, our online directories available at 11800.com and klicktel.de are increasingly becoming an indispensable everyday reference tool for consumers. Over half a million customer recommendations now provide additional assistance in choosing the right service provider, restaurant or physician. We firmly believe that by repositioning ourselves as a reliable partner for regional advertising in Germany we will rapidly reinforce our presence.

By now, our smartphone applications 11880.com and klicktel have been saved on mobile phones over 1.7 million times. At 120 million, the number of mobile queries doubled in 2012 compared with the year before.

Business in our long-standing Directory Assistance business continued to contract in 2012. How consumers search for a telephone number or a service provider has changed dramatically. There will undoubtedly always be people who dial 11880 when they need rapid, uncomplicated assistance, because no machine can replace a person who quickly takes care of the matter themselves. Nevertheless, we adjusted capacity once again last year by merging sites. Going forward, we will continue to monitor development closely and continually adjust our offering in line with demand.

The greatest strategic success in the 2012 financial year was undeniably the rulings in favour of telegate AG following the eight-year-long legal dispute with Deutsche Telekom. In July and November of last year, the Federal Court of Justice ruled that Deutsche Telekom had imposed excessive charges on our subsidiaries datagate and telegate Media as well as on telegate AG for the provision of directory assistance data, ordering the former monopolist to pay us compensation of around EUR 100 million immediately.

Dear shareholders, improving profitability and generating sustainable growth in our Media business will once again top our agenda in 2013. We are in an excellent position to achieve these goals.

Thank you for the trust you place in our company.

Munich, 7 March 2013

Elio Schiavo
Chief Executive Officer

Ralf Grüßhaber
Chief Financial Officer

Report of the Supervisory Board

for the financial year from 1 January 2012 to 31 December 2012

The 2012 financial year saw the company transform from a user-financed directory assistance business to an ad-financed media business and achieve success in its data cost lawsuits. The Supervisory Board intensively monitored the Management Board's business activities in compliance with its legal advisory and supervisory function.

Supervisory Board activities in the 2012 financial year

In the 2012 financial year, the Supervisory Board performed the duties assigned to it by law and the Articles of Association. It continually advised the Management Board and supervised the management of the company. The Supervisory Board received regular reports from the Management Board on the development of business in the telegate group, the most important financial data, the key aspects of corporate governance and the risk situation. Deviations from the approved business plan and important business transactions were presented, explained in detail and discussed with the Supervisory Board. Strategic projects were also carefully discussed and coordinated with the Management Board. The main focus was on the strategy and market environment of the media business, optimising the sales organisation and the management of existing customers, optimising structural costs in particular, the consolidation of the Stralsund call centre with the Neubrandenburg and Rostock call centres as well as the business development of the Spanish subsidiaries. The Supervisory Board also dealt intensively with the development of the data cost lawsuits of the group companies.

The Supervisory Board concerned itself with the accounting process as well as the effectiveness of the internal control system and the risk management system. Furthermore, the Supervisory Board dealt with the effectiveness of the company's compliance organisation and reports on potential and pending litigation. The Supervisory Board was additionally involved in the appointment of an auditor. Its duties here included monitoring the auditor's independence, qualifications and services and evaluating his fees.

Organisation of the Supervisory Board's work

To ensure that it performed its duties efficiently, the Supervisory Board established an Investment Committee and an Audit Committee in accordance with both Section 27 (3) Co-Determination Act (Human Resources Committee) and with the Supervisory Board's rules of internal procedure. These committees prepare resolutions of the Supervisory Board and topics to be handled by the Supervisory Board as a whole. The Audit Committee is increasingly concerned with the monitoring of accounting procedures and the internal control system as well as the audit of the annual financial statements. A Nomination Committee has also been set up. All of these committees already existed in previous financial years. The flow of information between the committees and the Supervisory Board is ensured through regular reports by the chairs of the committees.

Composition and personal details of the Supervisory Board

The company's Supervisory Board has 12 members in accordance with Item 4 of the Articles of Association in connection with the Co-Determination Act of 1976. In terms of its composition, the Supervisory Board of telegate AG aims to support the company-specific situation of the telegate group in a goal-oriented way with regard to the company's transformation strategy. In connection with this, industry knowledge from the digital economy, international experience, a variety of professional competencies and a reasonable representation of women are all taken into account.

Much to our regret, Mr. Cappellini passed away in 2012. Mr. Servo succeeded him as a new member of the Supervisory Board.

Meetings and attendance

The Supervisory Board held a meeting in each quarter of the 2012 financial year. Mr. Cappellini attended one meeting. Mr. Servo and Mr. Cristofori attended three meetings. All other Supervisory Board members were present at all four meetings.

The Human Resources Committee and the Investment Committee met three times in the 2012 financial year. The Audit Committee met four times during the reporting period. The Nomination Committee did not need to meet in 2012.

Corporate governance and compensation of the Management Board

The Supervisory Board dealt intensively with the proposals and recommendations of the German Corporate Governance Code and its implementation in the telegate group in the 2012 financial year.

The implementation of the German Corporate Governance Code at telegate AG was the subject of the meeting of 5 December 2012. The Management Board and the Supervisory Board issued a Declaration of Compliance in accordance with section 161 Stock Corporation Act. Deviations from the recommendations of the German Corporate Governance Code were resolved after careful consultation and with particular regard to the company's circumstances and requirements.

The joint declaration of compliance by the Management Board and Supervisory Board is permanently available on telegate AG's website at www.telegate.com. Further information on the implementation of the recommendations and proposals of the German Corporate Governance Code and a detailed report on the compensation system for members of the Management Board can be found in the corporate governance report and in the notes to the consolidated financial statements.

Audit of the annual and consolidated financial statements 2012

The company appointed a new auditor of its annual financial statements in 2012. On 27 June 2012, the Supervisory Board resolved to commission PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich, to audit the financial statements. telegate AG's annual financial statements in accordance with commercial law and the management report as well as the IFRS consolidated financial statements for the 2012 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The consolidated financial statements for the period from 1 January to 31 December 2012 and the Group management report were prepared in accordance with section 315a German Commercial Code (HGB) based on the International Financial Reporting Standards (IFRSs) as applicable in the European Union (EU).

An unqualified auditor's report was issued for both the annual financial statements and the management report as well as the consolidated financial statements and the Group management report as of 31 December 2012.

The annual financial statements and the management report according to commercial law, the consolidated financial statements and the management report according to IFRSs, and the auditor's reports were discussed in detail with the auditor in the Audit Committee and forwarded to all members of the Supervisory Board in due time. The auditor also participated in the concluding discussions of the audits at the Supervisory Board Meeting on 6 March 2013. The auditor reported on the performance of its audit and furnished explanatory information within the course of the discussion.

The Supervisory Board examined the annual financial statements and the management report of telegate AG. We examined the Management Board's proposal for appropriation of profits considering the interests of the company and shareholders, in particular. Given the company's solid liquidity position, in particular, we support the Management Board's proposal.

Furthermore, the Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2012 annual financial statements of telegate AG, which are hereby adopted.

The Supervisory Board also examined the IFRS consolidated financial statements of telegate AG and the management report. The Supervisory Board agreed with the auditor's findings. It approves the management report presented by the Management Board and the 2012 consolidated financial statements of telegate AG.

Dependent company report

PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, also examined the report on relations with affiliated companies (“dependent company report”), which was prepared by the Management Board in accordance with section 312 German Stock Corporation Act. The dependent company report was issued the following unqualified auditor‘s report:

„In accordance with our dutifully performed audit and assessment, we confirm that

1. the factual statements in the report are correct,
2. the payments made by the company in connection with the legal transactions referred to in the report were not unduly high.“

The dependent company report was made available to the Supervisory Board members for examination. The auditor participated in the discussion of the report by the Supervisory Board, reporting on the performance of the audit and furnishing information. The Supervisory Board approved the report. Furthermore, it agrees to the auditor’s result of the audit and, having concluded its examination, raises no objections to the Management Board’s closing declaration that is included in the report.

Risk early warning system

In accordance with Section 91 (2) German Stock Corporation Act, the Management Board established a monitoring system to identify significant risks to the company and its subsidiaries at an early stage. The auditor’s report confirmed that the Management Board performed its duties as required under Section 91 (2) German Stock Corporation Act. The Supervisory Board agrees with the auditor’s report.

Closing declaration

We approve the auditor’s findings and raise no objections after our own examinations of the annual financial statements, management report, consolidated financial statements and Group management report of telegate AG. We approve the annual financial statements prepared by the Management Board, which are hereby adopted. We also approve the IFRS consolidated financial statements prepared by the Management Board. The Supervisory Board also examined and agreed the Management Board’s proposal regarding the appropriation of profits for 2012.

On behalf of the entire Supervisory Board, I would like to thank the members of the Management Board and all employees for their hard work and dedication in the past financial year.

Planegg-Martinsried, March 2013

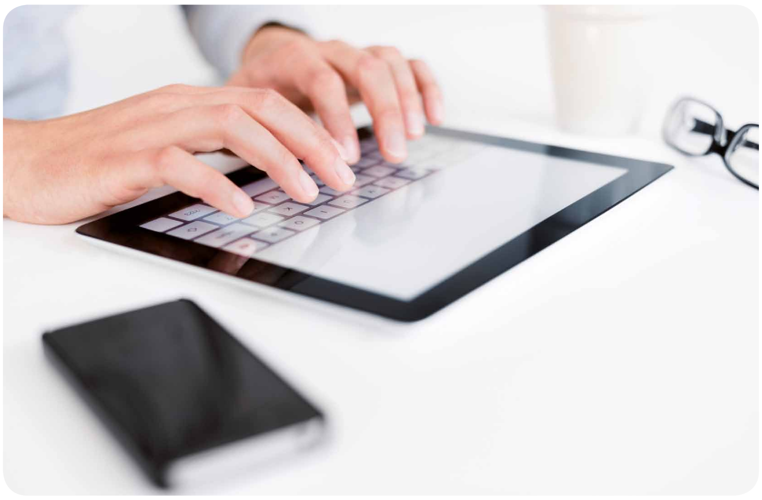
Jürgen von Kuczkowski
Chairman of the Supervisory Board

The telegate world

For nearly two decades, telegate has provided fast everyday assistance at the telephone number 11 88 0. Thousands of users in Germany dial our number daily whenever they want to speak to someone quickly, search for someone or request personal support. Our friendly and competent employees bring people together over the telephone.

The 11880.com and klickTel.de online directory assistance services have developed into convenient and reliable sources of information over the years. Their user numbers rise day after day. According to recent studies*, nearly half of all German consumers search online for tradespeople, old school friends or nearby doctors. The majority of these online searches take place on smartphones. The 11880.com and klickTel apps from telegate have been installed on smartphones more than 1.8 million times and registered around 120 million search queries in the 2012 financial year.

**2012 study from the vdav (German Association of Directory Publishers) on the use of directory media*



The growing need for information and the variety of media used to search for it offer cost-efficient and effective marketing opportunities for small and medium-sized companies. But most companies don't have time to make optimal use of these opportunities.

For example, tradespeople who carry out contract work for their customers during the day rarely have the chance to invest much thought in their company's online presence. This is why telegate expanded its portfolio over the past year. Small and medium-sized companies that register with telegate now not only get a listing in the well-known and popular 11880.com and klickTel.de online directories, they also get a complete Internet presence. This includes a free homepage which attractively displays all of the company's content as well as a website optimised for smartphones. All of the pages are designed according to the customer's wishes and then hosted, updated and optimised for search engines by telegate.

telegate AG is a reliable partner who takes care of everything involved in developing an optimal Internet presence for German businesses.

Investor Relations

Capital market environment

Given that the financial markets were still deep in the red in 2011, due to the considerable uncertainty with regard to overcoming the euro and sovereign debt crisis, 2012 was actually quite a successful year. Even though the crisis is not yet over, the MSCI-World index would suggest that the markets in Europe, and in particular Germany, performed exceptionally well.

After rising above the 7,000-point mark back in March, the DAX plummeted back to below 6,000 points in the next three months. By September, it had climbed again by 25 percent. Following another correction in November to 6,950 points, optimism returned at the end of the year. The DAX finally closed the year successfully with an increase of 29 percent.

Performance of the telegate share in 2012

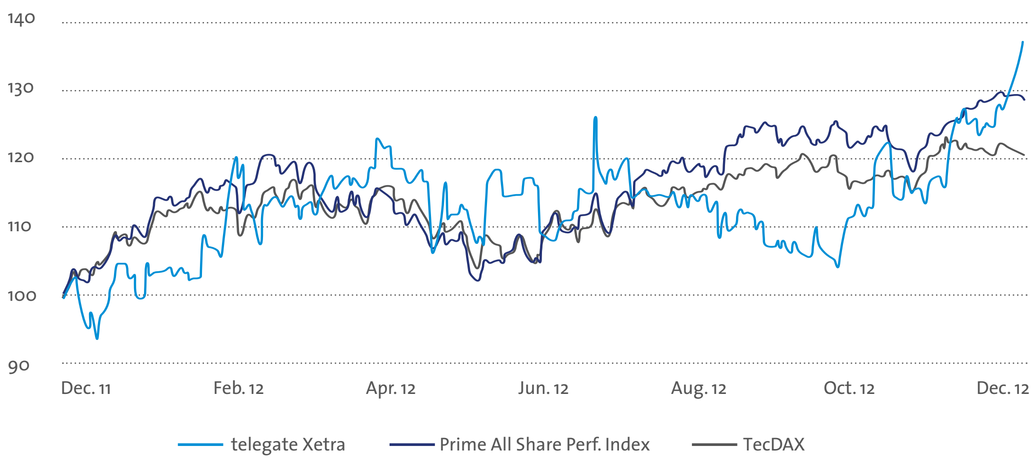
At the beginning of the year the telegate share was performing on a par with the TecDAX and the Prime All Share Performance Index. The first two verdicts finally confirmed by the German Federal Court of Justice in relation to the data cost lawsuits are likely to have led to a slightly disproportionate increase in the share price in the run-up in June. On 19 July the telegate share reached its interim high of € 6.70 and was also listed above the comparative indices at this point.

Whereas the positive trend on the markets continued, the telegate share initially lost some ground up until mid-October, due to probably selling impulses according to the motto „sell on good news“, after the decision by the German Federal Court of Justice on the data cost lawsuits.

The renewed increase in the telegate share price observed at the end of October is likely to be mainly attributable to the confirmation of the third verdict on telegate AG‘s data cost lawsuit by the Federal Court of Justice, and to the progress of the company transformation as scheduled. At the end of December, the telegate share was up by 37 percent compared with the previous year, and also reached its high for the year of € 7.27 on the final day of trading. In comparison, the Prime All Share Performance Index increased by 29 percent in the reporting period, while the TecDAX increased by 21 percent.

The company maintained its close contacts with investors during the financial year, for example through roadshows.

telegate share in comparison with the Prime All Share index and the TecDAX



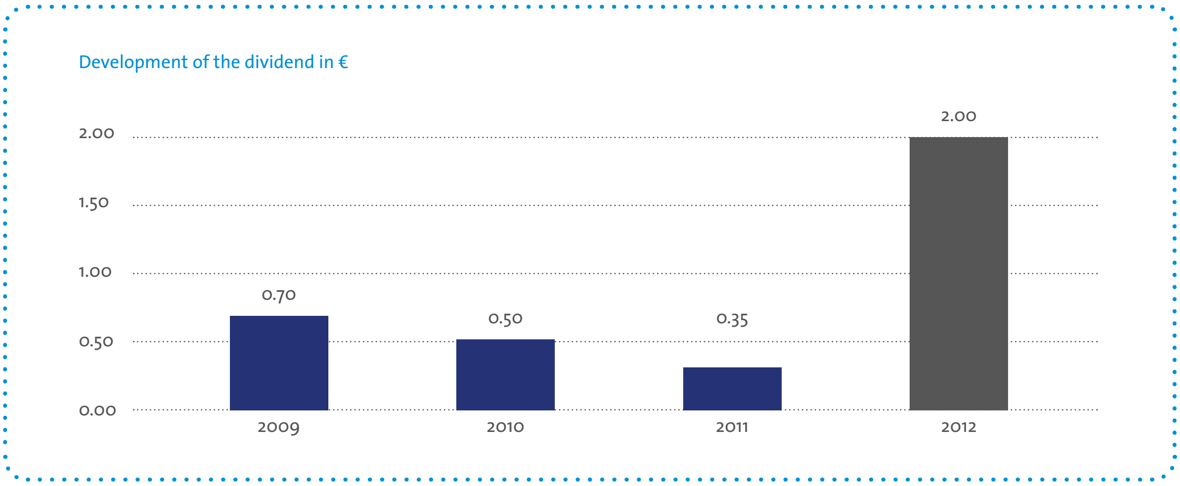
Key figures for the telegate share

		2009	2010	2011	2012
Number of shares		21,234,545	21,234,545	19,111,091	19,111,091
Share capital	EUR	21,234,545	21,234,545	19,111,091	19,111,091
Share price at year-end[1]	EUR	9.16	7.07	5.31	7.27
Highest share price[1]	EUR	9.55	11.39	9.43	7.27
Lowest share price[1]	EUR	6.23	6.18	5.31	4.99
Market capitalisation at year-end	EUR million	194.5	150.0	101.4	139.0
Earnings per share[2]	EUR	0.90	0.21	0.18	2.46
Dividend or proposed dividend per share	EUR	0.70	0.50	0.35	2.00
Dividend yield[3]	%	7.6	7.1	6.6	27.5

[1] *Xetra closing prices*

[2] *Earnings per share from continuing operations*

[3] *based on the respective Xetra closing price*



Shareholder structure

As of 31 December 2012 there were 19,111,091 telegate AG shares outstanding. The Company does not hold any treasury shares. The majority shareholder SEAT Pagine Gialle Italia S.p.A. directly and indirectly holds 77.4 percent of the shares outstanding. The remaining 22.6 percent of the shares are in free float.

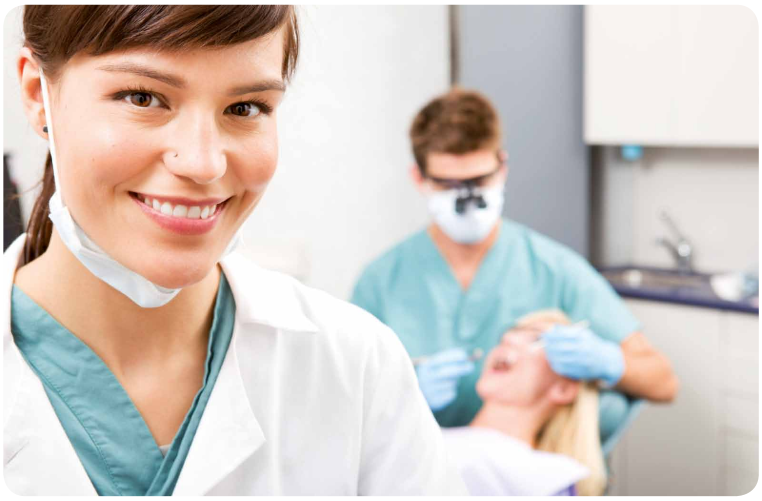
Dividend

The Management Board and Supervisory Board intend to propose to the Annual General Meeting on 5 June 2013 the distribution of an extraordinarily high dividend of € 38.2 million for financial year 2012. This corresponds to € 2.00 per dividend-bearing share, or a dividend yield of 27.5 percent (previous year: 6.6 percent) based on the closing price at the end of the year. This will entitle telegate AG shareholders to an appropriate share of the proceeds from the data cost lawsuits against Deutsche Telekom AG.

Investor relations activities

Once again in the financial year under review, the investor relations team kept institutional investors, analysts and private shareholders up-to-date on the Company‘s economic development. For institutional investors and analysts telegate was represented at selected roadshows and conferences in Germany and abroad. The focal points of capital market communications included the Company‘s development and the prospects arising due to its transformation from a directory assistance specialist to an information and Internet service provider. The development of the legal dispute with Deutsche Telekom AG concerning the repayment of excessive data costs was consistently presented in detail.

Furthermore, we regularly reported on our quarterly results and strategic decisions within the Company in telephone conferences. The website also offers an investor relations folder where the most important documents on the telegate Group‘s current corporate development and strategy are available for download.



Management Report

Group Management Report

Financial year 2012 at a glance

Financial year 2012 was a successful one for us: The profit (EBITDA[1] before non-recurring effects) and cash flow targets communicated in March 2012 were achieved. The profitability of the Media division improved significantly and, in fact, it has accrued substantial cash funds as a result of the final outcomes of the data cost lawsuits.

Consolidated revenue declined by 16 percent in the financial year, from € 110.0 million to € 92.7 million, due to the ongoing company transformation. The downward trend in caller volume in the traditional directory assistance business continued as expected, resulting in a revenue decrease of 21 percent year-on-year, from € 75.0 million to € 59.0 million. Revenue in the Media business fell slightly by 4 percent year-on-year, from € 35.0 million to € 33.8 million. This is attributable to the focus on greater sustainability and efficiency in the selling process and an associated improvement in earnings. The Media division‘s earnings (EBITDA before non-recurring effects) thus increased by 28 percent. The Media business now accounts for around 36 percent of consolidated revenue (previous year: 32 percent).

Consolidated EBITDA including non-recurring effects is significantly higher than in the previous year, at € 61.9 million (previous year: € 11.1 million), due to the significant income from data cost litigation. Adjusted for non-recurring effects, EBITDA amounts to € 10.4 million, corresponding to a decline of € 4.3 million compared with the previous year (previous year: € 14.7 million). The non-recurring effects in the past financial year are significantly positive and amount to € 51.5 million. These include positive non-recurring effects from the data cost lawsuits totalling € 55.7 million, and an expense of € 4.2 million relating to the adjustment of structural costs due to the company’s transformation. These are offset by non-recurring effects for the adjustment of structural costs in 2011 totalling € 3.6 million.

Cash and cash equivalents increased significantly, from € 39.0 million € 93.2 million, due to the cash flow from data cost litigation. Net cash flow, adjusted for the effect of data cost litigation, amounts to € 1.2 million (previous year: € -0.2 million).

The focus in the past financial year continued to be on improving the profitability of the Media business in order to compensate as far as possible for the declining earnings from the traditional directory assistance business. We succeeded not only in increasing sales efficiency but also in sustainably reducing the contract termination rate through greater customer loyalty. The development of our new product strategy also laid the foundations for successful marketing over the next few years. Our own media offerings are highly popular. Our innovative mobile directory applications in particular are market leaders in Germany. Once again, we significantly increased the scope of our offerings resulting in a 100 percent increase in the number of mobile search queries compared with the previous year.

In the traditional directory assistance business, we once again succeeded in cushioning the market-related decline in business by providing the best possible customer service and implementing additional capacity adjustments. The consolidation of the Stralsund call centre with the call centres in Rostock and Neubrandenburg is another necessary step to optimise capacity costs in the future.

The highlight from a business point of view was the positive conclusion in the past financial year of the long-standing legal disputes with Deutsche Telekom concerning excessive data costs. After around eight years of litigation proceedings, telegate 2012 was awarded total damages of almost € 100 million. In addition, we consider the positive verdicts on the three claims for inappropriately excessive data costs as good grounds for further actions for damages concerning lost profits of up to around € 110 million.

The group‘s structure changed slightly compared with the previous year. By way of entry in the commercial register on 3 August 2012 the merger of Datagate GmbH with telegate Media AG became effective retrospectively as of 1 January 2012. Both companies are wholly owned subsidiaries of telegate AG.

In the second quarter of 2012 the company's management resolved upon a plan for the sale of the Spanish companies 11811 Nueva Información Telefónica S.A.U and Uno Uno Ocho Cinco Cero Guías, S.L., and actively began looking for a buyer. The Spanish business was therefore recognised, pursuant to the IFRSs, as „discontinued operations". Since the value of the purchase offers was not attractive in comparison with the earnings power of the business, the company's management abandoned its plan to sell the companies. Pursuant to the IFRSs, the Spanish business is thus no longer carried as „discontinued operations" but has been returned to the category „continuing operations".

[1] *EBITDA is defined as profit before interest, tax, depreciation and amortisation, except amortisation on intangible assets from capitalised sales provision*

Economic environment

General economic environment

The expansion of the global economy progressively lost momentum over the past year. There was a rise in general uncertainty, particularly due to the sovereign debt crisis, and above all in the euro zone, which dampened the mood of companies and households worldwide. Production in the euro zone has been on the decline since the end of 2011, and the economic recovery in the USA also slowed down since the beginning of the year. The rate of expansion in the large emerging markets, particularly China, already slowed down over the course of the past year. Overall, global economic growth was very moderate in 2012.

The economic situation in the euro zone deteriorated further in the course of the year. Tough efforts to consolidate public budgets in many euro countries are putting more and more strain on the economy, as these have led to a significant decline in domestic demand. It was a very mixed picture in the euro zone, however. In countries such as Greece, Spain, Italy and Portugal, the situation worsened even further. Up until now, Germany was playing a special, positive role, due to its stable economic development. However, the effects of the euro crisis have also begun making themselves felt. These uncertainties were reflected in particular in declining investments in companies.

Market development

2.2.1 Germany/Austria

The local search market in Germany is booming. The use of directory media has never been as high as it was in the past year. In a representative survey of the population conducted by vdav (German Association of Directory Publishers) in November 2011 on the use of directory assistance and directory media it was determined that 98 percent of the population currently use directory assistance and directory media. The use of directory media, i.e., the yellow pages, telephone and address directories, has never been higher than it is right now, in spite of the massive competition from search engines and other locally and regionally focused media.

It is also interesting that the local search for a tradesman, the best restaurant or the nearest medical consultant has long since shifted from the traditional printed business directories to online offerings. As confirmed by a study conducted by GFK, the German market research institute, on behalf of telegate AG in 2011, 49 percent of local search queries are made online. For the majority of users, the „World Wide Web" is no longer just the gateway to the world; rather, it is also increasingly becoming the key to their local surroundings. And in this respect, queries from mobile devices rose by around 100 percent.

In terms of the advertising behaviour of the SMEs (small and medium-sized enterprises), however, the picture is still very varied. Although the trend towards online marketing continues to grow in relevance, printed media still dominate advertising planning at a majority of companies. This highlights the enormous growth potential for telegate, especially due to the small market share. Main competitor in this market are the yellow page publisher.

Overall, German SMEs are spending a good 15 percent less on advertising media than in the previous year. Spending on advertising was more focused in 2012, and is increasingly based on cost-benefit considerations. Almost half of the companies surveyed in Germany are currently reviewing the success of their advertising campaigns. That's 12 percent more than in the previous year.

telegate offers SMEs Internet and marketing services to help them improve their visibility in the digital world. telegate helps companies to build and maintain websites. And telegate helps companies to increase their visibility and search engine exposure on the Internet. We market SMEs in search engines and via online directories on our own broad-coverage search media. The number of search queries coming through our online portals 11880.com and klicktel.de increased once again compared with the previous year. We received a total of around 350 million search queries over all channels in the past year for contact information for local companies, service providers and private individuals.

The development of our mobile search business was once again particularly successful. Queries made from iPhones, iPads & Co. more than doubled compared with the previous year. And this is fully on trend, since mobile Internet usage in Germany also recorded growth rates of more than 100 percent in the past two years (source: Mediascope study 2012 BVDW – Digital Industry Association). Due to their growing acceptance among the population, mobile media will continue to increase in importance as advertising channels for telegate.

Search queries via local search apps under the brands „klicktel“ and „11880“ are another important factor. In December 2012 downloads reached 1.9 million, which is just over 50 percent more than in the previous year.

The market for traditional telephone directory services can be considered a business that is largely independent of economic developments. The continuous market decline that has been observed for many years now is attributable to the shift in consumer usage behaviour towards digital media. We expect this trend to continue in the coming years. Telegate is number 2 in the German telephone directory market behind Deutsche Telekom.

2.2.2 Spain

The situation in the Spanish economy proved very difficult in the past year, particularly due to the tough austerity policy of the Spanish government. Gross domestic product fell last year, and the country's unemployment rate is at an historic high. Measures to cut spending and raise taxes are intended to further reduce the national deficit in the coming years. Even despite expectations of a slight improvement in general economic conditions, economic output is expected to decline again in 2013.

With respect to the directory media industry, the situation in Spain is similar to Germany. The substitution effect of the shift from traditional telephone directory inquiries to digitisation is also evident here.

Financial situation

Financial performance

Segment report

Germany/Austria

telegate looks back on a good financial year and, with a series of measures, is laying the foundations for a successful future in the Media division. The core of the strategy established at the beginning of the year was always to improve the financial performance of the Media division.

Firstly, at the beginning of 2012, foundations were laid to improve customer retention, by way of structural and comprehensive procedural and organisational changes in sales and existing customer management. The establishment of a customer portal was an important step in this area. This personal reporting tool enables businesses to actually track, for the first time, the range of coverage and user numbers for the advertising products they book.

A new customer support concept was also launched. Whereas in the past number of years the strategic focus above all was on revenue growth, this concept is primarily aimed at providing comprehensive and personal support to customers. It is employed for both telegate‘s new and existing customer business.

After successful contract conclusion, new customers will from now on receive active customer support from a personal contact person during the entire term of their contract, thus increasing their loyalty to the company long term. The results are measurable: after just a short time there was a noticeable decrease in the contract termination rate.

The new customer support concept is also having an effect on existing customer management. Due to an improvement in individual service, a significant number of our customers have opted for early contract renewal or even contract renewal for a term of up to 24 months. Looking at the trend over the year as a whole, the contract termination rate continuously fell to an average of 36 percent in the fourth quarter of 2012 – an improvement of around 21 percent within one year.

A number of product innovations were presented during the past financial year. A main focus of the new strategy is that each company that books a media listing will also receive a website free of charge. For the advertising company the website is a tool that is becoming increasingly important, given that the local searches are shifting more and more towards smartphones and tablets. In order to facilitate this user behaviour, telegate‘s websites were also optimised for mobile browsers.

Overall, telegate thus provides the entrepreneurs with an Internet presence that is perfectly tailored to their needs. Combined with complementary regional advertising via the media listing and optional search engine marketing via Google AdWords this means that a significantly higher number of customer contacts can be reached. This measurable value-added in terms of performance led to higher contract conclusion rates and a significant improvement in customer retention, particularly in the second half of the year. In the medium term, both these factors are ensuring sustainable growth and satisfaction of the customer base.

Customer ratings are playing an increasingly important role in the local search market – in other words, experiences and opinions of consumers regarding online service providers. Such customer ratings have long been an important feature of the telegate portals 11880.com and klicktel.de. More and more users of our business directories on the Web or on smartphones are taking the opinions of other consumers into account when choosing a service provider in their area. Equally, ratings are an important tool – in the case of a business they can improve customer retention; in telegate‘s case they generate coverage and are a strong selling argument. With more than 500,000 ratings, telegate is the largest aggregator of online ratings in the local search market in Germany.

Revenue in the Media division decreased slightly compared with the previous year, by 4 percent, from € 35.0 million to € 33.8 million. Reduced sales capacities were almost fully compensated for by higher sales efficiency and improved customer retention. The additional cost savings achieved in 2012 were significant. Higher profit margins, due to improvements in the field sales structure, and the significant reduction in operating costs for personnel and advertising visibly improved the profitability of the Media division. The loss (EBITDA before non-recurring effects) of the Media division decreased noticeably by 28 percent, from € 14.6 million in the previous year to € 10.5 million in the past financial year.

The traditional directory assistance market has been on the decline for years, and 2012 was no different, with yet another significant drop in caller volume. Due to the now limited possibilities to increase revenue per caller, the decline in caller volume was only offset to a very small extent on the revenue side. In the past financial year revenue amounted to € 52.8 million, which is down 20 percent compared with the previous year (previous year: € 66.3 million). In order to at least partly compensate for the decline in revenue, efforts were mainly focused on optimising capacity costs. The 2012 consolidation of the Stralsund call centre with the call centres in Rostock and Neubrandenburg was an unavoidable and important step towards optimising capacities in the medium term and facilitated a noticeable decrease in the cost of goods sold. As a result of additional cost savings in personnel overhead costs, advertising costs and general administrative expenses, EBITDA (adjusted for non-recurring effects) decreased by 30 percent, from € 28.3 million to € 19.7 million.

Total revenue from the Germany/Austria segment fell by 15 percent to € 86.6 million (previous year: € 101.3 million). Due to the slight decline in revenue in the Media division, the decline in segment revenue is higher in 2012 than in the previous year (previous year: 10 percent). However, the cost situation is significantly better than in the previous year. As a result of cuts in almost all cost areas, the decline in the operating result before non-recurring effects (EBITDA) was limited to 33 percent. In absolute figures EBITDA before non-recurring effects thus decreased by € 4.5 million, from € 13.7 million to € 9.2 million.

Spain

The Spanish subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. have been classified since 30 June 2012 as „discontinued operations“ pursuant to IFRS 5. Since the value of the purchase offers was not attractive in comparison with the earnings power of the business, the company‘s management abandoned its plan to sell the companies. Pursuant to the IFRSs, the Spanish business is thus no longer carried as „discontinued operations“ but has been returned to „continuing operations“.

The decline in the caller volume accelerated further compared with the previous year. On the cost side, we already took a major step towards securing profitability with the closure of our own call centre in the previous year. Then, in 2012, further relevant cost-cutting measures were implemented – relating in particular to human resources and advertising.

These measures are proving successful. Although revenue – which was down by 30 percent compared with the previous year – declined more significantly (€ 6.1 million, previous year: € 8.7 million), EBITDA before non-recurring effects increased slightly to € 1.2 million (previous year: € 1.0 million).

Group

Revenue in the telegate group declined by 16 percent in the past financial year to € 92.7 million (previous year: € 110.0 million). Due to the slight decline in revenue in the Media division, the decline in consolidated revenue is thus somewhat greater in 2012 than in the previous year (previous year: 11 percent). The share of the Media business in total revenue increased from 32 percent in the previous year to 36 percent.

Significant savings were realised in the cost of sales in the past financial year. Most important are reduced capacity costs in the traditional directory assistance business due to the call centre consolidation in Germany. The gross profit margin decreased from 59.1 percent in the previous year to 54.3 percent in 2012. Adjusted for non-recurring effects relating mainly to the call centre consolidation, the gross profit margin fell less significantly to 57.8 percent, compared with 60.7 percent the previous year, and is in particular attributable to the decline in efficiency in the directory assistance business due to the significant decrease in volume.

Savings of € 3.7 million or 8 percent were achieved in the area of selling and distribution costs, including non-recurring effects. Excluding non-recurring effects, costs were down by 9 percent (2012: € 41.2 million; previous year: € 45.4 million). This was mainly attributable to lower marketing and personnel expenses.

General administrative expenses including non-recurring effects increased by 9 percent in 2012, from € 14.8 million to € 16.1 million. Adjusted for non-recurring effects totalling € 3.7 million, however, a significant reduction in costs of 15 percent was achieved (2012: € 12.4 million; € 14.5 million).

The items „Other operating income and expenses“ amount to € 60.1 million net and mainly consist of non-recurring effects, primarily in connection with the data cost lawsuits (previous year: € -0.1 million). Adjusted for non-recurring effects, these items amount to € -0.4 million in 2012 (previous year: € -0.1 million).

Consolidated EBITDA including non-recurring effects amounts to € 61.9 million and is significantly higher than the previous year, due to the income from the data cost lawsuits (€ 11.1 million). Adjusted for non-recurring effects, EBITDA amounts to € 10.4 million – 29 percent less than the previous year (previous year: € 14.7 million). The earnings guidance communicated at the start of the year of € 10 - 12 million was thus achieved and the decline in profits reduced compared with the previous year. The non-recurring effects comprise positive non-recurring effects from the data cost lawsuits, totalling € 55.7 million, and an expense of € 4.2 million relating to the adjustment of structural costs due to the company’s transformation. These structural costs relate to expenses for the consolidation of the Stralsund call centre with the call centres in Rostock and Neubrandenburg, expenses for capacity adjustments and contract terminations. These are offset by non-recurring effects for the adjustment of structural costs in 2011 totalling € 3.6 million.

The net financial income improved significantly in the past financial year, increasing by € 21.7 million to € 23.1 million (previous year: € 1.4 million). The largest item here is interest income from the successful data cost litigation totalling € 23.5 million. Net financial income also includes interest income of € 0.4 million from fixed-term deposits in 2012 (previous year: € 1.3 million). This reduced interest income from deposits is attributable to a lower interest rate and to a smaller – for large parts of the year – fixed-term deposit (before the cash flow from data cost litigation).

Income taxes increased by € 26.0 million year-on-year, to € 27.2 million (previous year: € 1.2 million). The current income tax expense amounts to € 22.0 million in 2012 and is a significant € 18.4 million higher compared with the previous year (previous year: € 3.6 million). This is due to the high proceeds from data cost litigation. The deferred income tax expense amounts to € 5.2 million in 2012, compared with income in 2011 of € -2.4 million. The difference compared with the previous year is mainly attributable to the reversal of deferred tax assets through the utilisation of telegate Media AG‘s loss carryforwards. The latter were mainly utilised due to the income from data cost litigation.

The net income for the period after taxes increased significantly from € 3.4 million (€ 0.18 per share) to € 47.1 million (€ 2.46 per share). The underlying number of shares here (19.1 million in 2011 and 2012) is based on the pro-rata-temporis weighted average of the number of ordinary shares outstanding during the reporting period.

Financial position and cash flows

Investments

Total investments in the past financial year amount to € 7.2 million and increased as expected in comparison with the previous year (€ 3.0 million). Adds in property and equipment (€ 3.5 million, previous year: € 1.3 million) and intangible assets (€ 3.6 million, previous year: € 1.7 million) largely included acquisitions as part of the technology conversion to state-of-the-art, fully IP-capable technology in the traditional directory assistance business. Investments were also made in the directory assistance business in the modernisation of the call centre workstations. Investments in the Media division mainly related to the expansion of the CRM system. Investments were made as planned in the area of administration, in IT workstation equipment, as well as in IT infrastructure and licences.

Statement of financial position

The telegate group's total assets increased significantly from € 96.8 million to € 144.1 million as of 31 December 2012.

On the asset side current assets increased from € 64.7 million to € 118.6 million. This is mainly due to the increase in cash and cash equivalents resulting from the cash flow from data cost litigation. Trade accounts receivable decreased by € 3.0 million, which is mainly attributable to the declining traditional directory assistance business and thus to the lower revenue of (€ 16.3 million, previous year: € 19.3 million).

Non-current assets decreased by € 6.7 million (€ 25.4 million, previous year: € 32.1 million). Intangible assets fell from € 17.7 million to € 12.3 million. Aside from depreciation and amortisation, this is also attributable to an impairment loss recognised on the customer base acquired as part of the acquisition of telegate Media AG in 2008. In addition, deferred tax assets decreased from € 2.9 million to € 0.3 million. This is due to the utilisation of the loss carryforwards of telegate Media AG as part of the proceeds from data cost litigation.

On the liabilities side of the statement of financial position, current liabilities increased by € 4.7 million (€ 38.5 million, previous year: € 33.8 million), although countervailing effects are also evident here. Trade accounts payable increased by € 2.3 million (€ 4.3 million, previous year: € 2.0 million). This increase is primarily attributable to an increase in outstanding liabilities due to the expansion of the TC infrastructure in the traditional directory assistance business. The rise in income tax liabilities by € 12.1 million (€ 12.1 million, previous year: € 0) is mainly due to the income from data cost litigation. This figure also includes liabilities of € 4.9 million arising from the tax audit of telegate AG for the period from 2006 to 2009. Other current liabilities decreased by € 13.1 million (€ 2.5 million, previous year: € 15.6 million). This is attributable mainly to the reversal through profit or loss of an „other liability" in the amount of € 12.3 million, due to a payment to Deutsche Telekom AG in 2007 as part of the reclamation claims concerning excessive data costs.

Non-current liabilities decreased from € 2.3 million to € 4.5 million; whereas two contrary effects can be observed. This is on the one hand due to a decrease in deferred tax liabilities as a result of the amortisation of intangible assets recognised within the scope of the purchase price allocation for telegate Media AG. On the other hand a significant increase of deferred tax liability due to set-off of deferred tax assets and liabilities. This is attributable to significant lower deferred tax assets of telegate Media AG, which result from a reduction of loss carryforwards following the income from data cost litigation in 2012.

Equity increased by a significant € 40.4 million to € 101.1 million (previous year: € 60.7). The retained earnings amount to € 45.7 million at the end of the reporting period on 31 December 2012 (previous year: € -14.9 million). The high retained earnings are attributable to the high after-tax income of € 47.1 million. In addition, an amount of € 20.2 million was withdrawn from revenue reserves. The dividend distribution of € 6.7 million in June 2012 led to a reduction of equity. As of 31 December 2012 the equity ratio was 70 percent, which is higher than the 63 percent as of 31 December 2011.

Cash flow & financing

General
telegate's financial management ensures, above all, that the group is at all times able to meet its payment obligations and cover any operating risks arising from the company transformation. As telegate had a very large supply of cash and cash equivalents as of 31 December 2012, due particularly to the cash flow from data cost litigation, it was able to cover every cash requirement that arose during the financial year with its own funds. Given that securing the available liquidity takes utmost priority, telegate generally follows as conservative and low-risk a deposit strategy as possible.

The development of liquidity in the past financial year was mainly characterised by the cash flow from data cost litigation, declining income and the cash outflow due to the dividend distribution in June.

Due to the positive effect of the data cost lawsuits, cash flow from operations (cash inflow/outflow from operating activities) increased in the past financial year from € 1.4 million to € 41.6 million. It should be noted here that the interest portion of the income from the data cost lawsuits is not included in the cash flow from operations. Adjusted for the positive effect of the data cost lawsuits, cash flow from operating activities increased by € 4.0 million year-on-year, from € 1.4 million to € 5.4 million. The higher cash flow in 2012 is attributable to a decrease in working capital. In addition, it should be noted that the cash flow for the previous year included tax arrears payments from earlier periods.

Cash flow from investing activities amounted to € -4.6 million in the period under review and was thus € 1.8 million higher compared with the previous year (previous year: € -2.8 million).

Cash flow from financing activities improved significantly in the past financial year, increasing by € 25.5 million from € -8.3 million to € 17.2 million. This positive change is attributable to the recognition of € 23.5 million in interest income from the data cost lawsuits. Adjusted for this effect, cash flow from financing activities amounts to € -6.3 million. The lower cash outflow is mainly due to the lower dividend payment compared with the previous year (€ 0.35 per share in 2012 vs. € 0.50 per share in 2011). This is offset in 2012 by lower interest income from fixed-term deposits.

Net cash flow (cash flow from operations + cash flow from investing activities +/- interest income/expense) increased significantly in 2012, from € -0.2 million in the previous year to € 60.9 million in the current year. Adjusted for the effect of the data cost lawsuits, net cash flow amounts to € 1.2 million in 2012. The guidance communicated at the beginning of the year of a positive net cash flow was thus met.

Cash and cash equivalents increased significantly, rising by a total of € 54.2 million to € 93.2 million as of 31 December 2012 (31 December 2011: € 39.0 million).

Capital structure/dividend
In its single-entity financial statements prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB) telegate AG reports retained earnings of € 47.8 million for the past financial year (previous year: € 6.7 million).

The resolution of the Management Board of 27 February 2013 proposes the shareholders Meeting the payment of a dividend in 2013 for the fiscal year 2012 in the amount of € 38.2 million. It was not considered as a liability on 31 December 2012. This corresponds to a dividend of € 2.00 per no-par value share. The acceptance of the Supervisory Board is not yet given.

Acquisitions & divestments / Changes in the group of consolidated companies

By way of entry in the commercial register on 3 August 2012, the merger of Datagate GmbH with telegate Media AG became effective retrospectively as of 1 January 2012. Both companies are wholly owned subsidiaries of telegate AG.

Events after the reporting period

On 6 February 2013 Seat Pagine Gialle Italia S.p.A. filed an application for admission to the composition with creditors procedure, within the meaning of Article 161, paragraph 6, of the Royal Decree 267/1942, with the Turin Court. This event has no significant implications for telegate group as there are no significant operational business operations with Seat Pagine Gialle Italia S.p.A.

Research and development

As a service provider, telegate does not carry out basic research and development in the original sense. Thus telegate does not disclose cost for research and development.

Employees

telegate‘s qualified workforce is vital to securing the company‘s continued success in future. Recruiting highly qualified new employees is an important pillar of this. Just as important for telegate is the further development and support of its existing workforce in order to keep them with the company long term.

In view of the ever-growing importance of „employee satisfaction“, telegate once again conducted a group-wide employee survey in 2012. Based on the results of this survey, a number of measures have been adopted, which, in addition to material aspects for the employees, focus mainly on human factors for the improvement of employee satisfaction.

As of 31 December 2012 telegate had 1,274 employees group-wide (headcount; excluding trainees, „mini-jobs“ and dormant employment contracts) – 233 less than a year ago (previous year: 1,507). This decline in numbers is largely due to a further, volume-related capacity reduction in the traditional directory assistance business in Germany. This involved the consolidation of the call centre in Stralsund with the Rostock and Neubrandenburg call centres. Another reason for the drop in employee numbers was the streamlining of the telesales and field sales teams as part of the optimisation of sales processes.

Opportunity and risk management

General information

Establishing an effective opportunity and risk management system is essential for telegate, not least due to the economic and financial crisis. For telegate, „risk" means the danger of potential losses but also the risk of lost profits. This risk can be triggered by both internal and external factors. telegate's risk management system contains the entirety of all organisational regulations and measures for identifying and dealing with risks associated with the company's business activities.

The constant challenge for telegate is bringing together the established sub-systems for risk assessment and developing these further into an integrated, company-wide risk management system with dynamic structures. In order for the risk management system to work, telegate focuses not only on the company's objectives but also on its vision, strategy and corporate culture. Due to the growing complexity in the area of risk management (e.g. treasury, compliance, etc.), telegate also highlights the dependencies of the sub-systems, which has improved the efficiency of the risk management system.

telegate Risk management system

Risk early warning

- Financial risks
- Strategic risks
- Compliance risks
- Operating risks

Internal control system

- control processes / process manual
- Accounting processes
- Internal Audit

telegate's risk management system is used for the early recognition, assessment and control of internal and external risks. The aim is to identify material risks for the group in good time in order to initiate the appropriate countermeasures. Risks are potential developments within and outside the group that could have an adverse effect on the achievement of the strategic and operative objectives of the telegate group.

The telegate group's opportunity and risk management system is anchored in its strategic development and is integrated in all further planning processes. For example, all business activities are reviewed and assessed for opportunities and risks at annual planning meetings. Objectives are then set on this basis (particularly sales and earnings targets) and their achievement is monitored at least three times a year within the budget process and rolling forecasts by the person responsible for planning of the group controlling department.

The telegate group's opportunity and risk management system is regularly reviewed for its efficiency and fitness for purpose. If any potential for improvement is identified, this is reported to the Management Board and implemented.

In addition to the company-level assessment, the „Media" and „Directory Assistance Solutions" segments are also monitored.

In order to ensure responsible handling of any risks, a Compliance Committee was also set up in 2010. This committee advises the Management Board on all matters of compliance: These include suggestions on prevention, process improvements and possible sanctions. The committee also discusses possible improvements, also with respect to new legal requirements.

Accounting-based internal control system, internal audit and occasion-based audits

Since the parent company telegate AG is a publicly traded company as defined by section 264d HGB, the main features of the internal control and risk management system, both in respect of the accounting processes of the consolidated companies and in respect of the consolidated accounting process, must be described pursuant to section 315 (2) no. 5 HGB.

There is no legal definition of the internal control and risk management system with respect to the accounting process and the consolidated accounting process. We understand the internal control and risk management system to be a comprehensive system and base it on the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, IDA), Düsseldorf, for the accounting-based internal control system (IDW PS 261 subsection 19 et seq.) and for the risk management system (IDW PS 340, subsection 4). Accordingly, an internal control system comprises those principles, procedures and measures that the management employs in a company with the aim of implementing its organisational decisions for the purpose of:

- Ensuring the effectiveness and profitability of the company's business (which includes protecting its assets, as well as preventing and detecting any impairment of its assets);
- Ensuring that both the internal and the external financial reporting processes are proper and reliable; and
- Ensuring compliance with all statutory requirements applicable to the company.

The risk management system comprises the totality of all organisational regulations and measures serving to detect and handle risks arising from entrepreneurial activity.

With respect to the accounting process, the group has implemented the following structures and processes:

Full responsibility for the telegate group's ICS lies with the Management Board of telegate AG. All of the group's strategic business areas are integrated via a specifically defined management and reporting organisation.

The departments and divisions involved in the accounting process are appropriately equipped, both in terms of quantity and quality. Uniform consolidated accounting guidelines apply throughout the group for accounting, bookkeeping and controlling. Accounting data that has been received or passed on is regularly reviewed for completeness and correctness. Dedicated software performs programmed plausibility checks.

The dual control principle is also applied for important transactions, such as payment runs, for example. Confirmations of review and payment instructions must be signed and dated.

Invoices received are also submitted to the relevant departments in line with the dual control principle to ensure that these are factually and arithmetically correct. This means that the party placing the order must provide a signature to confirm that the goods were received or the service was rendered according to the order specifications.

Orders must be checked immediately and passed on to the supervisor or cost centre manager along with a cost centre account number so that payment can be authorised. As a final means to ensure correctness, two authorised signatories with power of attorney release payment.

In addition to the ICS in the individual subsidiaries, these levels of control are also implemented at group level. Group-wide controls are managed by centralised entities such as Finance, HR or the Legal Affairs department, and are also documented centrally. A typical example of this is the centralised approval of investments.

The ICS is supported by IT systems that are regularly checked for their efficiency. IT systems used in accounting are standard software. These systems are secured against unauthorised access by appropriate security and authority concepts.

The aim of the internal control and risk management system with respect to the accounting process, the main features of which are described above, is to ensure that business facts are consistently recorded, processed and recognised correctly in the accounting and incorporated in the external financial reporting. The right personnel, the use of appropriate software and clear legal and internal company specifications form the basis for a proper, uniform and continuous accounting process. The clear definition of areas of responsibility, as well as various control and review mechanisms, as described in more detail above, make it possible to ensure correct and responsible accounting. Specifically, this ensures that business transactions can be recorded, processed and documented in accordance with legal requirements and internal guidelines, and be recognised immediately and correctly in the accounts. At the same time, it ensures that assets and liabilities are appropriately recognised, reported and measured in the annual and consolidated financial statements, and that reliable and relevant information is provided promptly and in full.

Group-wide opportunities

Market opportunities in the Media business

The local advertising market in Germany (narrower market in the sense of directory advertising) amounts to an investment volume of around € 1.3 billion a year. The current psyma study conducted in 2012 on behalf of telegate AG, shows that German consumers are increasingly searching on the Internet for regional companies and service providers. The mobile Internet search market, in particular, is continuing to grow in importance. As many as 38 percent of Internet search queries for commercial listings are attributable to mobile channels, which is around 20 percent more than in the previous year. The digital classified directory is once again the most popular advertising medium, in which 44 percent of companies book a listing. Search engine marketing also grew slightly in importance: 28 percent of companies opt for Google AdWords in search engine marketing. This corresponds to an increase of almost 20 percent compared with 2010.

As in previous years, the printed media are continuing to lose their importance with respect to advertising behaviour. The biggest losers in this trend are the printed business directories, in which paid listings fell by a total of 23 percent in 2012. Overall, however, the traditional printed advertising media continue to be the strongest group. A total of 63 percent of the advertising budget continues to be allocated to a printed product, such as the regional daily newspapers, local advertising newspapers or regional business directories.

What has emerged from the current Psyma study is that the number of companies investing in advertising campaigns and marketing has continuously increased. Overall, however, German SMEs are spending around 15 percent less on advertising media than in the previous year. The reason for this is that the annual budgets for marketing and advertising have decreased on average. On the one hand, this trend reflects one outcome of the economic slowdown, but it also reflects the greater use of online advertising. The latter is less cost-intensive than traditional print advertising.

The importance of company websites has increased yet again compared with the previous year. 71 percent of German SMEs now have their own website – 6 percent more than last year. The main motives for having a website are new customer acquisition, search engine visibility and selective targeting of existing customers. Companies are increasingly seeing their Internet presence as a key point of contact online for customers.

Another current trend is search engine optimisation (SEO) of websites. 40 percent of companies are taking search engine optimisation measures so that their websites can be found more easily by the search engines. However, many companies do not know what exactly SEO achieves or what sort of budget is realistic.

Owing to the above-described trend towards online advertising telegate sees further growth potential of the Media division in the German due to its product portfolio including company websites, Media entry and Google adwords campaigns.

Opportunities due to product development in Media business

Telegate will launch in the Media division also in 2013 new products. Amongst other it is planned to generate more usability for user and traffic on telegate websites 11880.com and klicktel.de due to the mobile websites. Together with the development of social media products as well as the re-launch of the websites 11880.com and klicktel.de the opportunity of further growth should be realised.

Market opportunities of classic telephone directory business

Owing to the substitution of media usage from classic media towards digital media the market of telephone directory is shrinking. There is the opportunity that this market trend will deviated in respect of decline rates of past years.

Regulatory opportunities

The long lasting legal disputes with Deutsche Telekom on over-priced data cost were decided in favour of telegate in the financial year 2012. Based on that we see opportunities that also the further damage claims for passed profit in the amount of about € 110 million will be decided in favour for us. In respect of duration of these legal disputes no reliable projection can be made at this point of time. The company therefore does not expect a final decision on these claims in the financial year 2013.

Group-wide risks

Market risk Media

Due to the shift in media usage from traditional media to digital media, the voice directory inquiries market has been on the decline for many years. This trend is expected to continue in the coming years. telegate has taken this into account in its corporate planning for its Directory Assistance Solutions segment. The main risk for telegate is the possibility that the adverse market trend could intensify even further in comparison with previous years.

Market risk classic telephony directory

Owing to the substitution of media usage from classic media towards digital media the market of telephone directory is shrinking. There is the risk that this market trend will deviated in respect of decline rates of past years.

Communication risk

Telegate manages its sales activities respectively customer contacts in the Media division mainly in outbound. Therefore the risk of negative Media news occurs, amongst other also in social networks, which might lead to negative reputation of the company.

Financial and liquidity risks

The group has various financial assets at its disposal, such as trade accounts receivable and cash and cash equivalents. The risk of bad debt losses in the media business is significantly higher compared with the historically low rate in the directory assistance business. Due to the growing importance of the media business, the aim is to further reduce this default risk. Overdue receivable are therefore handed over to a collection company after completion of a dunning process. A portion of the overdue receivable has already been written down when it is handed over to the collection company. The receivable is fully written off after it has been in the collection process for more than one year. The debt collection process is reviewed at regular intervals and continuously optimised. The ratio of bad debt losses in the media business was thus further reduced in 2012.

Litigation risks

Within the scope of its directory assistance services, telegate has a large database containing a lot of information about its subscribers. There is a risk that unauthorised data access or data misuse could seriously jeopardise business operations. telegate protects itself against this with internal guidelines containing binding regulations on how employees access and handle information. telegate also uses technical measures such as firewall systems, virus scanners, redundant IT systems, as well as system warnings in the case of mass data queries. A backup programme also copies any data that is important for business operations. The entire backup system is continuously updated with respect to IT risks in line with operating and technological requirements.

Personnel risks

Qualified employees and senior executives are the cornerstone of telegate's success and the positive development of the company. As is the case at other companies, telegate therefore also faces the risk of losing qualified specialists and executives. telegate limits the risk of losing expertise by offering employee development programmes and other personnel measures.

Technology risks

In its traditional directory assistance business, telegate relies on the smooth running of processes and the highest degree of fail-safety of its TC systems. In spite of the redundancy in the most important systems, there is a very small risk of a partial or complete system failure.

There are also unlikely, but not entirely excludable an environmental risk, such as fire or water damage at telegate's operating sites. Such events could seriously disrupt business operations. As part of its international insurance management, telegate has taken out extensive property and business interruption insurance.

In addition, there are risks relating to the larger-scale networking of the IT systems, as well as to the failure of the subscriber database. Such a failure could result in a delay in or a complete loss of production.

Regulatory risks

The business activities of the telegate group depend heavily on general legal conditions and decisions of legislators and regulatory authorities. These include, for example, the rules on the assignment of telephone numbers, access to subscriber data and wholesale telecommunications services. The regulatory requirements specify, for example, what kind of directory assistance services telegate may provide or how the directory assistance phone numbers are assigned. An infringement of the rules of assignment for directory assistance numbers, for example, could result in a warning from the regulatory authorities or, ultimately, to revocation of a number. The latter would significantly impair the economic existence of the company.

Former monopolists such as Deutsche Telekom AG are major wholesale service providers for telegate, which leads to certain economic dependencies. The main areas of these service relationships are subject to monitoring by regulatory and antitrust authorities, however, which modifies this risk. Nevertheless, there is a risk that the responsible authorities may fail to act.

Legal risks
telegate is party to a large number of litigation proceedings and other disputes with competitors and other interested parties. These proceedings are mainly civil and administrative disputes with Telekom Deutschland GmbH (formerly Deutsche Telekom AG) in relation to the legally permissible charges being demanded by Telekom Deutschland GmbH from telegate for the provision of subscriber data.

The German Federal Court of Justice dismissed all of Deutsche Telekom AG's appeal against refusal of leave to appeal in 2012 with respect to telegate's claims against Deutsche Telekom AG for compensation for direct losses it suffered in the past due to excessive data costs it was charged. The court of final appeal thus decided in favour of telegate AG and its subsidiaries Datagate GmbH and telegate Media AG in the disputes that began in 2004 in relation to the unlawfully excessive charges for the provision of subscriber data. Further claims are still pending at the courts of first and second instance in this connection: telegate is claiming additional damages and Telekom Deutschland GmbH is claiming for payment of further charges for subscriber data.

Within the scope of its business telegate has a large subscriber database. There is a very small risk of infringement of data protection requirements and of data manipulation. telegate aims to minimise this risk as far as possible by implementing a company-wide set of rules and regulations for handling data, and its Compliance Committee established in 2010.

Risks of future macroeconomic development
The global economy lost further momentum in 2012 and, at the turn of the year 2012/13, is feeling the effects of the crisis in the euro zone, the uncertainties regarding the course of financial policy in the USA, and a lack of vitality in the emerging markets, which had played a material role in the global economic recovery following the major recession. The increase in global production is expected to be minimal in 2013.

In terms of the development of the crisis in the euro zone, it is assumed that the situation on the financial markets will continue to ease gradually in 2013 supported by confidence in the effectiveness of the installed stability mechanisms and the implementation of the necessary consolidation and structural adjustment measures in crisis countries. After a slightly negative development of gross domestic product in 2012, a small increase is anticipated in 2013.

The German economy cannot escape the curbing effects of the weaker global economy or the uncertainty surrounding the crisis in the euro zone. In spite of otherwise favourable general conditions, particularly lower interest rates, it is expected that GDP growth will be less significant in 2013 than in 2012. In telegate's core market Germany, this could mean that the anticipated slower economic development could also have effects on the advertising behaviour of SMEs. The possibility cannot be ruled out that this might also have implications for the development of telegate's media business.

Spain is in recession for the second time in three years and is battling with massive financial problems, as well as a very high unemployment rate. The business of the Spanish subsidiary therefore faces the risk of an even further deterioration in consumer confidence. This could mean yet another decline in the caller volume for directory assistance services, further to the current negative trend.

Outlook

The statements made in this „Outlook" are based on telegate AG's operations planning for the years 2013 and 2014, as adopted by the Management Board and Supervisory Board in December 2012. The planning is based on the objectives of the segments Germany/Austria and Spain. A further distinction is made within the Germany/Austria segment between the traditional directory assistance and media business.

Corporate strategy

The telegate group will continue in 2013 and 2014 to adhere firmly to its strategy to develop the company from a traditional directory inquiries business into an advertising partner for small and medium-sized enterprises.

Germany/Austria segment
In the traditional voice-based directory assistance business the negative trend in caller volume in Germany is expected to persist in 2013 and 2014. In order to counter the effect of the decline in caller volume, the company plans to raise revenue per caller slightly. Together with other measures to reduce administrative personnel and marketing expenses, the aim is to limit the decline in sales and earnings.

The strategic focus in the media business continues to be on measures to significantly improve profitability, and on sales and customer growth.

In the area of new customer business a number of measures were initiated in 2012 or implemented in 2013 with the aim of sustainably increasing sales efficiency. This is to be achieved, on the one hand, through price increases for certain products. On the other hand, a „lead validation tool" is planned for corporate customers, which will serve as a powerful sales argument for the sales team. The aim of this tool is to provide the customer with clear evidence of how many search queries and customer contacts the booked telegate product actually brought in. We also hope to gain additional positive incentives from the new product concept relating to the free website. This was recently supplemented by a free mobile Internet presence for telegate customers. Other product innovations are in the pipeline.

We expect the measures initiated in 2012 to improve customer satisfaction to bring further positive incentives for existing customers. Specifically, we hope to see a significantly lower rate of contract termination and, in association with that, higher contract renewal revenue, also due to the introduction of the lead validation tool described above. The contract termination rate was 40 percent on average in 2012; we plan to improve this rate again significantly in 2013 to an average of around 30 percent. We expect to see a further reduction in contract termination in 2014 in the single-digit percentage range.

Another objective in the area of existing customers is to further increase the number of 24-month contracts. Although this will have no immediate effects on revenue in 2013, it will lead mid-term and long-term towards a higher customer loyalty and thus a lower contract termination rate.

Together with the above-mentioned measures and the continued realisation of cost savings in the area of sales, bad debt losses (through implementation of process improvements) and savings in administrative staff costs, the media business should break even in 2014.

For the segment Germany/Austria the company plans an EBITDA before non-recurring items in the range of € 7 to 9 million in 2013 and 2014.

Spain
In order to increase profitability, we decided to implement a stringent cost-cutting programme in Spain in 2012. We will continue to adhere to this strategy in 2013. Due to the negative trend in caller volume we anticipate further decreases in sales in 2013 in the range of 25 to 30 percent. Due to the implemented cost saving program we plan in 2013 with an EBITDA before non-recurring effects of about € 1 million, similar to the level of 2012. Due to the decline in sales, another significant decline in EBITDA before non-recurring items to a level of about € 0.5 million is forecast for 2014.

Group
Based on current planning, we anticipate a similar decline in consolidated revenue in 2013 to that in 2012, in the region of 15-20 percent. On the one hand, this is due once again to the expectation of a further significant decline in revenue in Spain. On the other hand, the growth in the media business will not be fully reflected in 2013 due to the monthly revenue recognition (with a growing number of contract conclusions the effect on earnings will, for the most part, not be seen until subsequent periods). We then expect the revenue decline to slow down in 2014, due in particular to the growing share of media revenue in consolidated revenue. This assumption is mainly based on the above-described development in the media business in Germany.

Based on the measures planned in the Media division to increase profitability and the cost savings planned across all operating segments, we anticipate EBITDA (before non-recurring effects) in 2013 and 2014, respectively, in the range of € 8 - 10 million.

Once again, we expect to generate a positive net cash flow in the low single-digit millions in 2013 and 2014.

Finance strategy

telegate's finance strategy aims, on the one hand, to secure liquidity in the long term, and to enable shareholders to adequately participate in the company's profits, on the other. The finance strategy thus primarily supports the implementation of the corporate strategy and ensures that the company transformation can be implemented.

Disclosures pursuant to section 315 (4) HGB and explanatory report

Composition of subscribed capital

As of 31 December 2012 telegate AG's subscribed capital was composed of 19,111,091 no-par value ordinary bearer shares (no-par value shares) (previous year: 19,111,091 shares). As of 31 December 2012, 19,111,091 of these shares were outstanding (previous year: 19,111,091 shares).

Restrictions affecting voting rights and the transfer of shares

The Management Board of telegate AG is not aware of any restrictions pertaining to the share voting rights. With respect to the transfer of shares, the Management Board has received a notification from SEAT Pagine Gialle Italia S.p.A stating that the shares it holds directly and indirectly in the company are not freely transferable.

Holdings in the company's capital of more than 10 percent of the voting rights

As of 31 December 2012, the majority shareholders SEAT Pagine Gialle Italia S.p.A., which is domiciled in Turin, Italy, directly and indirectly holds a total of 77.4 percent of the voting rights. The remaining 22.6 percent are in free float, predominantly with institutional investors.

Shares with special rights conferring powers of control

There are no shares with special rights conveying powers of control.

Nature of voting control where employees have an equity interest and do not directly exercise their control rights

Employees who hold shares as part of the stock option plan may exercise control rights, like other shareholders, directly in accordance with legal requirements and the provisions of the Articles of Association.

Appointment and dismissal of members of the Management Board

The Management Board of telegate AG is comprised of at least two members. The appointment of deputy members of the Management Board is permitted pursuant to Art. 3.1 (1) of the Articles of Association. The Supervisory Board determines the number, the appointment and the dismissal of the ordinary and the deputy members of the Management Board, and may also appoint a Management Board chairman.

Amendment of the Articles of Association

Pursuant to section 179 AktG, amendments to the Articles of Association shall be passed by resolutions of the Annual General Meeting. The required update of the Articles of Association with respect to the amount of share capital that can be increased through the exercise of stock options, was communicated to the Supervisory Board by way of a resolution of the Annual General Meeting on 12 May 2005, and renewed on 15 May 2006, 9 May 2007, 11 June 2008 and on 27 May 2009. Pursuant to Art. 4.5 of the Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the wording.

Authorisations of the Management Board, in particular pertaining to the possibility to issue or buy back shares

Pursuant to Art. 2 (7) of the Articles of Association, the Management Board is authorised to contingently increase telegate AG's share capital up until 30 June 2013, by a nominal amount of up to € 1,000,000 as part of a stock option plan. This contingent capital increase shall serve to grant subscription rights (stock options) to members of the Management Board, members of the management of affiliated companies and employees of telegate AG and employees of affiliated companies in accordance with the resolutions of the Annual General Meetings on 12 May 2005, 15 May 2006, 9 May 2007, 11 June 2008 and 27 May 2009. A maximum of 400,000 subscription rights may be issued per financial year. The stipulation of the number of subscription rights to be issued to all option holders per calendar year is subject to the approval of the Supervisory Board. As of 31 December 2012, 269,515 stock options are still outstanding. If these options are not exercised by 30 June 2013, they will forfeit.

Pursuant to a resolution of the Annual General Meeting on 27 June 2012, the Management Board is authorised to buy back own shares.

Significant agreements entered into by the company providing for a change of control following a takeover bid

No significant agreements exist as of 31 December 2012.

Compensation agreements for the event of a takeover bid

telegate AG does not have any compensation agreements with members of the Management Board or employees for the event of a takeover bid (change of control).

Statement and report on corporate governance

The statement on corporate governance (section 289a HGB) contains the declaration of compliance, disclosures on corporate governance practices and the description of the procedures of the Management Board and Supervisory Board. telegate's objective in these disclosures is to keep its account of corporate governance clear and succinct.

The above information can be found on our website at: www.telegate.com > Investor Relations > Corporate Governance > Declaration of Corporate Governance.

The German Corporate Governance Code outlines the regulations for efficient and responsible management and supervision of listed German stock corporations.

More information on corporate governance at telegate can be found on our website at: www.telegate.com > Investor Relations > Corporate Governance > Corporate Governance Report.

Compensation system

Management Board compensation
The Personnel Committee of the Supervisory Board regularly discusses and reviews the structure of the compensation system for the Management Board. The Supervisory Board stipulates the total compensation of the individual members of the Management Board based on the proposal of this committee. The committee also regularly reviews the compensation system for the Management Board.

The compensation model for the Management Board should be attractive and appropriate to compete for highly qualified management personnel. Criteria for the appropriateness of the compensation are in particular the responsibilities of the respective Management Board members, their personal performance, the performance of the Management Board, as well as the economic situation, the success and future prospects of the company in comparison with other companies in its sector.

Compensation system, general
The compensation paid to the members of the Management Board is comprised of both non-performance-related and performance-related components. The non-performance-related portions consist of a fixed salary and payments in kind, while the performance-related portion comprises a management bonus and components with a long-term incentive effect. Members of the Management Board have also received pension commitments.

As a basic compensation that is independent of annual performance, the fixed portion is paid out as a monthly salary and is based on an income plan stipulated by the Supervisory Board. It takes into consideration the company's situation and medium-term objectives, as well as the criteria to be complied with in this respect pursuant to section 87 (1) AktG and the German Corporate Governance Code. The payments in kind consist mainly of the value to be recognised under taxation guidelines for the use of a company car. Such payments in kind are taxable to the individual member of the Management Board.

No advances or loans were paid to any members of the Management Board during the reporting year.

One element of the performance-related compensation is the management bonus. This bonus is contingent upon the achievement of the most important targets for increasing the company's value. Sales and earnings targets of the annual plan to be approved by the Supervisory Board as part of the three-year rolling plan serve as a benchmark, as well as other quantitative and qualitative objectives, the achievement of which lays the foundation for the sustained realisation of the company's medium-term goals. This component of the compensation, which is intended as an incentive for the successful work of the Management Board, therefore plays an important role and can amount to up to 55 percent of the total cash compensation paid.

Compensation in 2012

The disclosure of compensation paid to members of the Management Board has been a legal requirement since financial year 2006. telegate discloses the Management Board's compensation as a collective total, since the Annual General Meeting on 29 June 2011 elected to make use of the opt-out clause (dispensation of the obligation to disclose the compensation paid to individual members of the Management Board for financial years 2011 to 2015, inclusive).

In financial year 2012 the compensation paid to the members of the Management Board pursuant to IAS/IFRS amounted to € 1,274 thousand (previous year: € 981 thousand).

Fixed salaries accounted for € 463 thousand of this amount (previous year: € 525 thousand) and bonuses for € 380 thousand (previous year: € 343 thousand). In addition, a payment of EUR 363 thousand was made based on a bonus agreement from 2005 as a result of the successful data cost lawsuits. Payments in kind totalled € 49 thousand (previous year: € 33 thousand).

No stock options were granted to members of the Management Board in the financial year under review.

Members of the Management Board received pension benefits amounting to € 19 thousand (previous year: € 80 thousand) pursuant to the IASs/IFRSs. These are mainly determined based on the length of service and the compensation of the individual members of the Management Board. The pension commitment is tied only to the fixed compensation component. Details can be found in the notes accompanying the consolidated financial statements in the section entitled „Retirement benefit plans".

Compensation of the Management Board in EUR

	2012 (IAS/IFRS)	2011 (IAS/IFRS)
Fixed compensation	462,813	525,417
Bonus	380,223	342,510
Special bonus	362,872	0
Compensation in kind	48,571	33,485
Pension commitment	19,255	79,559
Total without stock options	**1,273,734**	**980,971**
Stock options	0	0
Total including stock options	**1,273,734**	**980,971**

No members of the Management Board received payment or promises of payment from third parties in the past financial year in respect of their activities as a member of the Management Board. No compensation was or is paid for intragroup Management Board and Supervisory Board positions.

Members of the Management Board who have stepped down were granted a lump-sum settlement in the previous year for the time remaining on their directors' contracts amounting to a total of EUR 1,178 thousand that was paid out in the financial year. In addition, a payment of EUR 869 thousand was made based on a bonus agreement from 2005 as a result of the successful data cost lawsuits.

Compensation of the Supervisory Board

The compensation of the Supervisory Board is regulated in Art. 4.6 of the Articles of Association. It is based on the duties and responsibilities of the Supervisory Board members.

Each member of the Supervisory Board receives a fixed annual compensation of € 10 thousand, in addition to reimbursement for any expenses. The compensation is payable in each case after the Annual General Meeting that resolves upon formally approving of the actions of the Supervisory Board for the financial year ended. The Chairman of the Supervisory Board receives double this amount; the Deputy Chairman receives 1.5 times this amount. Members of the Supervisory Board who only served on the Supervisory Board for part of the financial year receive a pro-rated compensation, based on length of service on the Supervisory Board. If a Supervisory Board member has not participated in at least 75 percent of the Supervisory Board meetings in a financial year, the member's compensation shall be reduced by 50 percent.

In addition to the basic compensation, members of a Supervisory Board committee are paid an annual lump sum of € 1 thousand. This payment is subject to the requirement that the committee has convened during the financial year and that the respective committee member has actually attended at least one of the committee meetings.

The Supervisory Board members received compensation totalling EUR 147 thousand in the 2012 financial year (previous year: EUR 175 thousand).

No members of the Supervisory Board received any additional compensation or benefits in the financial year for services personally rendered, in particular for consultancy and agency services.

No advances or loans were paid to any members of the Supervisory Board during the reporting year.

Responsibility statement

"To the best of our knowledge and in accordance with the applicable accounting principles, we assure that the consolidated financial statements provide a fair review of the group's net worth, the financial position and the profit position and the corporate management report includes a fair review of the business trend and business result and the status of the group is provided a fair view, together with a description of the main chances and risks associated with the group's expected development."

Planegg-Martinsried, 27 February 2013

Elio Schiavo
Management Board
Chairman

Ralf Grüßhaber
Management Board
Member

Consolidated Financial Statements

Consolidated Balance Sheets (IFRS)

Assets in k€	notes	December 31, 2012	December 31, 2011*	January 01, 2011*
Current assets				
Cash and cash equivalents	18	93,250	39,048	48,768
Trade accounts receivable	19	16,266	19,295	20,490
Current tax assets	15	27	647	0
Other financial assets	20	1,162	1,342	970
Other current assets	21	7,926	4,325	4,703
Total current assets		**118,631**	**64,657**	**74,931**
Non-current assets				
Goodwill	22	6,746	6,715	7,474
Intangible assets	23	12,252	17,692	22,101
Property and equipment	24	5,952	4,120	4,669
Other financial assets	20	200	358	549
Other non-current assets	21	3	348	330
Deferred tax asset	25	266	2,898	713
Total non-current assets		**25,419**	**32,131**	**35,836**
Total assets		**144,050**	**96,788**	**110,767**

** Amounts adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.

Liabilities and shareholder's equity in k€	notes	December 31, 2012	December 31, 2011*	January 01, 2011*
Current liabilities				
Trade accounts payable	26	4,286	1,961	2,489
Accrued liabilities	27	16,171	14,576	15,811
Provisions	28	3,398	1,622	2,843
Current tax liabilities	15	12,094	8	1,996
Other financial liabilities		0	0	751
Other current liabilities	30	2,540	15,627	17,356
Total current liabilities		**38,489**	**33,794**	**41,246**
Non-current liabilities				
Provisions	28	262	628	748
Defined benefit liability	31	0	0	0
Deferred tax liability	25	4,222	1,674	1,917
Total non-current liabilities		**4,484**	**2,302**	**2,665**
Total liabilities		**42,973**	**36,096**	**43,911**
Shareholders' equity				
Share capital	32	19,111	19,111	21,235
Additional paid in capital	32	32,059	32,059	29,935
Treasury shares	32	0	0	-14,951
Other revenue reserves	32	4,236	24,401	37,758
Retained earnings		45,670	-14,878	-7,121
Other components of equity		1	-1	0
Equity attributable to owners of the parent		101,077	60,692	66,856
Total shareholders' equity		**101,077**	**60,692**	**66,856**
Total liabilities and shareholders' equity		**144,050**	**96,788**	**110,767**

** Amounts adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in k€	notes	12-Months Report 1.1. - 31.12.2012	1.1. - 31.12.2011
Revenues	6	92,720	110,034
Cost of revenues	7	-42,345	-45,008
Gross profit		**50,375**	**65,026**
Selling and distribution costs	8	-43,248	-46,937
General administrative expenses	9	-16,066	-14,796
Other operating income	12	75,291	2
Other operating expense	13	-15,189	-80
Operating income		**51,163**	**3,215**
Interest income		23,934	1,442
Interest expense		-868	-93
Gain (loss) from financial assets and marketable securities		0	24
Gain (loss) on foreign currency translation		-3	-3
Financial income	14	**23,063**	**1,370**
Income before income tax		**74,226**	**4,585**
Current income tax		-21,974	-3,612
Deferred income tax		-5,180	2,428*
Income tax	15	**-27,154**	**-1,184**
Net income		**47,072**	**3,401**
Attributable to:			
Owners of the parent		47,072	3,401
Non-controlling interests		0	0
		47,072	**3,401**
Basic and dilutive earnings per share for net income for the reporting period attributable to ordinary equity holders of the parent (in euro)	17	**2.46**	**0.18**

** Amount adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.

Consolidated statement of comprehensive income (IFRS)

in k€	12-Months Report 1.1. - 31.12.2012	1.1. - 31.12.2011
Net income	47,072	3,401*
Foreign currency translation differences	2	-1
Other comprehensive income	**2**	**-1**
Total comprehensive income	**47,074**	**3,400**
Attributable to:		
Owners of the parent	47,074	3,400
Non-controlling interests	0	0
	47,074	**3,400**

** Amount adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.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Consolidated Statements of Shareholders Equity (IFRS)

in k€	Share capital	Additional paid in capital	Treasury shares	Other revenue reserves	Retained earnings	Other components of equity	Total	Total shareholders' equity
	Equity attributable to owners of the parent							
	(note 32)	(note 32)	(note 32)	(note 32)				
Balance at January 1, 2012	**19,111**	**32,059**	**0**	**24,401**	**-14,878**	**-1**	**60,692**	**60,692**
Net income	-	-	-	-	47,072	-	47,072	47,072
Foreign currency translation	-	-	-	-	-	2	2	2
Other comprehensive income	-	-	-	-	-	2	2	2
Total comprehensive income	**0**	**0**	**0**	**0**	**47,072**	**2**	**47,074**	**47,074**
Release additional paid in capital		-	-	-20,165	20,165	-	0	0
Dividends		-	-	-	-6,689	-	-6,689	-6,689
Balance at December 31, 2012	**19,111**	**32,059**	**0**	**4,236**	**45,670**	**1**	**101,077**	**101,077**
Balance at January 1, 2011 (reported)	**21,235**	**29,935**	**-14,951**	**37,758**	**-5,487**	**0**	**68,490**	**68,490**
Adjustments according to IAS 8	-	-	-	-	-1,634	-	-1,634	-1,634
Balance at January 1, 2011 (adjusted)	**21,235**	**29,935**	**-14,951**	**37,758**	**-7,121**	**0**	**66,856**	**66,856**
Net income	-	-	-	-	3,401	-	3,401	3,401
Foreign currency translation	-	-	-	-	-	-1	-1	-1
Other comprehensive income	-	-	-	-	-	-1	-1	-1
Total comprehensive income	**0**	**0**	**0**	**0**	**3,401**	**-1**	**3,400**	**3,400**
Allocation to other revenue reserves	-	-	-	1,603	-1,603	-	0	0
Dividends	-	-	-	-	-9,555	-	-9,555	-9,555
Purchase of treasury shares	-	-	-9	-	-	-	-9	-9
Redemption of treasury shares	-2,124	2,124	14,960	-14,960	-	-	0	0
Balance at December 31, 2011	**19,111**	**32,059**	**0**	**24,401**	**-14,878**	**-1**	**60,692**	**60,692**

Amounts adjusted according to IAS 8 (details see note 4).
See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in k€	notes	1.1. - 31.12.2012	1.1. - 31.12.2011*
Cash flows from operating activities			
Income before income tax		**74,226**	**4,585**
Adjustments for:			
Amortisation and impairment of intangible assets	23	9,106	6,106
Depreciation and impairment of property and equipment	24	1,629	1,801
Gain (loss) on disposal of property and equipment		19	45
Gain (loss) from goverment grants		-15	-31
Interest income	14	-23,934	-1,442
Interest expense	14	868	93
Gain (loss) from financial assets and marketable securities	14	0	-24
Gain (loss) on foreign currency translation	14	3	3
Valuation allowance for trade accounts receivable		-349	903
Valuation allowance for current financial assets		0	213
Valuation allowance for other non-current assets	21	300	0
Changes in non-current provisions		-357	-96
Changes in other non-current and financial assets		247	196
Operating profit before changes in operating assets and liabilities		**61,743**	**12,352**
Changes in operating assets and liabilities:			
Trade accounts receivable		3,379	292
Other current and financial assets		-3,300	-440
Trade accounts payable		-245	-705
Current provisions		1,777	-1,221
Accrued expenses and other current liabilities		-12,714	-2,899
Income taxes paid		-9,088	-6,016
Cash provided by operating activities		**41,552**	**1,363**

** Amounts adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.

in k€	notes	1.1. - 31.12.2012	1.1. - 31.12.2011*
Cash flows from investing activities			
Purchase of intangible assets		-2,846	-1,566
Purchase of property and equipment		-1,747	-1,285
Proceeds from sale of property and equipment		14	30
Paid subsequent purchase price adjustment	22	-31	0
Proceeds from government grants		15	31
Purchase of available for sale financial assets		0	-25,495
Proceeds from sale of available for sale financial assets		0	25,519
Cash used in investing activities		**-4,595**	**-2,766**
Cash flows from financing activities			
Purchase of treasury shares	32	0	-12
Dividends paid	33	-6,689	-9,555
Interest received		23,953	1,284
Interest paid		-16	-35
Cash provided by (used in) financing activities		**17,248**	**-8,318**
Effect of exchange rate changes on cash and cash equivalents		**-3**	**1**
Change in cash and cash equivalents		**54,202**	**-9,720**
Cash and cash equivalents at the beginning of reporting period		**39,048**	**48,768**
Cash and cash equivalents at the end of reporting period		**93,250**	**39,048**

** Amounts adjusted according to IAS 8 (details see note 4).*
See accompanying notes to the consolidated financial statements.

Presentation of consolidated financial statements

General principles

1. Presentation of the consolidated financial statements

The business operations of telegate AG comprise the performance of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements as well as the performance of DA services (directory assistance services) via the subscribers of public telephone networks and other DA services in Germany and abroad.

The consolidated financial statements of telegate AG and the subsidiaries included in the financial statements were prepared in accordance with the accounting standards of the International Accounting Standards Board (IASB) and the International Financial Reporting Standards (IFRS) – as applicable in the European Union – as of 31 December 2012.

All International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the interpretations of the IFRS Interpretations Committee (formerly IFRIC) whose application was mandatory as of the reporting date were taken into account.

The consolidated annual financial statements were supplemented by specific disclosures in accordance with article 4 of the Directive (EC) no. 1606 / 2002 of the European Parliament and of the Council of 19 July 2002 in conjunction with section 315a HGB (German Commercial Code).

The consolidated financial statements of telegate AG (hereinafter also the group / telegate / the telegate group / the company) are presented in euros (EUR). Unless stated otherwise, all values were rounded to thousands of euros (kEUR). For computational reasons, rounding differences of the mathematically exact values may occur in tables and references.

The consolidated annual financial statements are generally prepared using the historical cost system.

telegate AG is a stock corporation domiciled in Martinsried near Munich, Germany. The shares of telegate AG are traded publicly.

The consolidated annual financial statements and the group management report prepared as of 31 December 2012 are submitted with the publisher of the Electronic Federal Gazette and published electronically in the Federal Gazette.

On 27 February 2013, the consolidated financial statement for the fiscal year 2012 was approved by the board of directors.

Basis of consolidation
In accordance with IAS 27 Consolidated and Separate Financial Statements, the consolidated financial statements include both the separate financial statements of telegate AG and the separate financial statements of all direct and indirect subsidiaries where telegate AG has a controlling influence according to IAS 27.13. These financial statements are prepared as of the reporting date of the consolidated financial statements – by 31 December 2012 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the telegate group as of 31 December 2012 in accordance with section 313 (2) HGB (German Commercial Code):

Name	Domicile	Share in capital
telegate Media AG	Essen	100 %
WerWieWas GmbH [1)]	Martinsried, community Planegg	100 %
11811 Nueva Información Telefónica S.A.U.	Madrid, Spain	100 %
Uno Uno Ocho Cinco Cero Guías, S.L.	Madrid, Spain	100 %
11880 telegate GmbH	Vienna, Austria	100 %
telegate LLC [2)]	Yerevan, Armenia	100 %

[1)] *Shares in this group company are held indirectly.*

[2)] *Share capital of the Armenian company amounts to AMD 50,000 (Armenian Dram).*

The basis of consolidation changed as follows in the 2012 financial year compared with 31 December 2011 (see also note 5):

- The merger of Datagate GmbH into telegate Media AG with retrospective effect as of 01 January 2012 became effective by registration in the commercial register on 03 August 2012.

Consolidation methods

Acquisition accounting is based on the purchase method in accordance with IFRS 3 Business Combinations. This involves measuring the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values. The cost of a business combination is the sum total of the consideration assigned, which is measured at the acquisition-date fair value, and the non-controlling interests in the acquiree. For each business combination, the acquirer measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Costs incurred in connection with a business combination are recognised as an expense.

Goodwill as of the acquisition date is measured as the difference which is the excess of the consideration assigned and the amount of the share in the non-controlling interest over the group's identifiable assets acquired and liabilities assumed. If this consideration is less than the fair value of the net assets of the acquired subsidiary, the difference is recognised in profit or loss.

Earnings of the subsidiaries acquired or sold are included in the consolidated income statement from the time when control is obtained and until control is effectively lost.

All main receivables and liabilities, expenses and income as well as interim earnings between the group companies are eliminated within the scope of consolidation in accordance with IAS 27.20.

Non-controlling interest is defined as the equity in a subsidiary not attributable, directly or indirectly, to a parent. Such interests shall be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Profit or loss and each component of other comprehensive income are attributed to the respective non-controlling interests.

If a non-controlling interest is acquired, the difference between its acquisition cost and the value of the non-controlling interest is offset against the parent's equity.

Consolidated statement of cash flows

The company presents its statement of cash flows in accordance with IAS 7 Statement of Cash Flows. Cash flows from operating activities are presented by choosing the option of using the indirect method in accordance with IAS 7.18b. However, for the presentation of cash flows from investing and financing activities, IAS 7.21 requires the use of the direct method, which has been applied accordingly.

2. Summary of significant accounting policies

The significant accounting policies used for the preparation of these consolidated financial statements are explained below. Unless indicated otherwise, the policies described were applied consistently to the reporting periods covered by these notes.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity in the respective financial year (IAS 18.7 in conjunction with F.74 of the IFRS Framework). Rebates, value added tax and other taxes connected with the sale shall be deducted from this amount.

In accordance with IAS 18.20 Rendering of Services, revenue is recognised if it can be estimated reliably. This is the case when all of the following four conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is sufficiently probable that the economic benefits associated with the transaction will flow to the entity;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

Amounts which do not result in an increase in equity are not shown as revenue in accordance with IAS 18.8. Based on this, a net statement (offsetting of proceeds and costs) of revenue is made whenever the company acts as the agent and not as the principal in the respective contractual relationships. In turn, this would result in a gross statement (costs are deducted from proceeds).

The telegate group shows its revenue in the income statement if services were rendered. Revenue in the core business of DA solutions is recognised in profit or loss as of the date of rendering the service based on the number and duration of calls made by the customers via the company. Revenue generated by virtue of service agreements with telecommunications providers is based on the number and duration of calls made by the customers via the company of the corresponding telecommunications provider.

In accordance with IAS 18.24 (b), revenue from the business sector Media (advertising sales business) is recognised in profit or loss based on an agreement concluded with the customer in accordance with the degree of completion taking into account the services performed to date as a percentage of the total services to be performed. As a result, the revenues mentioned are deferred according to the provision over the term of the contract. Cost of services which are directly attributable to revenue (direct selling expenses) are recognised as intangible assets and accrued over the term of the agreement. Customers in this field of revenue are mainly small and medium-sized enterprises.

Revenue from the software business is recognized in profit or loss when the relinquishment to accessing the software is provided to the customer. This revenue is based on the agreements concluded with the customers on the type and volume of the respective software. The target group comprises both private and corporate customers.

Recognition of interest income

Interest income is recognised when interest has accrued. Interest income is calculated based on the outstanding investment and the interest rate agreed with the contracting partner. Income interest is accrued.

Foreign currency translation

Foreign currency transactions in the telegate group are accounted for in accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates.

Foreign currency transactions are recognised initially at the exchange rate applicable at the date of the transaction. At each end of the reporting period, monetary assets and liabilities denominated in a foreign currency are translated in EUR (IAS 21.23a) using the exchange rate applicable at this day (closing rate). The resulting translation differences are recognised in profit or loss. In accordance with IAS 21.23b, non-monetary assets and liabilities denominated in a foreign currency that are measured in terms of historical cost in a foreign currency are translated in EUR using the exchange rate applicable at the date of the transaction.

Assets and liabilities of a foreign group company are translated during consolidation at the exchange rate applicable at the end of the reporting period. Income and expenses are translated at average exchange rates of the respective reporting period, except when exchange rates fluctuate significantly. The resulting foreign currency translation differences are recognised in other income. These cumulative translation differences are reclassified to the income statement on the date on which the group company is disposed of.

Advertising costs

In accordance with IAS 38.69c, advertising and marketing costs are recognised as an expense in the period in which they are incurred. In connection with the billing of production costs for the making of commercials, which is usually based on prepayments, expenses are accrued under the item “Other current assets” and are shown as an expense in the period in which the group receives the right to access the goods or services.

Retirement benefit plans

Retirement benefit plans at the telegate group are accounted for in accordance with IAS 19 Employee Benefits and is dependent on a plan’s classification as being a defined contribution or defined benefit plan.

For *defined benefit plans*, an actuarial valuation is performed in each case as of the end of the reporting period.

The amount of the pension obligation to be recognised is calculated by using the projected unit credit method in accordance with IAS 19.64 et seq. Demographic assumptions (e.g. fluctuation rate) and financial assumptions (e.g. discount interest rate, salary and pension increase trends) are included in the valuation of the present value of the defined benefit obligation using this method.

Actuarial gains and losses are recognised in profit or loss over the average remaining working life of the beneficiaries, provided that they exceed 10 percent of the higher amount of the obligation and the fair value of the plan assets.

Past service costs are immediately recognised in profit or loss to the extent that the benefits have already vested; if they haven’t vested, they are distributed equally over the average period until the changed benefits vest.

The current service costs are shown under general administrative expenses and the interest portion is shown under financial income.

The positive balance determined in accordance with IAS 19.54 of the present value of the defined benefit obligation at the reporting date and the fair value of the plan assets applicable on the reporting date – adjusted for past service costs not yet recognised in profit or loss and actuarial gains and losses – is shown in the statement of financial position under the item “Provision for retirement benefits”. Should the value of the plan assets exceed the corresponding pension obligations, the excess amount is shown under the item “Other current assets”, taking into account the ceiling specified in IAS 19.58 (b).

For *defined contribution plans*, the company pays contributions to public or private pension insurance entities as required by statutory or contractual provisions. Other than making the contributions, the company has no other benefit obligations.

The contribution payments incurred are recognised as an expense in the period in which they become due.

Share-based payment

telegate AG grants members of the Management Board, members of the management bodies of affiliated companies as well as other employees of the telegate group equity-settled share-based payments (stock options), which are recognised in the balance sheet in accordance with the provisions of IFRS 2 Share-based payment.

These share-based payments are measured at the fair value on the grant date, which is determined using the modified Black Scholes option pricing model. The fair value of the stock options determined on the grant date is recognised on a linear basis as an expense in the income statement during the vesting period, with the corresponding cross entry under equity (item “Additional paid in capital”). This is based on the group-internal estimate of the number of stock options expected to vest. This estimate is reviewed and revised on a quarterly basis if information indicates that the number of stock options expected to vest differs from previous estimates. Necessary adjusting entries are recognised in full in profit or loss in the period in which the estimate changes.

The dilutive effect of the outstanding stock options is taken into consideration as additional dilution in the calculation of earnings per share.

Cash and cash equivalents

In accordance with IAS 7 Cash Flow Statements, the telegate group considers as cash or cash equivalents (IAS 7.6) all immediately available balances with financial institutions, cash and short-term deposits with a remaining term of three months or less counted from the date of acquisition. Deposits with a term of up to three months are considered as cash equivalents if the risk of fluctuations in value is insignificant.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position as of that date on which the corresponding group company becomes a party to the contractual provisions of the financial instrument (IAS 39.14).

Financial assets are classified as
- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments;
- available-for-sale financial assets;
- derivatives that are designated and effective hedging instruments.

The group determines the classification of its financial assets and financial liabilities upon initial recognition and reviews this classification at the end of each financial year, provided that this is admissible and appropriate.

Financial assets or financial liabilities are recognised initially at their fair value in the case of financial assets or financial liabilities recognised not at fair value – transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

All regular way purchases and sales of financial assets are recognised at the trade date, i.e. the date on which the company commits itself to purchase or sell an asset. Regular way purchases and sales are purchases and sales of financial assets that provide for the delivery of the assets within a period determined by market provisions or conventions.

Trade accounts receivable are assigned to financial assets because they represent a contractual right to receive cash funds at a future date. Trade accounts receivable are measured at amortised cost using the effective interest rate method, less valuation allowances due to impairment. Gains and losses are recognised in net profit for the period, if the receivables are derecognised or impaired, as well as through the amortisation process.

Securities are measured at fair value upon acquisition including transaction costs in accordance with IAS 39.43. Securities are either classified as trading securities or available-for-sale and are measured at their fair value in subsequent periods. If securities are held for trading purposes, the gains and losses resulting from changes in their fair value are recognised in net profit or loss for the period. Gains and losses resulting from changes of the fair value of available-for-sale securities are recognised directly in equity until the security is sold or an impairment has been determined. At this point, the accumulated profits and losses that were previously recognised in equity will then be shown in the income statement of the period.

Trade accounts payable are assigned to financial liabilities because they represent a contractual obligation to pay cash funds at a future date. Trade accounts payable are initially recognised at their fair value and subsequently at amortised cost.

Impairment of financial assets
At the end of each reporting period, the group assesses whether a financial asset or a group of financial assets is impaired.

Financial assets carried at amortised cost
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset‘s carrying amount and the present value of estimated future cash flows (excluding estimated future credit losses that have not been incurred) discounted at the financial asset‘s original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The impairment is recognised in profit or loss.

The group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it allocates the asset to a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a portfolio-based assessment of impairment.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed. The amount of the reversal may not exceed the amortised cost applicable at the time of reversal. The reversal of the impairment loss is recognised in profit or loss.

If there is objective evidence (e.g. the probability of bankruptcy or significant financial problems of a debtor) in connection with trade accounts receivable indicating that not all amounts due will be paid according to the originally agreed invoicing terms, an impairment loss using an allowance account is recognised. Trade accounts receivable classified as uncollectible are derecognised.

Available-for-sale financial assets
If an available-for-sale financial asset is impaired, an amount recognised in equity corresponding to the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss will be transferred to the income statement. Reversals of impairment losses of equity instruments classified as available for sale are not recognised in the income statement.

Reversals of impairment losses of debt instruments classified as available for sale are recognised in profit or loss if the increase in the instrument’s fair value objectively results from an event arising after the recognition of the impairment in profit or loss.

Derecognition of financial assets and financial liabilities
Financial assets are derecognised if the contractual rights to the cash flows from the financial assets no longer exist or the financial assets have been transferred including all material risks and rewards.

A financial liability is derecognised upon satisfaction, cancellation or expiration of the underlying obligation.

Goodwill

In accordance with IRFS 3.32 and IFRS 3.33, goodwill arising during consolidation represents the excess of the consideration transferred over the identifiable assets acquired and liabilities assumed, contingent liabilities and any non-controlling interest of the acquired entity at the time of acquisition.

This goodwill is assigned to a cash generating unit or a group of cash generating units for the purpose of impairment testing.

Goodwill is recognised as an asset and subjected to an impairment text as specified in IAS 36 at least once every year. An impairment loss recognised for goodwill may not be reversed in a subsequent period.

Internally generated intangible assets

Internally generated intangible assets are recognised in accordance with the provisions of IAS 38 Intangible Assets. Expenditure in the research phase of an internal project is recognised as an expense when it is incurred. Development costs of internal projects are capitalised if the group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use internally or sale;
- the intention and the ability to complete the intangible asset and use or sell it;
- how the intangible asset will generate probable future economic benefits;
- the availability of technical, financial and other resources to complete the development and use or sell the intangible asset;
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

In subsequent periods, internally generated intangible assets are recognised like acquired intangible assets, i.e. at cost less accumulated amortisation.

Internally generated intangible assets are amortised over their useful life using the straight-line method.

Acquired intangible assets

Acquired intangible assets are initially recognised at cost in accordance with IAS 38.24. Cost according to IAS 38.27 to IAS 38.30 also includes all other costs required for bringing the asset to the condition necessary for it to be capable of operating in the manner intended by management. Third-party grants reduce cost according to IAS 20.24 in conjunction with IAS 20.27. Intangible assets with finite useful lives are amortised on a systematic basis over their useful life using the straight-line method in accordance with IAS 38.97 and IAS 38.98. The amortisation period and the amortisation method for intangible assets with a finite useful life are reviewed and, if necessary, adjusted at the end of each financial year in accordance with IAS 38.104.

Intangible assets with an indefinite useful life are tested for impairment at least once a year in accordance with IAS 38.108. They are not amortised (IAS 38.107). The useful life of an intangible asset is reviewed once a year to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If this is no longer the case, the assessment is changed prospectively. The group does not have intangible assets with indefinite useful lives.

Gains and losses arising from the derecognition of an intangible asset are determined as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

Property and equipment

Treatment of property and equipment is specified in IAS 16 Property, Plant and Equipment. Items of property and equipment are initially measured at costs in accordance with IAS 16.15. Cost in accordance with IAS 16.16b also includes any costs directly attributable to bringing the asset to the environment and condition intended by management. After initial recognition, the company measures items of property and equipment at depreciated cost in accordance with IAS 16.30.

With the exception of construction in progress, items of property and equipment are depreciated over their expected useful life using the straight-line method, taking into account any impairment necessary. The residual value and depreciation period are reviewed and, if necessary, adjusted at the end of each financial year in accordance with IAS 16.51.

Third-party grants reduce cost according to IAS 20.24 in conjunction with IAS 20.27. Maintenance costs are recognised as an expense.

Impairment of non-financial assets

The group reviews the carrying amounts of its property and equipment and intangible assets at each reporting date in accordance with IAS 36 Impairment of Assets in order to determine if there are indications that these assets are impaired. If such indications exist, the asset's recoverable amount is estimated to determine the extent of the impairment loss. If the recoverable amount cannot be estimated for an individual asset, the recoverable amount of the cash generating item to which the asset belongs is estimated in accordance with IAS 36.22.

Intangible assets with indefinite useful lives are tested for impairment annually. This also applies if there are indications of an impairment. The recoverable amount is the higher of its value in use and fair value less costs to sell. In determining the value in use, the estimated future cash flows are discounted to the present value based on a current market-determined pre-tax rate that reflects the risks of the asset that are not taken into account in the cash flows. If the estimated recoverable amount of an asset (or a cash generating unit) is lower than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in profit or loss in accordance with IAS 36.60.

If the reason for a previously recognised impairment loss no longer exists, the impairment loss is reversed through profit or loss to depreciated cost (IAS 36.114 in conjunction with IAS 36.117).

Government grants

In accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance, government grants are only recognised if there is reasonable assurance that the company will comply with the conditions attaching to them and the grants will actually be received (IAS 20.7). IAS 20 distinguishes between grants related to income and investment grants. Grants related to income are recognised in profit or loss in the period in which the corresponding expenses are incurred. Investment grants may be recognised as deferred income that is reversed through profit or loss over an asset's useful life in accordance with IAS 20.26 or they may be recognised as a deduction of the carrying amount of the acquired asset in accordance with IAS 20.27.

The company decided to treat government grants related to assets as a reduction of cost in accordance with IAS 20.27.

Provisions

In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions are recognised to the extent that there is a current obligation vis-à-vis a third party arising from a past event which will probably lead to a future outflow of resources and the amount of this obligation can be reliably estimated. Provisions which do not lead to an outflow of resources in the following year are carried at the amount required to settle the respective obligation, discounted as of the reporting date. For this purpose, the settlement amount most likely to arise is presumed for individual obligations. Discounting is based on market interest rates. The settlement amount also comprises the expected cost increases. Provisions are not offset against claims for reimbursement.

In accordance with IAS 37.72, provisions for restructuring expenses are recognised if the group has prepared a detailed formal plan for the restructuring which was communicated to the parties concerned.

Accrued current liabilities

These liabilities are defined in IAS 37.11 as liabilities to pay for goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. They differ from trade accounts payable because these have been invoiced by the supplier or formally agreed. The company shows liabilities under this item which result from supplier invoices not yet received and from obligations towards employees.

Leases

In accordance with IFRIC 4, determining whether an arrangement contains a lease is based on the substance of the arrangement at the time it is made and requires an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset or specific assets and whether the arrangement conveys a right to use the asset. A reassessment shall be made after commencement of the lease if one of the conditions described in IFRIC 4.10 has been met, e.g. an amendment of the terms of the contract or major changes to the asset.

In finance leases where substantially all risks and rewards of ownership of the transferred asset are transferred to the group, the leased item is recognised as an asset at the time the lease is concluded at the lower of its fair value or the present value of the minimum lease payment. Lease payments are apportioned between the finance costs and the reduction of the outstanding liability to produce a constant periodic rate of interest on the remaining balance of the lease liability. Finance costs are immediately recognised in profit or loss.

If there is no reasonable certainty that the group will obtain ownership of the leased item by the end of the lease term, the recognised leased items are depreciated over the shorter of the expected useful life and the lease term.

Lease payments under operating leases are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

Taxes

Current income taxes

Current tax assets and liabilities for current and prior periods (possible tax income or tax expenses referring to other periods) are measured in the amount expected to be refunded by the tax authorities or paid to the tax authorities. The given amount is calculated based on the tax rates and laws applicable in the respective tax assessment periods.

The current tax expense is determined on the basis of the taxable income for a financial year. The taxable income differs from the net profit shown in the income statement because it excludes expenses and income that concern other assessment periods or that will never be tax deductible or are exempted from taxation.

Deferred taxes

Deferred taxes concern the tax burden or tax relief to be expected from differences between the carrying amounts of assets and liabilities in the statement of financial position and its tax base. IAS 12 bases the recognition of deferred taxes on the "temporary" concept. This accounting-oriented concept takes into consideration the differences of assets and liabilities between the IFRS financial statements and the determination of profit for tax purposes. These differences are called temporary differences and according to IAS 12.5 are defined as the differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The company generally recognises deferred tax liabilities for all taxable temporary differences. It recognises deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

The obligation to recognise deferred tax assets in accordance with IAS 12.34 also covers deferred taxes on unused loss carryforwards.

The deferred tax assets were recognised to the extent that it is probable that future taxable profit will be available or that sufficient deferred tax liabilities exist against which the deductible temporary differences and the unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed with regard to its recoverability at the end of each reporting period in accordance with IAS 12.56.

Deferred taxes are determined on the basis of the expected tax rates applicable at the time the liability is settled or the asset is recovered. They are generally recognised in profit or loss. If they relate to items not recognised in profit or loss, they are not shown in profit or loss. Instead, they are recognised either in other income or directly in equity depending on the underlying transaction. Deferred taxes are determined in accordance with the tax regulations of the countries where the group is active.

Deferred tax claims and liabilities are netted in the consolidated financial statements in according with IAS 12.74.

Non-current assets held for sale and discontinued operations

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. IFRS 5.15 requires such assets to be measured at the lower of carrying amount and fair value less costs to sell. Plant and equipment and intangible assets classified as held for sale are not depreciated or amortised.

Income and expenses of discontinued operations are recognised separately from income and expenses of continuing operations in the income statement for the reporting period and comparative period and are shown separately as post-tax profit or loss of discontinued operations (IFRS 5.33).

In accordance with IFRS 5.26, assets that were classified as held for sale but no longer meet the applicable criteria are no longer classified as held for sale.

Earnings per share
The company calculates earnings per share in accordance with the provisions of IAS 33 Earnings per Share.

Basic earnings per share in accordance with IAS 33.10 are calculated by dividing the profit or loss for the period attributable to ordinary equity holders of the parent entity (the numerator) by the weighted average number of ordinary shares outstanding (the denominator) during the period.

For the purpose of calculating diluted earnings per share in accordance with IAS 33.31, the profit or loss for the period attributable to ordinary equity holders of the parent entity and the weighted average number of shares outstanding are adjusted for the effects of all dilutive potential ordinary shares (options that may be converted but have not yet been converted into ordinary shares).

At telegate, the potential ordinary shares with dilutive effects result from stock options which are only included in the calculation if certain vesting conditions are met at the end of the reporting period.

The dilutive effect of the stock options is determined only if the conversion of the stock options into ordinary shares does not have an antidilutive effect.

Delayed purchase price payments for subsidiaries sold (earn out)
Contracts for the sale of subsidiaries may include a variable portion which may result in delayed payments of purchase prices (earn out) in the future.

Claims for payment arising therefrom increase the sales price if the inflow of economic benefits is considered certain. However, if the inflow of economic benefits is only probable, no asset is is recognised. Instead, a contingent asset is disclosed in the notes to the financial statements (IAS 37.34).

Contingent assets are assessed on every reporting date. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the financial statements of the period in which the change occurs (IAS 37.35).

3. Estimates and discretionary decisions

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events. The preparation of the consolidated financial statements therefore requires management to make discretionary decisions, estimates and assumptions that affect the group's financial position, cash flows and financial performance. The key assumptions concerning the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are disclosed below.

Valuation allowances on trade accounts receivable
telegate recognises valuation allowances on doubtful trade accounts receivable in order to take expected losses into account that may result from non-receipt of customer payments. Determining adequate valuation allowances is based on maturity profiles of the receivables, experience with regard to writing off receivables in the past and knowledge of the customer's credit standing. Please see note 19 for information on changes in these valuation allowances.

Impairment of goodwill

The group tests goodwill for impairment at least once a year. This requires estimating the recoverable amounts of those cash generating units to which the goodwill has been allocated. The recoverable amount is the higher of the cash-generating unit's fair value less costs to sell and its value in use. Determining the recoverable amount is based on estimates and discretionary decisions in particular as regards expected cash flows of the cash generating units and an appropriate discount rate. As of 31 December 2012, the carrying amount of the goodwill was EUR 6,746 thousand (2011: EUR 6,715 thousand); see also note 22.

Cooperation agreement as an asset

Upon initial consolidation of Telegate Auskunftsdienste GmbH in 2006, a cooperation agreement was identified as an intangible asset and recognised at its fair value in the amount of EUR 7,414 thousand as part of a purchase price allocation. This company was merged into telegate Media AG as of 01 July 2010. Based on management's assessment, the amortisation period was fixed at seven years. Determining the amortisation period was based on the estimate of probable future cash flows from this agreement and the discounting rate to be used for determining the present value of these cash flows. As of 31 December 2012, the carrying amount of this intangible assets was EUR 441 thousand (2011: EUR 1,500 thousand).

Intangible assets

Upon initial consolidation of Telegate Media AG in 2008, customer bases were identified as intangible assets and recognised at their fair value. Based on management's assessment, the amortisation period was fixed at 10 years and the straight-line method of amortisation was chosen. An adjustment of the useful life to 7 years in the segment Media was chosen in the fiscal year 2010. Determining the amortisation period was based on the estimate of probable future cash flows from these intangible assets and the discounting rate to be used for determining the present values of these cash flows.

As a result of the annual impairment test, telegate recognised an impairment loss of EUR 3,289 thousand in the fiscal year 2012 (2011: EUR 0 thousand). This was due to the general market trend in the software business and the regressive development of the customer base in the Media segment.

The useful life has not been changed. As of 31 December 2012, the carrying amounts of these acquired customer bases amount to EUR 5,098 thousand (2011: EUR 10,861 thousand).

Deferred taxes on tax loss carryforwards

In accordance with IAS 12.34, telegate also recognises deferred taxes on unused loss carryforwards. These are to be recognised to the extent that it is probable there will be taxable profit or sufficient deferred tax liabilities in the future against which the unused tax loss carryforwards can be utilised. Management bases its assessment of probability on the criteria set forth under IAS 12.36. However, any estimates of future amounts are subject to the risk that the carrying amounts may have to be adjusted in the future.

The gross value of deferred tax assets on tax loss carryforwards (before impairment) amounts to EUR 1,123 thousand before the reporting date (2011: EUR 9,039 thousand).

Litigation

The company uses discretion in disclosing ongoing litigation in its financial statements. Significant risks and rewards particularly with regard to ongoing litigation in connection with data costs are assessed by including assessments made by external legal advisers. For more information see also note 39.

4. Change in inclusion, valuation and reporting of balance sheet items

According to IAS 8 telegate has conducted corrections of mistakes with regard to recording, valuation and presentation of elements of the consolidated financial statements in the 2012 financial year, which will be explained in the following.

Adjustment in the exposure of trade receivables and reporting of accrued and deferred items
According to IAS 39.14 a company has to apply a financial asset as soon as it is contracting party of the financial instrument. In accordance with IAS 39.A35b this first-time inclusion for assets, which have got an obligation to grant services, has to be done if the service is provided. Relevant for the first-time realization of trade receivables of the Media Business is the happened allocation of the service over the contract period which is directly linked to the appropriate revenue realization.

From the year 2012 on trade receivables of the Media Business won't be realized totally at the point of invoicing, but appear in the balance sheet at the time when the allocation of the service is realized or the due receivables are invoiced. In the course of this correction accrued and deferred items for all Media products were built only due to receipt of payments and due receivables before service realization and reversed according to revenue realization.

The adjustment affects the earnings and financial positions.

In the following in accordance with 8.49 (b), effects are shown on the item concerned. According to IAS 1.39 the complete opening balance sheet as of January 1, 2011 is represented in the group balance sheet.

	As of January 1, 2011			As of December 31, 2011		
Group balance sheet in k€	before adjust-ment	adjust-ment acc. to IAS 8	after adjust-ment	before adjust-ment	adjust-ment acc. to IAS 8	after adjust-ment
Assets						
Trade receivables	33,666	-13,176	20,490	32,988	-13,693	19,295
Liabilities						
Other current assets	30,532	-13,176	17,356	29,320	-13,693	15,627

Adjustment of the disclosure of deferred taxes in the consolidated balance sheet
In the annual year 2012 telegate adjusted the disclosure of deferred taxes in the consolidated balance sheet.

Up to now the deferred tax assets and deferred tax liabilities have not been settled.

According to IAS 12.74 deferred tax assets and deferred tax liabilities have to be settled if a legally enforceable right to set off current tax assets against current tax liabilities exists and the deferred tax assets and deferred tax liabilities refer to income taxes levied by the same taxation authority for one single taxable entity or a tax group. For single entities the offset takes place on its level, within a tax group the offset occurs in total.
The requirements of IAS 12.74 are fulfilled cumulatively. An offset on the level of single entities respectively tax groups has to be done. Deferred tax assets and deferred tax liabilities are settled on the corresponding level.

The adjustments affect the disclosure of the net worth position.

Adjustment of the valuation of deferred taxes

telegate made a reclassification of differences resulting from the consolidation of debts within the valuation of deferred taxes in the annual year 2012.

In 2001 and 2003 telegate wrote off a part of its intercompany receivables against WerWieWas GmbH (formerly 11880.com GmbH) amounting to 5,577 kEUR in total in accordance with IFRS as well as for tax matters. The expenses were claimed as deductible expenses for tax matters. The depreciation of the intercompany receivables causes a difference amounting to 5,577 kEUR in total within the consolidation of debts. Up to now this difference has been qualified as permanent for deferred tax matters. So far, no deferred tax liabilities have been calculated.

The depreciation resulting from the difference within the debt consolidation has to be qualified as a temporary difference. Therefore, a deferred tax liability has to be calculated according to IAS 12 for the difference resulting from the debt consolidation.

The adjustment affects the net worth position as well as the profit position of the telegate group because of the increase of the deferred tax liabilities.
In accordance with IAS 8.49 (b), the effects resulting from the adjustment of the balance sheet disclosure and the adjustment of the valuation of deferred taxes on the items of the consolidated balance sheet and consolidated profit and loss statement concerned are presented below. According to IAS 1.39 the complete opening balance sheet as of January 1, 2011 is represented in the group balance sheet.

	as of January 01, 2011			as of December 31, 2011		
Consolidated balance sheet in k€	Before the adjust-ment	Adjust-ment in accordance with IAS 8	After the adjust-ment	Before the adjust-ment	Adjust-ment in accordance with IAS 8	After the adjust-ment
Assets						
Deferred tax asset (total)	6,950	-6,237	713	7,919	-5,021	2,898
Effect of balancing		-6,237			-5,021	
Effect of debt consolidation		0			0	
Liabilities						
Deferred tax liability (total)	6,520	-4,603	1,917	5,040	-3,366	1,674
Effect of balancing		-6,237			-5,021	
Effect of debt consolidation		1,634			1,655	
Net profit / loss	-5,487	-1,634	-7,121	-13,223	-1,655	-14,878
Effect of balancing		0			0	
Effect of debt consolidation		-1,634			-1,655	

	January 01 – December 31, 2011		
Consolidated profit and loss statement in kEUR	Before the adjustment	Adjustment in accordance with IAS 8	After the adjustment
Income taxes deferred	2,449	-21	2,428
Net income	3,422	-21	3,401

The effect to the diluted and non-diluted earnings per share because of the adjustments in the fiscal year 2011 was less than 0.01 EUR.

New and revised standards and interpretations

The accounting policies applied in the current financial year are essentially the same as those used in the previous year. In addition, the group applied the following new and revised standards and interpretations for the first time in the 2012 financial year.

IFRS 7 Financial Instruments: Disclosures

The changes provide users of financial reports with a better view of transactions for the purpose of transferring assets (e.g. securitisations), including insight into the possible effects of risks remaining with the transferring company.

The amendments to IFRS 7 were published in October 2010 and have been adopted by the EU in the meantime. They shall be applied for the first time for financial years beginning on or after 01 July 2011. These amendments solely concern the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

IAS 12 Income Taxes

The amendment specifies that deferred tax assets and liabilities for certain assets (real estate measured at fair value in accordance with IAS 40) be measured based on the rebuttable presumption that the carrying amount of these assets will be realised in full through sale. The assumption for non-depreciable plant and equipment measured using the revaluation method is always that it will be sold.

The amendment to IAS 12 was published in December 2010 and shall be applied for the first time in the financial year beginning on or after 01 January 2012. The application of this amendment has no effect of the group's financial position, cash flows or financial performance, because these facts are not regarding telegate.

Published standards whose application is not yet mandatory

Some of the following standards and interpretations or their amendments may be applied early. As of 31 December 2012, the group has not taken advantage of this option.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 introduce new rules for the presentation of positions in other income. Users are given the choice of presenting a single statement of comprehensive income or presenting a statement displaying components of profit or loss (separate income statement) and a second statement beginning with profit or loss and displaying components of other comprehensive income. Only the presentation of other income is amended such that subtotals are required for line items that can be recycled (e.g. foreign currency translation) as well as those that cannot be recycled.

The amendment to IAS 1 was published in June 2011 and shall be applied for the first time in the financial year beginning on or after 01 July 2012. Earlier application is permitted. This amendment to IAS 1 solely concerns the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

IAS 19 Employee Benefits (revised 2011)

The IASB published comprehensive amendments to IAS 19. Actuarial gains and losses are to be recognised directly in other income in the future; i.e. the corridor method has been eliminated. Other amendments relate to the presentation of changes in the net liability or in net assets from defined benefit plans and expanded disclosures in the notes regarding such defined benefit plans. The accounting for termination benefits, including the differentiation of benefits paid in exchange for services rendered and benefits resulting from termination of employment, is revised, which affects the recognition and measurement of termination benefits.

The amendment to IAS 19 was published in June 2011 and shall be applied for the first time in financial years beginning on or after 01 January 2013. Earlier application is permitted.

telegate currently applies the corridor method; i.e. only the net amount of cumulative unrecognised actuarial gains and losses from the prior period is recognised in accordance with IAS 19.93 if it exceeds the greater of 10% of the defined benefit obligation and 10% of the fair value of plan assets.
telegate will change its accounting method in respect of recognition of actuarial gains and losses of benefit pensions in the future period. These will be recognised fully in the period, as they will occur, in other income and directly allocated to revenue reserves as a reclassification in profit and loss will not be realized.

The expected main impact from IAS 19 (revised) to the financial position, cash flows and financial performance will be explained in the following.

As at 01 January 2012 respectively 31 December 2012 the accounting according to IAS 19 (revised) would not have no effect on the net worth position, because due to the so called asset ceiling on both closing dates a defined benefit liability in the balance sheet in the amount of EUR 0 arise. The net profit after tax would change in 2012, because a reclassification of expenditures after deduction of deferred taxes would result to other income in the profit and loss statement. The impact of these changes to the result wouldn't be considerably. In this financial position only a change in the presentation is expected.

IFRS 7 Financial Instruments: Disclosures

The new disclosures under IFRS 7 are to include future gross and net amounts from offsetting as well as amounts for existing offsetting rights which do not satisfy the requirements for the presentation of net amounts.

The amendment was published in December 2011 and shall be applied for the first time for financial years and interim periods beginning on or after 1 January 2013 (retrospective application). This change will not have any effect on the accounting methods applied by the group; however, it will require more comprehensive disclosures.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities (revised 2012)

The IASB issued „Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)".

This clarifies the transition guidelines in IFRS 10 and grants additional exemptions in all three standards, including, among other things, the limitation of the disclosure of adjusted comparative figures to the two immediately preceding periods in the case of first-time application.

The amendments were published in June 2012 and be applied for the first time in financial years beginning on or after 01 January 2014 (corresponding to the first-time application of IFRS 10, IFRS 11, IFRS12).

The amendments have not yet been transposed into European law.

Annual improvements to IFRS – 2009-2011 cycle

In May 2012, the IASB published another amendment (Annual Improvements to IFRSs – 2009-2011 Cycle) as part of its annual process of minor improvements to standards and interpretations. It contains amendments to the following five standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The amendments must be applied for the first time retrospectively in reporting periods of a financial year that begins on or after 01 January 2013. Earlier application is permitted. As of 31 December 2012, the group has not taken advantage of this option. The amendments have not yet been transposed into European law.

Application of this amended standard will influence the presentation in the consolidated financial statements and the scope of disclosures in the notes and thus will not affect the group’s financial position, cash flows and financial performance.

IFRS 9 Financial Instruments

In November 2009, the IASB issued a new standard for the classification and measurement of financial instruments. The publication represented the first part of a three phase project to replace IAS 39 Financial Instruments: Recognition and Measurement with a new standard. IFRS 9 will introduce new rules for the classification and measurement of financial assets. It applies a uniform approach of recognising a financial asset at amortised cost or fair value.

In October 2010, the IASB issued rules for the recognition of financial liabilities. These rules are added to IFRS 9 and represent the completion of the classification and measurement phase of the IASB‘s project to replace IAS 39. They supplement the publication of IFRS 9 in November 2009, which regulated the classification and measurement of financial assets.

This standard has not yet been transposed into European law.

In December 2011, the IASB postponed the date of mandatory first-time application for IFRS 9 from 1 January 2013 to 1 January 2015. Earlier application still is permitted. The effects of the amendment on the financial position, cash flows and financial performance are currently being reviewed.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the requirements of both IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a uniform control concept that applies to all companies, including special purpose entities. In contrast to the previously prevailing legal situation, the changes that IFRS 10 introduces generally require management to exercise substantial discretion in answering the question which entities the group controls and whether the given entities thus should be included in the consolidated financial statements by means of full consolidation. IFRS 10 also sets forth the accounting requirements for the presentation of consolidated financial statements.

IFRS 10 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014 (retrospective application). Earlier application is permitted. The application of the new IFRS 10 will not affect the group’s basis of consolidation and thus has no effects on the group’s financial position, cash flows and financial performance.

IFRS 11 Joint Arrangements

IFRS 11 replaces both IAS 31 Interests in Joint Ventures and SIC-13 Jointly Controlled Entities - Non-Monetary Contributions by Venturers. IFRS 11 thus eliminates the previously available option of proportionate consolidation for joint ventures. In the future, such entities may only be consolidated using the equity method.

IFRS 11 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014. Earlier application is permitted. With regard to the effects, please see the explanations to IAS 28.

IFRS 12 – Disclosures of Interests in Other Entities

This standard governs the disclosure requirements related to group accounting principles and consolidates the disclosures required of subsidiaries (heretofore subject to IAS 27); the disclosures required of jointly controlled and associated entities (heretofore subject to IAS 31 and IAS 28, respectively); as well as those required of structured entities. The objective of IFRS 12 is to require the disclosure of information that enables users of financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial position, cash flows and financial performance.

IFRS 12 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014. Earlier application is permitted. The application of the new IFRS 12 will only result in more comprehensive disclosure requirements and has no effects on the accounting methods applied by the group.

IFRS 13 Fair Value Measurement

This standard provides guidance on measuring the fair value and defines comprehensive quantitative and qualitative disclosures on fair value measurements. This standard does not address the issue when assets and liabilities must or may be measured at the fair value. The standard is not applied to business transactions under IFRS 2 Share-based Payments or IAS 17 Leases and measurements which show similarities to the fair value but are not fair value, e.g. the value in use in IAS 36 Impairment of Assets. IFRS 13 defines the fair value as the price that a party would receive or pay, respectively, in a regular transaction between market participants for the sale of an asset or the transfer of a liability on the measurement date. For non-financial assets, measurement is based on the assumption that the fair value shall express the value of the best possible use.

IFRS 13 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. Earlier application is permitted (prospectively). The group is reviewing at this time whether the new standard will affect its financial position, cash flows and financial performance and its disclosure requirements in the future.

IAS 27 Separate Financial Statements (revised and renamed 2011)

The adoption of IFRS 10 and IFRS 12 has limited the scope of IAS 27 solely to the accounting for subsidiaries, jointly controlled entities and associates in a company’s separate financial statements.

The revised standard was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. The application of revised IAS 27 is not expected to affect the group‘s financial position, cash flows or financial performance.

IAS 28 Investments in Associates and Joint Ventures (revised and renamed 2011)
The adoption of IFRS 11 and IFRS 12 broadened the scope of IAS 28 such that the equity method shall now also be applied to joint ventures besides associates.

The revised standard was published in May 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2013. Since neither associates nor joint ventures are included in telegate's consolidated financial statements, the group does not expect the revised standard to have any effect on the presentation of its financial position, cash flows or financial performance.

IAS 32 Financial Instruments: Presentation
The amendments to IAS 32 clarified the netting provisions for financial instruments in order to remove existing inconsistencies regarding the interpretation of existing provisions for the netting of financial assets and financial liabilities.

The amendments were published in December 2011 and shall be applied for the first time for financial years beginning on or after 01 January 2014 (retrospective application). These amendments solely concern the presentation in the consolidated financial statements and thus does not affect the group's financial position, cash flows and financial performance.

5. Changes in the group of consolidated companies

The group of consolidated companies changed as follows in financial year 2012:

Merger
The merger of Datagate GmbH with telegate Media AG was entered in the commercial register on 03 August 2012 and was retroactively effective as of 01 January 2012. Both companies are wholly owned subsidiaries of telegate AG.

In accordance with IFRS 3.2c, as a merger of companies under common control, this intra-group transaction does not fall under the scope of IFRS 3 Business Combinations. This transaction was recognised based on the uniform theory at the group level; accordingly, the carrying amounts were carried forward. Thus, the merger had no effect on the consolidated financial statements.

Notes to the consolidated income statement

6. Revenues

Consolidated revenue in the 2012 financial year amounted to EUR 92,720 thousand (2011: EUR 110,034 thousand).

telegate AG and the subsidiaries included in the consolidated financial statements provide telephone directory assistance services to private customers and business customers in Germany and abroad. These services are also provided to other telephone companies in Germany and Europe on the basis of outsourcing agreements.

telegate creates professional corporate websites for small and medium-sized enterprises in the form of a complete package which includes everything from registration of a domain to hosting and designing the website. In addition, telegate sells marketing advertisements as well as search engine marketing to businesses particularly in Germany. Companies can use these products to inform their customers in detail, individually and promptly about their business activities and contact information.

The software business includes digital telephone books and yellow pages as well as route planners on CD-ROM and DVD. The software solutions are ideally suited for private use and use by SMEs.

Explanations on the development of revenue can be found in the group management report and the presentation by business segment is contained in note 35.

7. Cost of revenues

The cost of services rendered in order to generate revenue of EUR 42,345 thousand (2011: EUR 45,008 thousand) primarily consist of capacity and infrastructure costs of the directory and media business. As a result of the decline in the directory business, the cost of sales decreased in particular with respect to personnel costs for the operator and management, infrastructure costs such as rents.

8. Selling and distribution costs

The selling and distribution costs of EUR 43,248 thousand (2011: EUR 46,937 thousand) mainly include the costs of telegate‘s own sales staff, inclusively selling costs (see note 21), in particular for the media business (telesales, telemarketing and the sales force) in the amount of EUR 18,315 thousand (2011: EUR 20,177 thousand), the costs for advertising (television advertising, externally consulting advertising agencies and cooperation agreements) in the amount of EUR 6,214 thousand (2011: EUR 8,400 thousand) as well as the costs of receivables management, including losses on receivables.

In addition, selling and distribution costs include the amortisation of customer bases of the media and software business as well as the klickTel brand, which was recognised as part of the purchase price allocation in connection with the acquisition of the former klickTel AG (now telegate Media AG). In the current financial year, an impairment loss of EUR 3,289 thousand (2011: EUR 0 thousand) on the media and software customer base resulted in a significant increase in amortisation expenses within selling and distribution costs.

9. General administrative expenses

The general administrative expenses in the amount of EUR 16,066 thousand (2011: EUR 14,796 thousand) primarily include the costs of corporate services such as finance, legal, human resources, IT, management board and infrastructure costs of these units. Furthermore, this item includes consulting fees especially for data cost litigation and other company-wide consulting projects – see note 36.

10. Personnel expenses

The following employee benefit expenses are included in the costs of corporate services:

in k€	2012	2011
Wages and salaries	44,163	48,258
Social security costs	7,875	8,732
Retirement benefit plans	23	101
Total	**52,061**	**57,091**

Expenses for the unwinding of discounts on pension obligations are shown as part of financial income under other interest and similar expenses.

11. Depreciation and amortisation

Depreciation and amortisation included in the costs of corporate services are composed as follows:

in k€	2012	2011
Amortisation of intangible assets	9,106	6,106
Depreciation of plant and equipment	1,629	1,801
Total	**10,735**	**7,907**

For further information on fixed assets see notes 23 and 24.

12. Other operating income

The other operating income amounts to EUR 75,291 thousand (2011: EUR 2 thousand). In financial year 2012 other operating income is primarily related to income from successful data litigation. For more information see note 36.

13. Other operating expenses

The other operating expenses amount to EUR 15,189 thousand (2011: EUR 80 thousand). In financial year 2012 other operating expenses is primarily related to expenses from successful data litigation. For more information see note 36.

14. Net Financial income

Net interest income

in k€	2012	2011
Interest income from data cost litigation	23,533	0
Interest income from current deposits and fixed-term deposits	332	1,341
Interest income from bank deposits	10	10
Interest income from loans and receivables past due	2	1
Other interest and similar income	57	90
Interest and similar income	**23,934**	**1,442**
Interest expense for bank overdrafts and guarantees	-22	-24
Interest expense from factoring	0	-22
Other interest and similar expenses	-846	-47
Interest and similar expenses	**-868**	**-93**
Net interest income	**23,066**	**1,349**

For information regarding interest income from fixed-term deposits with a related party see note 43.
For information on interest income from data cost litigation see note 36.

Net income from financial assets and marketable securities

in k€	2012	2011
Gain on sale of marketable securities	0	24
Net income from financial assets and marketable securities	**0**	**24**

The net income from the sale of marketable securities results from investments in liquid money money market funds during the 2011 financial year.

Net income from foreign currency translation

in k€	2012	2011
Gains on foreign currency translation	10	18
Loss on foreign currency translation	-13	-21
Net income from foreign currency translation	**-3**	**-3**

Net gains and net losses on financial instruments by measurement category

	Net interest income from financial instruments		Net income from financial instruments	
in k€	2012	2011	2012	2011
Cash and cash equivalents	319	428	-1	-2
Loans and receivables	2	879	-2,726	-4,181
Available-for-sale financial assets	0	0	0	24
Financial liabilities measured at amortised cost	0	0	-1	-1

Interest income from cash and cash equivalents as well as from loans and receivables in the 2011 financial year include interest income from related parties; see also note 43.

Net income from loans and receivables mainly includes changes in impairment allowances, losses from derecognition, gains from subsequent payments received and the reversal of valuation allowances previously recognised on trade accounts receivable.

15. Income taxes

Income taxes in Germany comprise corporate income tax, trade tax and the solidarity surcharge. Subsidiaries abroad are charged with income taxes comparable to the German corporate income tax.

in k€	2012	2011
Current taxes	**21,974**	**3,612**
of which:		
- Germany	21,901	3,519
- Abroad	73	93
Deferred income taxes	**5,180**	**-2,428**
Income tax expense shown	**27,154**	**1,184**

The following fiscal reconciliation shows why the tax expense recognised for the current year does not correspond to the expected tax expense when earnings before taxes are multiplied with the tax rate of 29.939% applicable for the full 2012 financial year (2011: 29.695%):

in k€	2012	2011
Income before income tax	**74,226**	**4,585**
Applicable tax rate	**29.939%**	**29.695%**
Anticipated tax expense	**-22,223**	**-1,361**
Increase / reduction of the income tax burden by:		
Tax effects from loss carryforwards and temporary differences for which no deferred tax assets were previously recognised	0	0
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	0	0
Reversals of valuation allowances on deferred tax assets	0	2
Valuation allowances on deferred tax assets	-247	-59
Income tax rate differences	-734	403
Tax effect on expenses / income (permanently) non-deductible for tax purposes	-248	-104
Taxes, previous years	20	0
Tax effect on tax-free income	-2	-3
Effects of the tax audit	-3,700	0
Tax effect of other differences	-20	-62
Income tax expense shown for the financial year	**-27,154**	**-1,184**

The effective tax rate as ratio of reported income tax to the net income before tax results 36.583% (previous year 25.819%)

The marginal change of the tax rate results from the adjusted trade tax multipliers.

The income tax liabilities amount to EUR 12,094 thousand (2011: EUR 8 thousand), and the income tax receivables amount to EUR 27 thousand (2011: EUR 647 thousand). The tax liabilities in financial year 2012 mainly resulted from income generated from the successfully concluded data cost litigation as well as a provision related to a tax audit conducted at telegate AG.

The company shows deferred tax assets in the amount of EUR 266 thousand as of 31 December 2012 (2011: EUR 2,898 thousand). The recognition of deferred tax liabilities increased from EUR 1,674 thousand (as of 31 December 2011) by EUR 2,548 thousand to EUR 4,222 thousand; see also note 25.

16. Restructuring measures and non-recurring effects on the income statement

The total amount (after the deduction of expenses) for restructuring measures and non-recurring effects included in the profit before tax amounts to EUR 75,025 thousand (2011: EUR 3,579 thousand) and is comprised as follows:

Restructuring measures

A detailed and formal restructuring plan was announced and the execution was started in the financial year 2012 for the purpose of consolidating one call centre with two others in order to increase profitability and optimise the cost structure in the Directory Assistance Solutions business. This task was nearly completed by the end of January 2013.

Outsourcing of the operative call center units in Spain and consolidation of one call centre with two others in the financial year 2011 is nearly completed.

The total amount of EUR 1,109 thousand (2011: EUR 1,805 thousand) related directly to these restructuring measures is shown in the income statement under cost of sales and general administrative expenses. See note 28 for more information.

Non-recurring effects on the income statement

The legal actions taken by telegate AG, Datagate GmbH and telegate Media AG for the compensation of losses resulting from excessive data costs resulted in a total income for the period (after the deduction of expenses) before taxes in the amount of EUR 79,274 thousand (2011: EUR 0 thousand). The majority of these amounts is included in the income statement under other operating income and expense and net interest income as well as under the cost of sales, selling and distribution costs and general administrative expenses (see notes 9, 12, 13, 14 and 36).

Capacity adjustments (including termination of contracts in the previous year) were made in the 2012 financial year. These resulted in non-recurring effects on the income statement in the amount of EUR 3,140 thousand (2011: EUR 1,774 thousand) and are shown under cost of sales, selling and distribution costs and general administrative expenses.

17. Earnings per share

The calculation of basic and diluted earnings per share for the financial years ended on 31 December is based on the following data:

Financial year ended on 31 December	2012	2011
Numerator (in k€)		
Income attributable to ordinary shareholders of the parent	47,072	3,401
Denominator (number)		
Weighted average number of ordinary shares for calculating basic earnings per share	19,111,091	19,111,091
Dilutive effect of the stock options	0	0
Weighted average number of ordinary shares for calculating diluted earnings per share	19,111,091	19,111,091
Basic and diluted earnings per share (in EUR)	**2.46**	**0.18**

All 2,123,454 shares repurchased by telegate under the 2010 share buy-back program were redeemed on 24 January 2011 by means of simple capital reduction in accordance with section 237 (3) no. 2, (4) and (5) AktG (German Stock Corporation Act). The execution of the capital reduction was entered in the commercial register on 15 February 2011.

The retirement of shares in the 2011 financial year as such did not have any effect on the weighted average number of ordinary shares outstanding because they had already been repurchased in 2010 and, as treasury shares, had reduced the average number of ordinary shares.

No transactions involving ordinary shares or potential ordinary shares occurred between the end of the reporting period and the time these consolidated financial statements were prepared.

Notes to the consolidated statement of financial position

18. Cash and cash equivalents

Cash and cash equivalents are composed as follows of the reporting date:

Financial year ended on 31 December in k€	2012	2011
Short-term deposits	81,138	36,038
Bank balances and cash	12,112	3,010
Total	**93,250**	**39,048**

As of the reporting date, bank balances and short-term deposits are exclusively kept with renowned German financial institutions which are classified as investment grade by international rating firms.

Bank balances have variable interest rates for on-demand deposits. Short-term deposits are made for different periods ranging from one day to three months, depending on the group's cash flow requirements; they bear interest as applicable. As of 31 December 2012, these concern deposits with German financial institutes at a fixed term of no more than three months as well as overnight deposit accounts.

The short-term deposits are shown under cash equivalents because the interest rate is either fixed or subject only to minor fluctuations and the risk of fluctuations in value is considered insignificant.

The fair value of cash and cash equivalents amounts to EUR 93,250 thousand (2011: EUR 39,048 thousand) and thus corresponds to their carrying amount.

The increase in cash and cash equivalents in the reporting period is primarily attributable to inflows from data cost litigation. For more information see note 36.

The company has unused overdraft facilities of EUR 3,000 thousand (2011: EUR 3,000 thousand) with financial institutions at its disposal as of 31 December 2012.

19. Trade accounts receivable

The amounts presented in the statement of financial position are amounts after valuation allowances that were recognised in order to account for possible default risks. The gross receivables as of the reporting date amount to EUR 20,575 thousand (2011: EUR 23,954 thousand).

As a rule, trade receivables are due within 8 to 90 days and bear interest when they are overdue as set forth in the individual contracts.

The following table shows the distribution of trade accounts receivable based on the criteria of being impaired and/or past due:

in k€		Carrying amount before impairment	of which: Neither impaired nor past due as of the reporting date	of which: not impaired as of the reporting date and past due within the following time bands: less than 90 days	between 91 and 180 days	more than 180 days
Trade accounts receivable	as of 31 Dec. 2012	20,575	10,142	3,175	710	2,239
Trade accounts receivable	as of 31 Dec. 2011*	23,954	12,196	4,412	659	2,028
Trade accounts receivable	as of 01 Jan. 2011*	24,246	13,578	4,151	968	1,793

**Adjusted amounts (for details, see note 4)*

The following trade accounts receivable were impaired with an amount of EUR 4,309 thousand (2011: EUR 4,659 thousand) as of 31 December 2012. Changes in the allowance account are presented as follows:

in k€	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 01 January 2011	**433**	**3,323**	**3,756**
Additions through profit and loss	53	4,047	4,100
Utilisation	-144	-1,831	-1,975
Reversal	0	-1,222	-1,222
As of 31 December 2011	**342**	**4,317**	**4,659**
Additions	175	3,371	3,546
Utilisation	-235	-2,340	-2,575
Reversal	0	-1,321	-1,321
As of 31 December 2012	**282**	**4,027**	**4,309**

Recoveries of the authorised collection agency are included in the position “Reversal of portfolio-based valuation allowance.

20. Other financial assets

Other financial assets consist of the following items:

Financial year ended on 31 December in k€	2012	2011
Other financial assets, current	1,162	1,342
Other financial assets, non-current	200	358

Current other financial assets include receivables from non-recourse factoring, reimbursement claims, security deposits and accrued interest.

In financial year 2012, no impairment loss on other financial assets amounts to zero in profit or loss (2011: EUR 212 thousand).

Non-current other financial assets no security deposits as well as claims based on a non-competition clause and were neither impaired or past due.

Other financial assets are measured at amortised cost (by applying the effective interest method).

21. Other assets

Other current and non-current assets consist of the following:

Financial year ended on 31 December in k€	2012	2011
Short-term intangible assets	1,979	2,299
Prepaid social security contributions	986	580
Prepaid expenses	928	990
Withholding tax, Italy	0	122
Restricted cash	0	87
Other current assets	4,033	247
Other current assets	**7,926**	**4,325**
Other non-current assets	**3**	**348**

Short-term intangible assets primarily includes direct sales cost, which are direct attributable to the sales order in the area of Media products (advertising sales business) and therefore depreciated over the term of the customer contract basis. Starting in fiscal year 2012, the sales commissions listed separately from the prepaid expenses. The presentation of the previous year has been adjusted. The additions amounts to 4,181 kEUR (2011: 4,864 kEUR) and the depreciation, which are included in the selling expenses, amounts to 4,501 kEUR (2011: 5,215 kEUR). The gross book values correspond to the values in table, because it is assumed that there is a disposal in each year of depreciation.

The prepaid expenses include paid expenses in the technology sector which are not expensed yet. The other short term asset includes amounts of gained data legal action (see note 36).

The reappraisal of a claim based on a credit balance from advertising services resulted in impairment of EUR 300 thousand (2011: € 0), which was recorded in advertising cost in the DA segment (Germany / Austria). Reason was the limited ability to utilise the credit balance in past financial years.

22. Goodwill

Cost

in k€	Goodwill
As of 01 January 2011	**7,476**
Disposals	-759
As of 31 December 2011	**6,717**
Additions	31
As of 31 December 2012	**6,748**

Accumulated impairment

in k€	Goodwill
As of 31 December 2011	**2**
As of 31 December 2012	**2**

in k€	Goodwill
Carrying amounts as of 31 December 2011	**6,715**
Carrying amounts as of 31 December 2012	**6,746**

telegate AG entered into agreements in 2008 in connection with the acquisition of telegate Media AG whose utilisation depended on future events (earn-out model). Since telegate Media AG was included in the group of consolidated companies as of 01 April 2008 as a result of first-time consolidation in accordance with IFRS 3 Business Combinations, the recognition of purchase price adjustments is subject to the old rules of IFRS 3 (rev. 2004).

As a result of this earn-out clause, an increase of EUR 31 thousand in goodwill was recognised (in accordance with IFRS 3.33, old version) in the current financial year and in previous year a reduction in the amount of EUR 759 thousand was recognised.

Impairment test of goodwill

Goodwill acquired as part of business combinations is assigned to cash-generating units in accordance with IAS 36.80 for the purpose of impairment testing.

The impairment test of goodwill on the basis of cash-generating units found no indication of impairment.

The carrying amounts of goodwill show the corresponding cash generating units within the Media and DA Solutions segments of the group company telegate Media AG:

Financial year ended on 31 December in k€	2012	2011
Media segment	6,330	6,299
DA Solutions segment	416	416
Total	**6,746**	**6,715**

The recoverable amount of cash-generating units is determined based on the calculation of fair value less costs to sell using management's cash flow prognoses for a period of three years. The discount rate used for the cash flow prognoses was based on average weighted capital costs (2012: 9.0%; 2011: 10.1%). Cash flows after the period of three years are recognised as the terminal value. The determination of values for the terminal value is based on a growth discount of 1% (previous year: 2%) for the purpose of determining the value in use for the impairment test of goodwill.

Basic assumptions

The basic assumptions used by management in preparing its cash flow prognoses for the impairment test of goodwill are discussed below.

Planned gross profit margins - Planned gross profit margins are determined based on the average gross profit margins realised in comparable markets as well as telegate Media AG's past experience and increased in reflection of expected efficiency improvements.

Nominal interest rate for debt instruments – German government bonds with a term of 10 years are used for the risk-free base rate. The interest rate on 10-year European corporate bonds is used for the interest rate on debt capital.

Sensitivity of the assumptions made

In the opinion of the management, the following main assumptions have the biggest influence on the measurement of the corresponding costs to sell of cash generating units and thus are reviewed on a regular basis:

- Discount factor: The discount factor was determined based on the average cost of capital of the telegate group and companies in its peer group. Market-specific and social changes respectively may result in an adjustment of the discount factor.

- Changes of customer demand especially in the Media business may have a significant effect on the future cash flows of cash generating units.

- Changes in market volume especially in the DA business may have a significant effect on the future cash flows of cash generating units.

In the management's view, no change reasonably believed possible and information available at the reporting date in connection with any one of the basic assumptions underlying the determination of the fair value less costs to sell of the cash-generating units mentioned above could cause the carrying amounts of the cash-generating units to exceed their recoverable amount.

23, Intangible assets

Acquisition cost and cost of production

in k€	Software	Licenses	Internally generated database	Acquired customer bases	Acquired klickTel brand	Internally generated intangible assets	Other intangible assets	Intangible assets being acquired/ with prepayments	Internally generated intangible assets in development	Total
As of 01 January 2011	**16,508**	**14,793**	**2,073**	**30,301**	**997**	**0**	**2,723**	**30**	**0**	**67,425**
Additions	551	254	0	0	0	0	224	376	293	1,698
Disposals	-2	0	0	0	0	0	0	0	0	-2
Transfers	64	-6	0	0	0	0	6	-30	0	34
As of 31 December 2011	**17,121**	**15,041**	**2,073**	**30,301**	**997**	**0**	**2,953**	**376**	**293**	**69,155**
Additions	1,913	104	0	0	0	152	210	987	300	3,666
Transfers	359	0	0	0	0	293	0	-359	-293	0
As of 31 December 2012	**19,393**	**15,145**	**2,073**	**30,301**	**997**	**445**	**3,163**	**1,004**	**300**	**72,821**

Accumulated amortisation and impairment

in k€	Software	Licenses	Internally generated database	Acquired customer bases	Acquired klickTel brand	Internally generated intangible assets	Other intangible assets	Intangible assets being acquired/ with prepayments	Internally generated intangible assets in development	Total
As of 01 January 2011	**12,381**	**11,076**	**2,073**	**16,966**	**275**	**0**	**2,553**	**0**	**0**	**45,324**
Amortisation	1,797	1,598	0	2,474	100	0	137	0	0	6,106
Disposals	-1	0	0	0	0	0	0	0	0	-1
Transfers	34	0	0	0	0	0	0	0	0	34
As of 31 December 2011	**14,211**	**12,674**	**2,073**	**19,440**	**375**	**0**	**2,690**	**0**	**0**	**51,463**
Amortisation	1,552	1,487	0	2,474	100	58	146	0	0	5,817
Impairment losses	0	0	0	3,289	0	0	0	0	0	3,289
As of 31 December 2012	**15,763**	**14,161**	**2,073**	**25,203**	**475**	**58**	**2,836**	**0**	**0**	**60,569**

in k€	Soft-ware	Licenses	Internally generated database	Acquired customer bases	Acquired klickTel brand	Internally generated intangible assets	Other intangible assets	Intangible assets being acquired/with prepay-ments	Internally generated intangible assets in develop-ment	Total
Carrying amount as of 31 December 2011	**2,910**	**2,367**	**0**	**10,861**	**622**	**0**	**263**	**376**	**293**	**17,692**
Carrying amount as of 31 December 2012	**3,630**	**984**	**0**	**5,098**	**522**	**387**	**327**	**1,004**	**300**	**12,252**

The useful life of intangible assets was determined in as follows in the 2012 financial year. There were no adjustments of the useful life compared to the previous year.

Software	3 to 7 years
Licenses	3 to 15 years
Internally generated database	3 years
Acquired customer bases	7 and 10 years resp.
Acquired klickTel brand	10 years
Other intangible assets	3 years

Amortisation is calculated based on the straight-line method over the established useful lives.

Amortisation is included in the costs of sales, selling and distribution costs and general administrative expenses proportionately based on use.

Internally generated intangible assets (in development) are capitalised development costs for internal preparation of software for the modernisation of applications in the Directory Assistance Solutions and Media segments.

Impairment losses of EUR 3,289 thousand in financial year 2012 represented the impairment write-down of the *customer bases acquired* during the acquisition of telegate Media AG in 2008 to its recoverable amount in the Media segment in the amount of EUR 682 thousand and Directory Assistance Solutions in the amount of EUR 2,607 and were reported in the income statement under selling and distribution costs.This impairment loss under IAS 36 resulted from the general market trend of the software business in the segment Directory Assistance Solutions and on the other side from the regressive development of the customer base in the Media segment (see also the section on „Intangible assets" under note 3). The recoverable amount was ascertained based on the value in use As of the reporting date, the carrying amount of the acquired customer base „Advertising sales" was EUR 3,047 thousand (2011: EUR 5,316 thousand). The carrying amount of the acquired customer base „Software business" as of 31 December 2012 was EUR 2,051 thousand (2011: EUR 5,545 thousand).

As of 31 December 2012, the telegate group had open obligations from orders for intangible assets in the amount of EUR 2.783 thousand (2011: EUR 288 thousand) which are expected to apply to financial year 2013.

No investment grants were awarded in financial year 2012 nor in the previous year; otherwise, they would have reduced the carrying amount of intangible assets in accordance with IAS 20.27.

24. Property and equipment

Acquisition cost

in k€	Technical equipment	Other equipment, fixtures, furniture and office equipment	Total
As of 01 January 2011	**34,327**	**7,234**	**41,561**
Additions	948	380	1,328
Disposals	-1,184	-448	-1,632
Transfers	-34	0	-34
Effects from currency translation	0	-1	-1
As of 31 December 2011	**34,057**	**7,165**	**41,222**
Additions	3,333	162	3,495
Disposals	-2,213	-175	-2,388
Effects from currency translation	0	-1	-1
As of 31 December 2012	**35,177**	**7,151**	**42,328**

Accumulated depreciation and impairment

in k€	Technical equipment	Other equipment, fixtures, furniture and office equipment	Total
As of 01 January 2011	**31,701**	**5,191**	**36,892**
Depreciation	1,258	543	1,801
Disposals	-1,167	-390	-1,557
Transfers	-34	0	-34
As of 31 December 2011	**31,758**	**5,344**	**37,102**
Depreciation	1,117	512	1,629
Disposals	-2,200	-154	-2,354
Effects from currency translation	0	-1	-1
As of 31 December 2012	**30,675**	**5,701**	**36,376**

in k€	Technical equipment	Other equipment, fixtures, furniture and office equipment	Total
Carrying amounts as of 31 December 2011	**2,299**	**1,821**	**4,120**
Carrying amounts as of 31 December 2012	**4,502**	**1,450**	**5,952**

The useful life of property and equipment was determined in as follows in the 2012 financial year. There were no adjustments of the useful life compared to the previous year.

Technical equipment	3 to 9 years
Other equipment, fixtures, furniture and office equipment	3 to 15 years

Depreciation is calculated based on the straight-line method over the established useful lives.

Depreciation is included in the costs of sales, selling and distribution costs and general administrative expenses proportionately based on use.

As of 31 December 2012, the telegate group had open obligations from orders for property and equipment in the amount of EUR 145 thousand (2011: EUR 12 thousand) which are expected to apply to financial year 2013.

In accordance with IAS 38.4, system software was assigned to the item property and equipment, because it constitutes an integral part of hardware.

No investment grants were awarded in financial year 2012 nor in the previous year; otherwise, they would have reduced the carrying amount of property and equipment in accordance with IAS 20.27.

25. Deferred tax assets and liabilities

Income taxes in Germany comprise corporate income tax, trade tax, and the solidarity surcharge. A corporate income tax rate of 15.00% plus a trade tax of 13.69% plus a solidarity surcharge of 0.83% was applied for the calculation of deferred taxes for telegate AG's corporate and trade tax group. The tax rates are based on the uniform corporate income tax rate of 15,00% for distributed and retained profits, a solidarity surcharge of 5.50% on the corporate income tax rate and an average trade tax multiplier of 391.21%. Due to the different trade tax multipliers, the trade tax rate differs from the subsidiaries based in Germany but not included in the group. Deferred taxes for foreign subsidiaries are determined based on the respective national tax rates.

Deferred tax assets and liabilities were recognised as a result of timing differences in the measurement of assets and liabilities in the IFRS and tax accounts at the tax rates for the year in which the differences are expected to reverse. The deferred taxes consist of the following:

As of 31 December in k€	2012	2011*	01.01.2011*
Gross value of deferred tax assets:			
Tax loss carryforwards	1,123	9,039	8,038
Property and equipment	43	43	43
Financial assets	0	0	1
Other assets	30	38	35
Provisions	186	316	314
Other liabilities	7	21	0
Less impairment loss	-911	-1,538	-1,481
Deferred tax assets before netting	**478**	**7,919**	**6,950**
netting	-212	-5,021	-6,237
Deferred tax assets after netting	**266**	**2,898**	**713**
Less deferred tax liabilities:			
Property and equipment	-20	-20	-20
Intangible assets	-2,142	-4,275	-5,430
Other assets	-2,271	-2,398	-2,702
Provisions	0	0	-1
Other liabilities	-1	-2	-1
Deferred tax liabilities before netting	**-4,434**	**-6,695**	**-8,154**
Netting	212	5,021	6,237
Deferred tax liabilities after netting	**-4,222**	**-1,674**	**-1,917**
Net value of deferred taxes	**-3,956**	**1,224**	**-1,204**

**Amounts adjusted (details see note 4)*

The company has tax loss carry forwards of 3,744 kEUR as of 31. December 2012 (2011: 31,471 kEUR). EUR 0 of these (2011: 27,135 kEUR) can be attributed to group companies in Germany and 3,744 kEUR (2011: 4,336 kEUR) to group companies in other European countries.

Tax loss carryforwards that were not applied as a result of insufficient usability amount to EUR 3,037 thousand (2011: EUR 7,742 thousand) as of the reporting date.

The intrinsic value for the foreseeable future tax losses can be utilized according to plan in the next two years.

Tax loss carryforwards determined in Germany can be carried forward without limit and used to offset future profits under current German tax laws, whereby various tax provisions (e.g. minimum taxation, etc.) apply. The remaining group companies adhered to the limits on losses carried forward as a result of country-specific regulations.

Deferred taxes are classified as current and non-current as follows:

As of 31 December in k€	2012	2011
Deferred tax assets		
Current	278	605
Non-current	200	7,314
Deferred tax liabilities		
Current	-574	-831
Non-current	-3,860	-5,864
Net value of deferred taxes	**-3,956**	**1,224**

26. Trade accounts payable

The amount shown as of the reporting date was EUR 4,286 thousand (2011: EUR 1,961 thousand).

The trade accounts payable include current liabilities from transactions concerning deliveries and services as well as current costs. The average period of payment used is between 14 and 60 days. The management presumes that the carrying amounts of trade accounts payable almost corresponds to their fair value.

Trade accounts payable are recognised at their redemption amount.

27. Accrued current liabilities

The company shows the following accrued current liabilities under this item on the reporting dates below:

Financial year ended on 31 December in k€	2012	2011
Invoices outstanding	9,099	7,987
Obligations to employees	7,072	6,589
Total	**16,171**	**14,576**

In accordance with IAS 37.11, accrued current liabilities include the liabilities for the payment of goods or services that have been received or supplied but have not been paid, invoiced or formally agreed with the supplier. They are recognised separately from trade accounts payable, since the latter were invoiced by the supplier or formally agreed. Obligations to employees include in particular wage and salary payments that are not due until the coming financial year.

The increase of deferred current liabilities results primarily from liabilities in connection with the attained data cost litigation, see note 36. The obligations to employees includes obligations from our social plan in the amount of 956k € due to current restructuring measures.

28. Provisions

Provisions developed as follows in financial year 2012:

in k€	Contract risks	Staff	Contingent losses	Other	Total	Contingent losses
	Current	Current	Current	Current	Current	Non-current
As of 01 January 2012	**1,496**	**22**	**0**	**104**	**1,622**	**628**
Reversal	0	0	0	0	0	-325
Use	0	0	0	-104	-104	-64
Addition	231	0	15	1,656	1,902	19
reclassification	0	-22	0	0	-22	-
Interest effect	0	0	0	0	0	4
As of 31 December 2012	**1,727**	**0**	**15**	**1,656**	**3,398**	**262**

As of the 31 December 2012 reporting date, telegate has identified and measured all risks know to it. If the recognition requirements of IAS 37.14 are met, the risks were accounted for in the financial statements in the form of provisions. The significant risks include the facts and circumstances presented in the financial statements.

As of 31 December 2012, provisions for restructuring amount to a total of EUR 101 thousand (2011: EUR 267 thousand). The provisions were recognised in connection with the consolidation of individual call centres (in the previous year also outsourcing of the operative call center units in Spain).

The allocations to current provisions include interests in accordance with section 223 AO amongst others, with which is anticipated within the scope of a current external audit. For further information on risks from the external audit see note 29.

Furthermore, the company is involved as either a claimant or defendant in various legal disputes. Provisions were recognised in line with IAS 37.23 for the risks that the management and the company‘s legal adviser estimate could lead to an outflow of economic benefits.

No provisions were recognised for risks identified as contingent liabilities as of the reporting date (IAS 37.27). Instead, a description of individual risks along with their potential financial effects was provided under note 39 in accordance with IAS 37.86.

29. Income tax liabilities

A tax audit has been conducted at telegate AG for the audit period 2006 – 2009 since October 2011. As of today it has not been completed. However, due to the current status of the tax audit and ongoing discussions with tax authorities, the company anticipates the risk of additional tax payments based primarily on the application of the letter from the Federal Ministry of Finance (Bundesministerium der Finanzen, „BMF") dated 29 March 2011 („Application of Section 1 of the Foreign Tax Act (Außensteuergesetz, „AStG") in cases of write-downs to the going concern value and other impairments of loans to affiliated foreign entities"): Debt waivers were granted to foreign subsidiaries in the audit period; the deduction of the expense for tax purposes will possibly be rejected by the tax authorities, despite the decision by the Federal Finance Court (Bundesfinanzhof, „BFH") dated 14 January 2009, I R 52/08, (write-downs to the going concern value on loans replacing equity) based on the aforementioned BMF letter. The open outcome of the tax audit notwithstanding, the company recognised provisions for this risk in the amount of EUR 3.4 million in the reporting period.

30. Other current liabilities

Other current liabilities are comprised as follows:

Financial year ended on 31 December in k€	2012	2011*	01.01.2011*
Accrued expenses	1,835	2,132	2,118
Other liabilities Deutsche Telekom	0	12,285	12,285
VAT liabilities	73	693	987
Other liabilities	632	517	767
Obligation for a purchase of shares	0	0	1,199
Total	**2,540**	**15,627**	**17,356**

**Amounts adjusted (details see note 4)*

The deferred income results almost solely from the deferral of revenue in the Media products business.

telegate AG's suit against Deutsche Telekom AG with respect to reimbursement claims for excessive data costs invoiced in the years 1997 – 2000 was decided in favour of telegate AG in the 2012 reporting period. The other liability recognised in the amount of EUR 12.3 million in financial year 2007 as a result of a payment on the part of Deutsche Telekom AG subject to the right to reclaim the funds if the court of appeal set aside the earlier decision was derecognised to profit or loss in reporting period 2012. See notes 16 and 36 for further information.

31. Retirement benefit plans

Retirement benefit plans maintained by the company for its employees include both defined contribution and defined benefit plans.

Defined benefit plans

Since 31 December 1998, telegate AG has issued individual commitments to pay retirement benefits (post-employment, disability and surviving dependent benefits) to members of the Management Board. The amount of the pension commitments from the defined benefit pension plans is measured primarily based on the length of employment and the base salary of the individual Management Board member.

In order to secure the respective pension benefits arising from the employer's pension commitment, pension liability insurance policies were purchased and their benefits pledged to the beneficiaries. The pension liability insurance policies with benefits pledged to beneficiaries are recognised as plan assets because they represent qualifying insurance policies as defined under IAS 19.7.

The actuarial measurements of the plan assets and the present value of the defined benefit obligation were made taking into account the following actuarial assumptions as of 31 December of the respective financial year:

in %	2012	2011
Discount rate	3.80	5.30
Expected return on plan assets	4.00	4.50
Development of salaries	2.00	2.00
Pension development	1.00	1.00
Fluctuation rate	3.70	4.10

The expected return on plan assets is based on the estimated current total interest for insurance in the phase before pension payment (as in previous years).

With regard to these defined benefit pension plans, the company recognised the following expenses and income in the net income of the financial year:

in k€	2012	2011
Current service cost	-19	-80
Interest expense	-30	-35
Expected return on plan assets	42	41
Amortisation of actuarial gains (+) and losses (-)	16	0
The effect of the ceiling in IAS 19.58(b)	-53	-28
Cost of retirement benefits	**-44**	**-102**

Expenses from the unwinding of the discount from pension obligations as well as the expected returns on plan assets are reported under interest income and expense. All other income and expenses related to defined benefit plans are included under general administrative expenses (2012: EUR –57 thousand; 2011: EUR –108 thousand).

The actual expense from plan assets in financial year 2012 was EUR 50 thousand. The actual expense from plan assets in the previous year was EUR 41 thousand.

The present value of the defined benefit obligation is calculated with the projected unit credit method using the mortality tables "Heubeck Richttafel 2005G", in accordance with IAS 19.64, and showed the following development:

in k€	2012	2011
Present value of the defined benefit obligations as of 01 January	**558**	**718**
Current service cost	19	80
Interest expense	30	35
Actuarial gains (-) and losses (+)	260	-275
Present value of the defined benefit obligations as of 31 December	**867**	**558**

The actuarial losses of EUR 260 thousand incurred in financial year 2012 resulted mainly from the decrease in the applied discount rates; see table entitled „Actuarial assumptions". The increase in the present value of defined benefit obligation was also the result of the change in the method applied to calculate interest as of 1 January 2012. This change in an accounting estimate within the meaning of IAS 8.23 et seq. resulted in a EUR 57 thousand increase in the present value of the defined benefit obligation as of 1 January 2012.

The actuarial gains of EUR 275 thousand in the previous year can be attributed in particular to the changes in the premises on which the measurement was based.

The development of the fair value of plan assets is as follows:

in k€	2012	2011
Fair value of plan assets as of 01 January	**934**	**792**
Expected return on plan assets	42	40
Actuarial gains (+) and losses (-)	-92	0
Contributions by the employer	44	102
Fair value of plan assets as of 31 December	**928**	**934**

The present value of the defined benefit obligation and the fair value of plan assets can be reconciled as follows to the provision amount recognised in the statement of financial position.

As of 31 December in k€	2012	2011
Present value of the defined benefit obligation (DBO)	-867	-558
Fair value of plan assets	928	934
Net assets	**-61**	**-376**
Unrecognised actuarial gains	-8	-348
Plan assets not recognised because of the ceiling in IAS 19.58(b)	-53	-28
Liability recognised in the statement of financial position	**0**	**0**

The company expects contributions to defined benefit pension plans in the amount of EUR 44 thousand in the financial year 2013.

The following table shows the development of the amounts for the current and four previous reporting periods with regard to the surplus of the plan:

in k€	2012	2011	2010	2009	2008
Present value of the defined benefit obligation (DBO)	867	558	718	536	353
Fair value of plan assets	-928	-934	-792	-656	-528
Plan surplus	**-61**	**-376**	**-74**	**-120**	**-175**
Experience-based adjustment of plan liabilities	-4	-169	-24	-25	8
Experience-based adjustment of plan assets	-	-	-	-	-

Defined contribution plans

Since September 2004, the company has offered a contribution to employer-financed pension plans. The amount of the contribution is oriented on the contributions paid by the employees themselves. Total current contribution payments in financial year 2012 amounted to EUR 20 thousand (2011: EUR 22 thousand), which was recognised as expense.

32. Equity

Subscribed capital

The subscribed capital of telegate AG is divided into 19,111,091 no-par value shares (2011: 19,111,091). All no-par value shares issued by the company have been fully paid-in. As of 31 December 2012, the number of shares outstanding amounts to 19,111,091 (2011: EUR 19,111,091).

Shareholders of ordinary shares have one vote per share regarding all matters presented to the shareholders for voting. Ordinary shares are not repayable and do not include rights of conversion. Dividends may only be resolved and paid from the distributable retained earnings, which result from the single-entity financial statements prepared by telegate AG in accordance with the provisions of the German Commercial Code.

Contingent capital

As a result of the resolution of the annual general meeting on 12 May 2005, amended by the resolutions dated 15 May 2006 and 09 May 2007, the subscribed capital was conditionally increased by up to EUR 1,000 thousand (Contingent Capital 2005/I). In financial year 2007, 247,500 subscription rights were issued under the stock option program. This resulted in a decrease of the authorized but unissued capital to EUR 752,500 and to an increase of subscribed capital by EUR 247,500 to EUR 21,234,545. Taking into account the EUR 2,123,454 capital reduction implemented in financial year 2011, the subscribed capital now amounts to EUR 19,111,091.

Additional paid in capital

The additional paid in capital as of 31 December 2012 amounted to EUR 32,059 thousand (2011: EUR 32,059 thousand).

The increase in additional paid in capital by EUR 2,124 thousand in the 2011 financial year was due to the retirement of treasury shares. For more information, see the following section entitled "Own shares".

Retained earnings

Retained earnings as of the reporting date amount to EUR 4,236 thousand (2011: EUR 24,401 thousand).

The Management Board will recommend that the Supervisory Board taking out EUR 20,165 thousand to telegate AG's retained earnings in a resolution dated 27 February 2013. Approval on the part of the Supervisory Board is still pending.

The Management Board recommended that the Supervisory Board add EUR 1,603 thousand to telegate AG's retained earnings in a resolution dated 27 January 2012 in accordance with article 6 (2) of the articles of association, which was already taken into account in the preparation of the annual financial statements as of 31 December 2011 in accordance with section 270 (2) of the German Commercial Code (Handelsgesetzbuch, „HGB"). The Supervisory Board approved this action.

Retained earnings were reduced by EUR 14,960 thousand as part of the retirement of treasury shares in financial year 2011 – see the following explanation below under "Own shares".

Own shares

The Management Board of telegate AG carried out a share repurchase program in November/December 2010 on the basis of the authorisation issued by the annual general meeting on 09 June 2010. Own shares were acquired under this program in the amount of 10% of the subscribed capital, corresponding to 2,123,454 no-par value shares (corresponds to EUR 2,123,454 of the subscribed capital) at a price of EUR 7.00 per no-par value share. As of 31 December 2010, treasury shares were retired from equity in the amount of EUR 14,951 thousand, whereby the transaction costs directly related to the acquisition and the associated income tax benefits were taken into account.

The aforementioned authorisation also permitted the Management Board to retire the acquired treasury shares with the approval of the Supervisory Board without a separate resolution of the annual general meeting. In light of this, the Management Board resolved a simple capital reduction on 08 December 2010 in accordance with section 237 (3) no. 2, (4) and (5) of the German Stock Corporation Act (Aktiengesetz, „AktG"), subject to the approval of the Supervisory Board; the company's share capital was hereby reduced by EUR 2,123,454. The Supervisory Board approved the capital reduction on 09 December 2010. As of 31 December 2010, the execution and entry of the capital reduction in the commercial register was still pending and had therefore not yet taken effect.

The capital reduction was carried out on 24 January 2011. The treasury shares were retired by means of simple capital reduction in accordance with section 237 (3) no. 2, (4) and (5) AktG. The capital reduction was entered in the commercial register on 15 February 2011.

The company's share capital was reduced from EUR 21,235 thousand (corresponds to 21,234,545 no-par value shares) by EUR 2,124 thousand (corresponds to 10% of the subscribed capital prior to the retirement and capital reduction or 2,123,454 no-par value shares) to EUR 19,111 thousand (corresponds to 19,111,091 no-par value shares) and EUR 2,124 thousand was added to the additional paid in capital in accordance with section 237 (5) AktG corresponding to the total amount of the retired shares. Retained earnings decreased by a total of EUR 14,960 thousand.

After the retirement of these shares, telegate AG no longer holds any treasury shares and has a total of 19,111,091 no-par-value shares issued, fully paid-in and outstanding.

33. Paid and proposed dividends

In accordance with the resolution of the annual general meeting dated 27 June 2012, the recommendation by the Management and Supervisory Boards on the appropriation of the unappropriated surplus was approved and the net retained profits for 2011 shown on telegate AG's single-entity HGB financial statements in the amount of EUR 6,689 thousand were used to distribute a dividend (2011: EUR 9,555 thousand). This corresponds to a dividend of EUR 0.35 per no-par value share (2011: EUR 0.50 per no-par value share).

The Management Board recommended to the annual general meeting to distribute dividends in the amount of EUR 38,222 thousand in 2013 for financial year 2012 in a resolution dated 27 February 2013; this distribution has not yet been recognised as a liability as of 31 December 2012. This corresponds to a dividend of EUR 2.00 per no-par value share. Approval on the part of the Supervisory Board is still pending.

34. Discontinued Operations

In the second quarter 2012 the management board decided to sell its 100% Spanish subsidiaries 11811 Nueva Información Telefónica S.A.U and Uno Uno Ocho Cinco Cero Guías, S.L., and search actively for a buyer as well as to start with a sale process.

On 30th of June 2012 11811 Nueva Información Telefónica S.A.U and Uno Uno Ocho Cinco Cero Guías, S.L. were recognised as assets of disposal group classified as held for sale acc. IFRS 5 and reclassified as discontinued operations.

The Management Board decided in a resolution dated 29 November 2012 to stop the search for a buyer. Following this decision 11811 Nueva Información Telefónica S.A.U and Uno Uno Ocho Cinco Cero Guías, S.L. were no longer recognised as assets of disposal group classified as held for sale. In accordance with IFRS 5.36 the profit or loss of this companies is included in income from continued operations.

Other notes and disclosures

35. Operating segments

The activities of the telegate group are assigned to operating segments for the purpose of management control.

In addition to the historically developed regional segmentation of Germany/Austria and Spain, the Germany/Austria segment is further divided into DA Solutions and Media.

The DA Solutions operating segment offers the user information and DA services via various service channels in Germany and Austria.

The Media operating segment provides advertising services for SMEs mainly in Germany.

The Italy/Spain operating segment now comprises all activities on the Spanish market, which almost exclusively concern DA Solutions.

In the DA segment the customer (caller) is billed by the network operator, further information's you will find in note 42 under the heading risk.
The prevailing measurement standards of the Management Board correspond to those in the consolidated financial statements of the group and are presented in this report on the same basis. Performance of the segments is assessed and resources are allocated to the segments mainly based on operating results.

The management controls the segments on the basis of earnings performance indicators up to EBITDA (Earnings before interests, taxes and depreciation, except depreciation intangible assets of capitalized sales commissions). Capital allocation (liabilities and assets) within the Germany/Austria segment is not controlled at division level.

Financial income and financial expenses as well as income taxes are not components of net income, since these are decided centrally and are not subject to the direct control of segment management. Elimination is carried out at the level of Germany/Austria and Spain. In accordance with IFRS 8.27, net segment income was carried over to net profit or loss for the period before taxes. The presentation for 2011 was correspondingly adjusted.

Intersegment sales are recognised at amounts comparable with sales to third party customers and are eliminated during consolidation.

As of 31 December 2012 in k€	Germany / Austria: Directory Assistance Solutions	Media	Total	Spain	Reconciliation [1]	Group
Revenue						
Revenue from transactions with external customers	52,816	33,768	86,584	6,136		92,720
Revenue from transactions with other segments	2		2		-2	0
Total revenue	**52,818**	**33,768**	**86,586**	**6,136**	**-2**	**92,720**
Earnings						
EBITDA	17,451	-12,353	5,098	1,059	55,741	61,898
Net financial income			-549	79	23,533	23,063
Earnings before income taxes			-5,807	759	79,274	74,226
Assets and liabilities						
Segment assets			141,675	2,375		144,050
Segment liabilities			42,313	660		42,973
Other segment information						
Investments			6,929	232		7,161
Depreciation of plant and equipment	741	646	1,387	242		1,629
Amortisation of intangible assets	5,213	3,756	8,969	137		9,106

[1] *The effects of data cost proceedings in financial year 2012 are not a component of net segment income, since they would have impaired the quality of information provided by the development of the segments due to their amount and special nature. The data cost proceedings resulted in an EBITDA of EUR 55,741 thousand, interest income of EUR 23,533 thousand and earnings before income taxes of EUR 79,274 thousand.*

Zum 31. Dezember 2011 in k€	Germany / Austria Directory Assist-ance Solutions	Germany / Austria Media	Germany / Austria Total	Spain	Recon-ciliation	Group
Revenue						
Revenue from transactions with external customers	66,295	35,019	101,314	8,720		110,034
Revenue from transactions with other segments	8		8		-8	0
Total revenue	**66,303**	**35,019**	**101,322**	**8,720**	**-8**	**110,034**
Earnings						
EBITDA	27,047	-15,632	11,415	-293		11,122
Net financial income			1,356	14		1,370
Earnings before income taxes			5,176	-591		4,585
Assets and liabilities						
Segment assets			92,826	3,962		96,788
Segment liabilities			34,607	1,489		36,096
Other segment information						
Investments			2,730	296		3,026
Depreciation of plant and equipment	774	765	1,539	262		1,801
Amortisation of intangible assets	3,213	2,843	6,056	50		6,106

36. Data costs

The higher regional court of Düsseldorf ruled against Deutsche Telekom AG on 13 April 2011 in two law suits by Datagate GmbH and telegate MEDIA AG, as well as in a suit by telegate AG on 08 June 2011, ordering it to pay compensation as a result of improperly excessive costs for the use of subscriber data in the years 2000 to 2004 and 1997 to 2011.

An appeal of the ruling was not permitted. Deutsche Telekom filed an appeal with the German Federal Court of Justice against the refusal of leave to appeal on points of law.

The Federal Court of Justice rejected Deutsche Telekom's respective appeals in its decisions published respectively in July and November 2012. Therefore, the decisions handed down by the higher regional court of Düsseldorf on 13 April 2011 and 08 June 2011 are final.

See note 16 as well as notes 9,12,13 14 and 16 for more information regarding the data costs lawsuit.

37. Share-based payment

The annual general meeting of telegate AG on 12 May 2005 resolved to introduce a stock-option program, in the scope of which stock options of up to 1,000,000 no-par value shares of telegate AG can be granted. According to the resolution of the annual general meeting of 12 May 2005, 15 May 2006, 9 May 2007, 11 June 2008 and 27 May 2009, a maximum of 400,000 stock options can be distributed per calendar year. The Supervisory Board must approve determination of the number of stock options to be granted to the beneficiaries each calendar year. The group of beneficiaries includes members of the Management Board of telegate AG, members of the executive management of companies affiliated with telegate AG in accordance with sections 15 et seq. AktG (German Stock Corporation Act) and employees of telegate AG as well as employees of companies affiliated with telegate AG according to sections 15 et seq. AktG. Stock options are non-transferable.

In the meantime, 1,000,000 stock options were distributed and 247,500 stock options were exercised by their owners so that 752,500 stock options remain.

Each stock option entitles the owner to the purchase of one no-par value share of telegate AG at the exercise price. A cash settlement is excluded. The exercise price per no-par value share is equivalent to the average closing price of the share of telegate AG in XETRA trading of Deutsche Börse AG during the 10 trading days immediately preceding the date on which the stock options are distributed.

The stock options may only vest if one of the following performance targets is met during the vesting period:

- The performance of the telegate share on the stock market in the period between the grant date and exercising the option is better than the performance of the Prime All-Share-Index of Deutsche Börse AG during the same period (outperformance);
- The stock market price of telegate AG increases by more than an average of 7 percent p.a. in the period between the dates on which option was granted and exercised.

The waiting period for initial exercise of the stock options is two years from the grant date. Stock options may be exercised until 30 June 30 2013. These options forfeit if this does not happen, regardless of when they were granted. In addition, the options also forfeit when the employee leaves the company before the waiting period is over.

No stock options were granted in financial year 2012.

The stock options granted by telegate AG are accounted for in accordance with the regulations of IFRS 2 Share-based Payment (in connection with IFRIC 8).

No expenses for share-based payment transactions were recognised in the 2012 financial year (2011: EUR 0 thousand).

The stock options developed as follows during the financial year:

	2012		2011	
	Number of stock options	Weighted average exercise price (in €)	Number of stock options	Weighted average exercise price (in €)
Outstanding as of 01 January	328,290	13.19	532,150	13.37
Forfeited	-58,775	12.20	-203,860	13.66
Outstanding as of 31 December	269,515	13.41	328,290	13.19
Vested as of 31 December	-	-	-	-

The stock options outstanding as of 31 December 2012 did not vest because performance targets were not met.

	Exercise price (in €)	Options outstanding as of 31 December 2012	Weighted average remaining contractual life (in years)
June 2008 tranche	11.01	139,000	-
May 2006 tranche	16.09	121,515	-
May 2005 tranche	14.28	9,000	-

The group applies the modified Black Scholes option pricing model for measurement of stock options granted.

The fair value of stock options on the grant date was as follows:

	Tranche June 2008	Tranche May 2006	Tranche May 2005
Measurement date	30 June 2008	31 May 2006	31 May 2005
Fair value of the stock options (in €)	1.48	2.28	1.87

The following parameters were integrated in the modified Black-Scholes option pricing model:

	Tranche June 2008	Tranche May 2006	Tranche May 2005
Average share price (in €)	11.01	16.09	14.28
Exercise price (in €)	11.01	16.09	14.28
Expected volatility (%)	32.3	27.2	23.8
Risk-free interest rate (%)	4.5	3.3	2.2
Expected dividends (%)	7.3	4.0	2.5
Expected vesting period (in years)	2.25	2.25	2.25

The contractual vesting period of the stock options, on which the expected vesting period is based, was adjusted by the management according to the best possible estimate in order to take into consideration the particularities of employee stock options, such as non-transferability and limitations on exercise.

38. Other financial obligations and claims

Future minimum expenses under non-cancellable agreements with an original term of more than one year are as follows:

maturity	zum 31. Dezember 2012		zum 31. Dezember 2011	
in k€	Liabilities from marketing an IT service agreements	Obligations under rental and lease contracts	Liabilities from marketing an IT service agreements	Obligations under rental and lease contracts
Until 1 year	2,719	4,151	3,251	4,231
More than 1 year and up to 5 years	4,804	4,320	3,615	6,072
Longer than 5 years	165	185	205	799
Total	**7,688**	**8,656**	**7,071**	**11,102**

Liabilities from marketing an IT service agreements mainly includes expenses related to advertising and maintenance contracts. Obligations under rental and lease contracts based mostly on expenses related to property and carpool.

Claims under rental agreements

At the same time, there is future minimum income from non-cancellabe subleases as of the reporting date, which is as follows:

maturity	As of 31. December 2012	As of 31. December 2011
in k€	Claims under rental agreements	
Until 1 year	95	59
More than 1 year and up to 5 years	137	0
Total	**232**	**59**

39. Contingent liabilities and assets

If it is likely that fulfilment will entail the possibility of an outflow of resources embodying economic benefits, the risk to which the company is exposed is taken into account accordingly in the consolidated financial statements by means of provisions. In case of a possible but unlikely outflow as defined in IAS 37.86, its financial effects shall be disclosed instead in the notes as a contingent liability.

Contingent assets may not be recognised (IAS 37.31), but instead must be disclosed in accordance with IAS 37.89 if the future inflow of economic benefits is probable. However, if the realisation of income is virtually certain, the general recognition criteria for assets apply (IAS 37.33) and the item can be recognised as a receivable.

Litigation

As of the reporting date, the company is involved both as the claimant and defendant in various legal disputes.

Risks arising from lawsuits filed against the company and the associated outflow of economic benefits have been classified as not probable after a thorough examination by the company's legal adviser. Therefore, contingent liabilities have not been recognised.

The group companies estimate their prospects for winning all pending lawsuits in which they have filed claims as positive.

Further disclosures have been withheld in accordance with the protective clause under IAS 37.92, since the full or partial disclosure of information could seriously prejudice the position of the company in a litigation with other parties.

Tax risks

Tax risks can be ruled out within the telegate group for the periods that have already been audited by the tax authorities of the respective states. The main group companies were audited up to and including 2007 (telegate Media AG), 2009 (telegate Akademie GmbH) and 2004 (telegate AG, Datagate GmbH, WerWieWas GmbH). telegate AG and Datagate GmbH are currently being audited; the audit period in both cases is 2006 to 2009. Based on past experience, tax risks cannot be ruled out for periods that have not yet been audited.

Further disclosures were withheld for reasons of practicality in accordance with IAS 37.91.

Delayed purchase price payment (earn-out rule)

telegate AG sold its wholly owned Italian subsidiary Telegate Italia S.r.L. on 01 June 2010, whereby an earn-out rule was agreed as part of the transaction; the rule expired on 31 December 2011. This had no effect on telegate AG's accounting. There is also an earn-out rule for the wholly owned French subsidiary 118000 SAS sold on 01 October 2009 that expires on 31 December 2012. This also did not have any effect on the accounting in the financial year.

Guarantees

As of 31 December 2012, the group had guarantee credit lines with its principal banks in the amount of EUR 1,200 thousand (2011: EUR 2,200 thousand).

As of 31 December 2012, telegate AG had furnished guarantees in the amount of EUR 3,000 thousand (2011: EUR 0 thousand) for telegate Media (see note 43).

40. Number of employees

The following table shows the number of employees in the telegate group. The figures to not include the Management Board.

Financial year 2012	As of 31 December 2012		Annual average	
	absolute	in full-time employees	absolute	in full-time employees
telegate group				
Total	1,274	1,019	1,352	1,086
of which operators and sales	940	718	1,013	780

2011 financial year	As of 31 December 2011		Annual average	
	absolute	in full-time employees	absolute	in full-time employees
telegate group				
Total	1,507	1,294	1,738	1,464
of which operators and sales	1,096	888	1,322	1,052

41. Auditors' fees

The expenses for the fees of the auditors, PricewaterhouseCoopers AG, Munich (2012 financial year) and Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Munich (2011 financial year) recognised in the income statement are comprised as follows:

in k€	2012	2011
Audits of financial statements	151	174
Other assurance services	12	15
Total	**163**	**189**

42. Financial risks

The group has various financial assets at its disposal, such as trade accounts receivable and cash and cash equivalents resulting directly from its operating activities.

The primary financial liabilities used by the group include trade accounts payables, accrued liabilties and the available overdraft facilities, which were utilised as little as possible during the financial year.

The group did not engage in derivatives trading in the 2011 and 2012 financial years.

The risks of the group resulting from financial instruments are explained in more detail below.

Default risk
Default risk is the risk that a business partner does not fulfil its obligations under a financial instrument, resulting in a loss. The group is exposed to default risks as a result of its activities (in particular with respect to trade accounts receivable as well as cash and cash equivalents). The default risk is managed at the group level.

The company's cash and cash equivalents are denominated almost exclusively in euros. The company continuously monitors its positions at financial institutions and the creditworthiness of the financial institutions that are contracting partners for its financial instruments and considers the risk of non-performance to be very low.

The trade accounts receivable reported in the statement of financial position are to be understood as net of impairment allowances for receivables expected to be uncollectable, which were estimated by the Management Board based on past experience and the current economic environment or were subjected to separate measurement.

In its directory assistance business, the group enters into transactions with carriers with excellent creditworthiness and/or with customers that have distinguished themselves in the past through low defaults on receivables based on the diverse portfolio.

Customers in the media business comprise in particular small and medium-sized enterprises. This business entails a considerably higher risk of default which is taken into account through a professional collection process that is reviewed and optimised in periodic intervals. Overdue trade accounts receivable are handed over to a collection company after completion of a dunning process. A portion of the overdue receivable has already been written down when it is handed over. The receivable is fully written off after it has been in the collection process for more than one year.

All major customers were subjected to a review of their creditworthiness; in addition, the receivables portfolios are monitored on an ongoing basis. Default risks are taken into account by means of specific valuation allowances and general impairment allowances on a portfolio basis.

As of the reporting date, the maximum default risk of the classes of financial assets cited below corresponds to the respective carrying amount.

The company transacts business with a large number of customers. telegate AG lets the largest part of its revenue with customers in Germany be invoiced centrally by Deutsche Telekom AG („DTAG") (financial year 2012: 36%; financial year 2011: 42%).

Receivables from DTAG from this invoicing contract as of 31 December 2012 account for 25% (2011: 27%) of the total trade accounts receivable of telegate AG. In addition, DTAG is a very important supplier of advance services for telegate AG. telegate AG has leased a part of the German telephone line network from DTAG and receives a large proportion of the calls as well as some of the participant's data required for telephone DA services from DTAG via this network. If DTAG no longer meets its contractual obligations, this could have negative effects on the company's operating result. However, due to DTAG's financial strength and profitability, and due to the obligations arising from the deregulation of the telecommunications market and the existing emergency plans, this case is not expected from today's point of view. Outsourcing customers are invoiced directly, both in Germany as well as in other European countries.

Liquidity risk

Liquidity risk is the risk of a company having difficulty fulfilling its obligations arising from financial liabilities. Liquidity risk is managed at the group level. telegate's ability to meet its financial obligations at all times is ensured.

As of 31 December 2012, the group's financial liabilities have the maturities listed below. Disclosures are based on the contractual, non-discounted amounts. For this purpose, see also note 26 and 27.

Financial year ended on 31 December 2012 in k€	Payable on demand	Up to 3 months	3 to 12 months	More than 1 year	**Total**
Trade accounts payable	-	4,286	-	-	**4,286**
Accrued current liabilities		16,171			**16,171**

Financial year ended on 31 December 2011 in k€	Payable on demand	Up to 3 months	3 to 12 months	More than 1 year	**Total**
Trade accounts payable	-	1,961	-	-	**1,961**
Accrued current liabilities		14,576			**14,576**

Interest rate risk

The interest rate risk results from overnight and fixed-term deposits with agreed interest rates. A change in the general interest level may result in a change in interest income. Since the deposits concern current investments, the company is able to respond quickly to market interest rate changes.

The following table shows the sensitivity of the consolidated earnings before taxes relative to a change in the interest rates deemed possible based on reasonable assumptions. All other variables remain constant and there are no significant effects on the group's equity.

	2012	2011
Increase/decrease in basis points	+25	123
	-20	-101
Effects on earnings before taxes in k€	+25	100
	-20	-80

Currency risk

The main business transactions of the company are settled in euros within Europe. Only a minor part of the procurement operations is made with other currencies (among others, in US dollar, Swiss francs or Norwegian krone). The corresponding amounts can generally be classified as irrelevant so that no foreign currency risk arises.

Capital management

The equity comprises no-par value bearer shares. The primary goal of the group's capital management is to ensure that it maintains a high credit rating and an adequate return on equity in order to support its operations and to maximise shareholder value.

The group manages its capital structure and makes adjustments as necessary based on changes in the economic environment. In order to maintain or adjust its capital structure, the group may adjust dividend payments to shareholders or repay capital to shareholders and also issue new shares.

An important ratio of the group is the equity ratio. As of 31 December 2012, the equity ratio was 70.2% (2011: 62.7%).

There were no changes in the objectives, guidelines and procedures compared to the previous year.

Fair value of financial instruments

The following table shows both the carrying amounts and the fair values of all financial instruments recognised in the consolidated financial statements:

	Category according to IAS 39	Carrying amount		Fair value	
in k€		2012	2011	2012	2011
Financial assets					
Cash and cash equivalents	Loans and receivables	93,250	39,048	93,250	39,048
Trade accounts receivable	Loans and receivables	16,266	19,295	16,266	19,295
Current other financial assets	Loans and receivables	1,162	1,342	1,162	1,342
Non-current other financial assets	Loans and receivables	200	358	200	358
Financial liabilities					
Trade accounts payable	Financial liabilities at amortized cost	4,286	1,961	4,286	1,961
Accrued current liabilities	Financial liabilities at amortized cost	16,171	14,576	16,171	14,576

43. Related party transactions

Business transactions between telegate AG and its subsidiaries (see note 1) that are considered affiliated companies were eliminated in consolidation and are not explained in these notes to the financial statements.

The following companies are affiliated companies:

Telegate Holding GmbH, Planegg, holds a majority interest of 61.13% in telegate AG as of 31 December 2012. Die SEAT Pagine Gialle Italia S.p.A., Turin, Italy, in turn holds a 100% stake in Telegate Holding GmbH.

SEAT Pagine Gialle S.p.A., Milan, Italy, holds a 100% stake in Telegate Holding GmbH as of the reporting date and includes telegate AG, the parent of the largest group of consolidated companies, as a fully consolidated company into its consolidated financial statements. The consolidated financial statements of SEAT Pagine Gialle S.p.A. are deposited at the commercial register in Milan, Italy, (Registro imprese presso la Camera di Commercio di Milano) under the number 03970540963 and at the Italian stock exchange. There is no publication in Italy similar to that in the German Federal Gazette according to German law. However, the consolidated financial statements may be viewed on the website of SEAT Pagine Gialle S.p.A. at www.seat.it. A consolidated financial statement for a smaller scope of consolidation under consideration of telegate AG within the SEAT-group is not generated.

As of 31 December 2012, SEAT Pagine Gialle S.p.A. indirectly holds a 16.24% stake via SEAT Pagine Gialle Italia S.p.A. and a 61.13% stake via Telegate Holding GmbH in telegate AG.

The primary controlling parent is SEAT Pagine Gialle S.p.A. (Milan).

Terms of transactions with related parties

Services are rendered or purchased at arm's length. Receivables and liabilities outstanding as of the reporting date are not secured and bear no interest. No impairment was recognised on receivables from related parties in the financial year (or in the previous year). Fixed-term deposit investments bear interest typical for arm's length transactions. Interest income is recognised in the relevant period and correspondingly accrued.

Transactions with related parties (companies)

telegate AG made fixed-term deposit investments with SEAT Pagine Gialle S.p.A. until the middle of 2011. Current fixed-term deposits with a maturity of up to three months were reported as liquid funds under cash and cash equivalents, while fixed-term deposits with a maturity of more than three months were reported under other financial assets.

As of 31 December of the previous year, no fixed-term deposit investments had been made with SEAT. The interest income accrued from previous fixed-term deposit investments amounted to EUR 1.1 million.

As in the previous year, no fixed-term deposit investments were made with SEAT in the current reporting period.

Rendering or receiving of services

As of 31 December 2012, telegate AG shows receivables from the SEAT Group in the amount of EUR 0.1 million (2011: 0.1 million).

Transactions with related parties (persons)

As of 31 December 2012, employees of the SEAT Group were members of telegate AG's Supervisory Board. These persons were entitled to Supervisory Board compensation for the 2012 financial year in the amount of EUR 42 thousand (2011: EUR 49 thousand), which accordingly was recognized as a current liability.

Compensation of individuals in key management positions

The Management comprises the Management Board and Supervisory Board. The compensation system and other information is explained in the management report in section 11 “Compensation system”.

Management Board compensation is presented as follows:

in k€	2012	2011
Fixed compensation	463	525
Bonus	380	343
Special bonus	363	0
Compensation in kind	48	33
Pension commitment	19	80
Total without stock options	**1,273**	**981**
Stock options	0	0
Total including stock options	**1,273**	**981**

Members of the Management Board that have stepped down were granted a lump-sum settlement in the previous year for the time remaining on their directors’ contracts amounting to a total of EUR 1,178 thousand that was paid out in the current financial year. In addition, a payment of EUR 869 thousand was made based on a bonus agreement from 2005 as a result of the successful data cost litigation.

The present values of pension benefits for the members of the Board are as follows

in k€	2012	2011
Present value of defined benefit obligations 31. Dezember	867	558
Thereof for former members of the board	**510**	**358**

The Supervisory Board members received compensation totalling EUR 147 thousand in the 2012 financial year (previous year: EUR 175 thousand).

Payments to the employee representatives on the Supervisory Board for services outside their supervisory activities are common on the market.

44. Events after the reporting period

On the 06 February 2013 has Seat Pagine Gialle Italia S.p.A. accordance with a request for a comparison procedure with creditors, regarding to Article 6 Royal Decree 267/1942 section 161 to the court in Turin. This event has no significant impact for the telegate group because there are no significant operational relationships with Seat Pagine Gialle Italia S.p.A.

45. Disclosure regarding the corporate bodies of telegate AG

Supervisory Board of telegate AG

	Member since / Occupation	Additional positions in the financial year(*):
Mr Jürgen von Kuczkowski	Chairman of the Supervisory Board (since 01 October 2007), Since 15 May 2006, former chairman of the Executive Management of Vodafone D2 GmbH, Gauting	• Vodafone Holding GmbH, Düsseldorf, member of the Supervisory Board • Vodafone D2 GmbH, Düsseldorf, member of the Supervisory Board
Ms Ilona Rosenberg	Vice chairperson of the Supervisory Board (since 15 May 2006), Since 30 January 2001, Operator, telegate AG Rostock	--
Dr Arnold R. Bahlmann	Since 15 May 2006, self-employed business consultant, Munich	• eCircle GmbH, Munich, Chairman of the Supervisory Board • Business Gateway AG, Starnberg, member of the Supervisory Board • TVN Group, Warsaw, Poland, member of the Supervisory Board • Freenet AG, Hamburg, member of the Supervisory Board
Mr Ezio Cristetti	Since 29 June 2011, Human resources director, SEAT Pagine Gialle S.p.A., Turin, Italy	• SEAT Pagine Gialle Italia S.p.A., Tuin, Italy, Director • Cipi S.p.A., Milan, Italy, Director • Prontoseat S.r.l., Turin, Italy, Director
Mr Massimo Cristofori	Since 19 September 2008, CEO, Seat Pagine Gialle S.p.A., Turin, Italy	• TDL Infomedia Ltd., Farnborough (Hampshire), UK, Director • Thomson Directories Ltd., Farnborough (Hampshire), UK, Director • SEAT Pagine Gialle Italia S.p.A., Turin, Italy, Director
Ms Claudia Dollase	Since 08 November 2010, Chairman of the Works Council, Operator, for the council work, exempted, Stralsund	--
Mr Jörn Hausmann	Since 29 June 2011, Business unit manager telesales, telegate AG, Rostock	--
Ms Anett Kaczorak	Since 15 May 2006, Chairperson of the Works Council, Operator, for the council work, exempted, telegate AG, Neubrandenburg	--
Mr Leonard Kiedrowski	Since 29 June 2011, Senior IT expert, telegate Media AG Essen	--

Ms Silke Lichner	Since 15 May 2006, Data Editor, telegate AG, Neubrandenburg	--
Mr Gautam Giorgio Sahgal	Since 29 June 2011, Finance Director, Thomson Directories Ltd., Farnborough (Hampshire), UK (since 01 March 2012), Group Portfolio Strategy Controller, Seat Pagine Gialle S.p.A., Turin, Italy (until 28 February 2012)	• TDL Infomedia Ltd., Farnborough (Hampshire), UK, Director • Europages S.A., Neuilly-sur-Seine, France, Director
Mr Andrea Servo	seit 22. Mai 2012, Group Accounting and Tax Manager, SEAT Pagine Gialle S.p.A., Turin, Italien	• Europages S.A., Neuilly-sur-Seine, France, Director • SEAT Pagine Gialle Italia S.p.A., Turin, Italy, Director
Mr Alberto Cappellini	From 23 June 2009 to 24 March 2012, CEO, SEAT Pagine Gialle S.p.A, Turin, Italy	• TDL Infomedia Ltd., Farnborough (Hampshire), UK, Chairman • Thomson Directories Ltd., Farnborough (Hampshire), UK, Chairman

(*) A strict separation between supervisory and executive bodies, as stipulated by German law, does not always exist in an international context. Therefore, this list contains positions that are both of a supervisory and an executive nature.

In accordance with the announcement of the Management Board from 27 June 2000, the Supervisory Board of telegate AG must be set up pursuant to the provisions of sections 96 (1), 101 (1) AktG in conjunction with sections 1 (1), 5 (1) and 7 (1) of the 1976 Co-determination Act. Since 2001, the Supervisory Board has comprised six member elected by the annual general meeting and six members elected by the employees.

Management Board of telegate AG

		(Supervisory Board) positions in the financial year(*):
Mr Elio Schiavo	Chairman of the Management Board Since 01 December 2011 CPA (certified public accountant), Martinsried/Munich Responsible for Germany/Austria, Marketing Strategy and Corporate Communications	• Thomson Directories Ltd., Farnborough (Hampshire), UK, CEO (until 31 March 2012) • Thomson Directories Ltd., Farnborough (Hampshire), UK, Chairman (seit 01. April 2012) • Mobile Commerce Ltd., Cirencester, UK, Management Board Member
Mr Ralf Grüßhaber	Member of the Management Board Dipl.-Betriebswirt (FH), Martinsried/Munich Responsible for Finance and Technology & Operations; Legal Affairs, Regulation and Personnel as well as Spain	• Uno Uno Ocho Cinco Cero Guias S.L., Madrid, Spain, director • 11811 Nueva Información Telefónica S.A.U., Spain, director • telegate Media AG, Essen, chairman of the Supervisory Board

(*) A strict separation between supervisory and executive bodies, as stipulated by German law, does not always exist in an international context. Therefore, this list contains positions that are both of a supervisory and an executive nature.

46. German Corporate Governance Code

JOINT DECLARATION OF COMPLIANCE
of the Management Board and the Supervisory Board
of telegate AG pursuant to section 161 AktG regarding the
German Corporate Governance Code

The German Corporate Governance Code was adopted by the "Government Commission German Corporate Governance Code" on 26 February 2002 and has been revised several times in the meantime. The current version is dated 15 May 2012. The Code presents essential statutory regulations for the management and supervision of German listed companies and contains internationally and nationally recognised standards for good and responsible governance.

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 07 December 2012. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, 27 February 2013

Elio Schiavo

Ralf Grüßhaber

Auditor‘s Report

We have audited the consolidated financial statements prepared by telegate AG, Planegg, Martinsried, comprising the balance sheet, income statement, statement of comprehensive income, statement of development in equity, cash flow statement and notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements and the group management report in accordance with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § (Article) 315a Abs. (paragraph) 1 HGB [„Handelsgesetzbuch“: „German Commercial Code“] is the responsibility of the Parent Company‘s Board of Managing Directors. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of the entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the Company‘s Board of Managing Directors, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion based on the findings of our audit, the consolidated financial statements comply with the IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development."

Munich, February 28, 2013

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Stefano Mulas	ppa. Uta Menne
Wirtschaftsprüfer	Wirtschaftsprüferin
(German Public Auditor)	(German Public Auditor)

Corporate Information

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telegate on the Web

More information on telegate AG and telegate Group can be found on our website **www.telegate.com.**

Information about single brands and subsidiaries are available at:

- **www.telegate-media.de**
- **www.telegate.at**
- **www.telegate.es**

PDF files of our Annual Report as well as interim reports, Investor Presentations and general investor information are available on our website in the section Investor Relations / Reports and can be downloaded in both German and English.

Quarterly telephone conferences are published via Webcast on the day of announcement.

To receive an investor package or request other information please contact our Investor Relations department at

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Auditor

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft
Münchent

Forward-looking statements

This document contains forward-looking statements that reflect the management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond telegate's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants, the ability to successfully integrate acquired businesses and achieve anticipated synergies and the actions of government regulators. If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements. telegate does not intend or assume any obligation to update any forward-looking statements to reflect events or circumstances after the date of these materials.

Glossary

AktG
Stock Corporation Law

Android
Operating system by Google for mobile devices, also a Software platform

App
Application software for computers or mobile devices (Smartphones) which runs a function useful for the user

BlackBerry
Mobile device (Smartphone) of the producer Research in motion (RIM) for reading and writing E-mails in particular

Call Center services
Call Center services are very diverse and include directory assistance and information services, intelligent field sales management, customer support and Telesales

Cash flow
Cash flow of a company and net inflow of liquid assets respectively during an annual year as a rule

Capital increase
Increase of a company's equity: for a corporation, by increase of the nominal capital on issue of new share certificates

COGS
Cost of Goods Sold –
Cost of revenues

CRM system
Technical system for customer relationship management

Dividend yield
A dividend yield is defined as dividend per share by a certain fixed date price

DTAG
Deutsche Telekom AG – former monopolist in the German telecommunications market

EBIT
Earnings before interest and taxes

EBITDA
Earnings before interest, taxes, depreciation and amortization except amortization of intangible assets from capitalized sales provisions

EuGH
European Court of Justice

Federal Network Agency
Federal Network Agency for Electricity, Gas, Telecommunications, Post and Railway – regulatory authority which regulates the corresponding markets in Germany (formerly: RegTP - Regulatory Authority for Telecommunications and Post)

German Corporate Governance Code
Main statutory provisions for the management and control of listed German companies

GfK
Market research institute – the biggest German market research provider located in Nuremberg

Google AdWords
Internet advertising with individual keywords with the search engine operator Google Inc.

HGB
Commercial Code

IAS
International Accounting Standards – standards of international accounting, prepared and published by the IASC

IASB
International Accounting Standards Board

IASC
International Accounting Standards Committee – independent organization under private law, which was responsible for the adoption of standards of accounting, predecessor of the IASB

ICS
Internal control and risk management system

IFRS
International Financial Reporting Standards – standards of international accounting, prepared and published by the IASB

iPad
Flat, portable computer by Apple Inc. which is completely installed in the casing of a touchscreen and can be operated by finger touch

iPhone
Mobile device (Smartphone) by Apple Inc. with Multi-Touch-Functionality

IVW
Information association for the establishment of the distribution of advertising Media

Local Search
‚Local Search´ refers to search for contact data of a company or service provider in the regional environment

Market capitalization
A market capitalization - also referred to as market capitalization or market value - of a stock corporation results from multiplication of the share price by the number of the company's issued shares

M&A
Merger & Acquisitions – Merger and acquisitions of companies

OLG
Higher Regional Court

Outsourcing
Assignment of tasks/subtasks to external companies or service companies

Outsourcing partner
Companies which assume services from other companies within the scope of outsourcing contracts

Regulation
Legal conditions as well as decisions of legislators and regulatory authorities which restrict business operations. For example, this includes in the telecommunications sector regulations on the allocation of telephone numbers, access to subscriber data and telecommunications advance performances. The regulation provisions also determine which telephone DA services can be rendered or how the allocation of DA numbers is made

SEM
Search Engine Marketing –a form of online marketing that includes all advertising measures to attract visitors for an advertising presence via web search engines (e.g. Google)

SEO
Seach Engine Optimization – measures to improve the visibility of a website in a search engine at a higher ranking when user enters certain search terms in the search engine

Smartphone
Small, portable computer with the additional functionality of a mobile telephone

SMEs
Small and medium-sized enterprises

SMS-Connect
Project by telegate in the directory assistance sector of mobile telephone numbers

Social Media
Web-based and mobile technologies used to turn communication into interactive dialogues. Users have the possibility to interchange and create Media content individually or in a group

SPG
Seat Pagine Gialle S. p. A., Italy

Traffic
Movement of data – data flow within computer networks

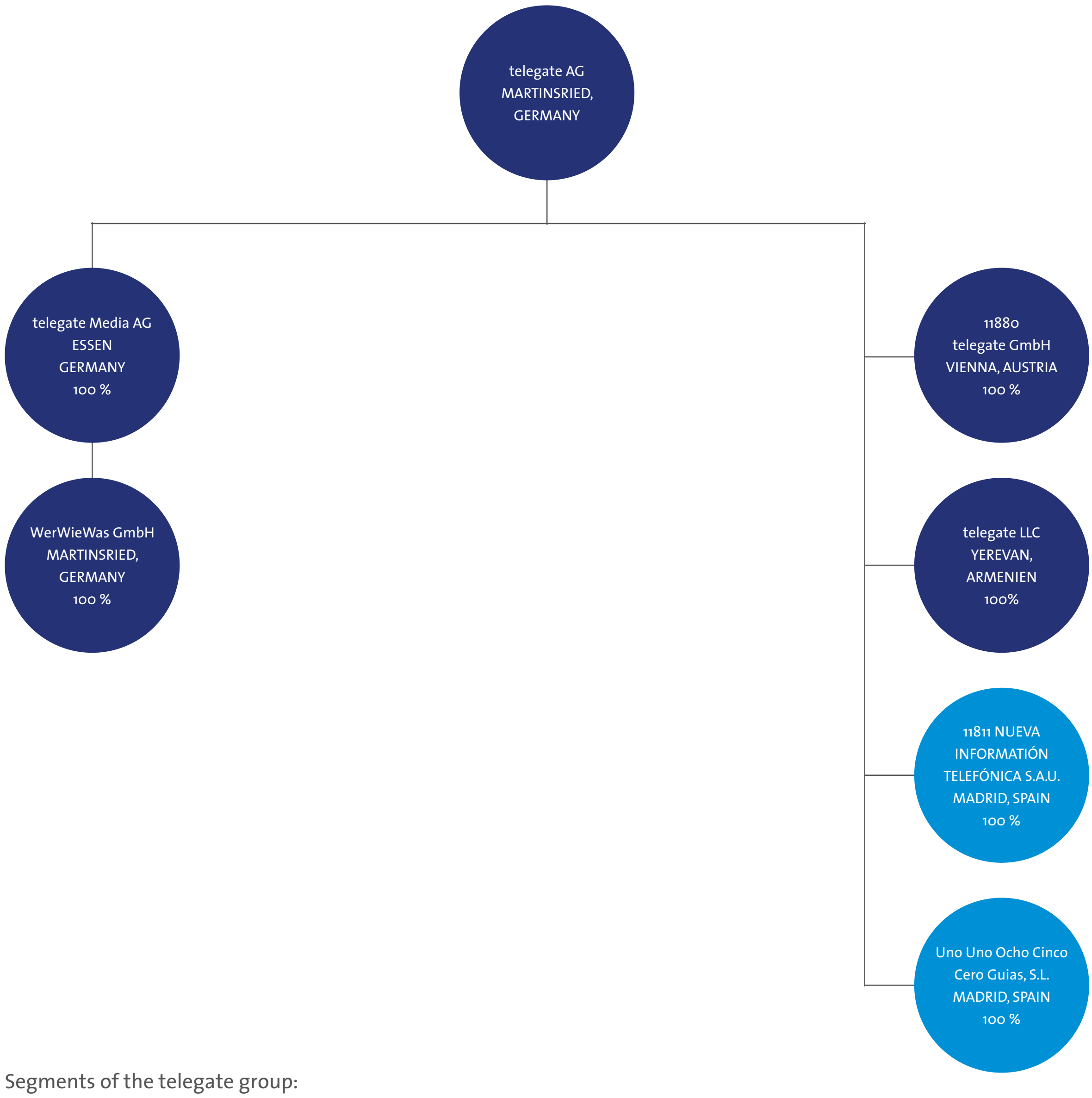
Visits
Access frequency to a website

WindowsPhone
Operating system by Microsoft with a range of Applications for mobile devices such as Pocket PCs und Smartphones

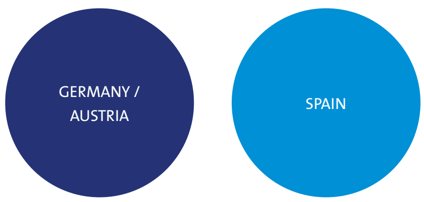
W-LAN
Wireless LAN – refers to a wireless local network and is used to realize network access for mobile computers

WpHG
Securities Trading Law

Corporate Structure telegate Group



Segments of the telegate group:



Financial Calender 2013

March 07, 2013	Annual results 2012
May 08, 2013	3-months results 2013
June 05, 2013	AGM 2013
August 01, 2013	6-month results 2013
November 07, 2013	9-month results 2013

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