Annual Report
2013

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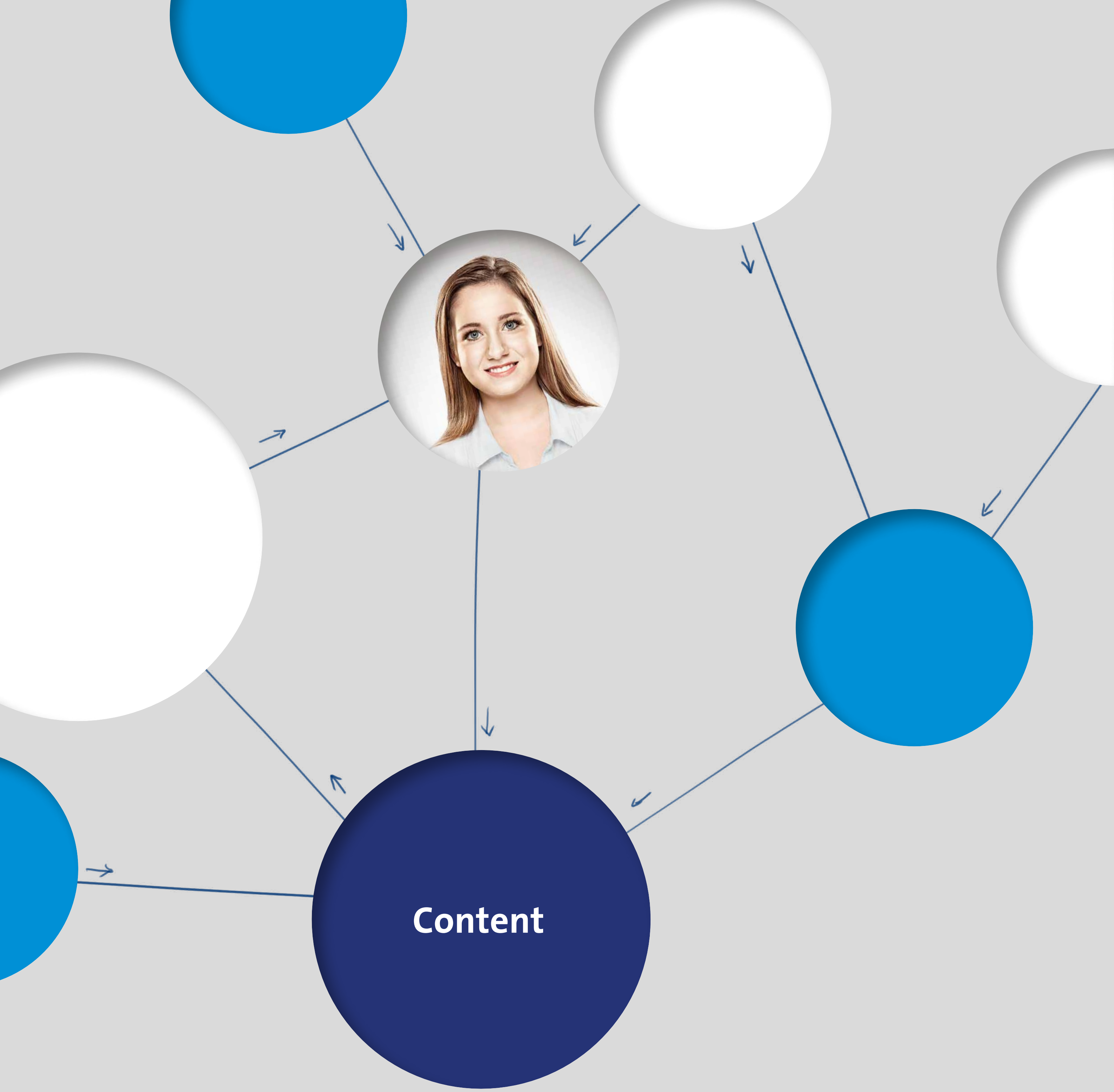
Results telegate Group

in million Euro	2013	2012	Variation absolute	Variation in percent
Revenues and profit TG Group				
Revenues	72.3	86.6	-14.3	-16.5%
EBITDA[1]	7.6	65.3	-57.7	-88.4%
EBITDA[1] before non-recurring items	10.5	13.6	-3.1	-23.0%
Non-recurring items from data cost claims	-0.2	-55.7	55.5	-99.6%
Non-recurring items from adaption of structural cost base	3.1	4.1	-1.0	-23.5%
Net Income	-2.0	47.1	-49.1	-
Details Segment Germany / Austria				
Revenues Media	35.3	37.8	-2.5	-6.5%
EBITDA[1] Media before non-recurring items	-0.6	-2.7	2.1	79.2%
Revenues DA	37.0	48.8	-11.8	-24.2%
DA before non-recurring items	11.1	16.4	-5.3	-32.5%
Balance Sheet				
Balance sheet total	105.2	144.0	-38.8	-26.9%
Cash and cash equivalents[2]	40.1	93.3	-53.2	-57.0%
Equity	60.9	101.1	-40.1	-39.7%
Equity ratio (in percent)	57.9%	70.2%	-	-17.5%
Cash flow				
operating Cash flow[3]	5.9	5.4	0.5	9.6%
Cash flow from financing activties	-14.9	-6.7	-8.2	-
Net cash flow[4]	-2.8	1.2	-4.0	-
KPIs telegate share				
Earnings per share (in Euro)	-0.10	2.46	-2.57	-
Share price at the end of year (in Euro)[5]	6.28	7.27	-0.99	-13.7%
Market capitalisation at the end of year	120.0	139.0	-19.0	-13.7%
Dividend and dividend proposal	7.6	38.2	-30.6	-80%
Dividend and dividend proposal per share (in Euro)	0.40	2.00	-1.60	-80%
Dividend yield (in percent) [6]	6.4%	27.5%	-	-
Other KPIs				
Churn Rate Media	32%	40%	-	-21.1%
Share 24-months Contracts Media	67%	41%	-	65.4%
Revenue per call DA (in Euro)	3.11	2.97	0.14	4.7%
Number of employees[7] Group	1,072	1,274	-202	-15.9%

[1] *Earnings before interest, taxes, depreciation and amortization*
[2] *Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period*
[3] *adjusted by effects from data cost claims and tax audit*
[4] *operating Cash Flow + Cash Flow from investing activities +/- interest income/expenses, adjusted by effects from data cost claims, tax audit, short term assets and so far not paid Seat Dividend*
[5] *Xetra closing prices*
[6] *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*
[7] *Headcount as of 31 December*

Milestones for the 2013 financial year

January	• telegate signs promising marketing partnership with the globally successful app provider AroundMe to give customers a further marketing product – „My Offer“ – while simultaneously offering enlarged mobile coverage.
February	• Right on time for the launch of the new BlackBerry operating system BlackBerry10, telegate presents the klickTel App for the new operating system.
March	• The significance of a professional Internet presence continues to increase for German SMEs (small and mid-sized enterprises). Yet 30 percent of German SMEs are not yet represented by a corporate website. These results, from the major telegate report „SMEs and Advertising“, show the considerable potential for revenue in the website creation segment, which telegate intends to exploit. • The 11880.com and klickTel apps have now been installed on more than two million smartphones and tablets.
April	• Launch of mobile marketing product „My Offer“. Companies can now use the 11880.com, klickTel.de and AroundMe smartphone apps to advertise special discounts and campaigns, and so boost their short-term business.
June	• telegate sells its Spanish business, thus taking the final strategic step towards focusing exclusively on the German online and directory assistance market.
August	• The annual general meeting resolves to distribute an exceptionally high dividend of € 2.00 per share to all of the company‘s shareholders. In so doing, telegate acts to share the success of its long-term court case addressing excessive data charges with its shareholders.
September	• TÜV-certified quality: Website products from telegate are certified with the TÜV „Good“ quality mark. • Award-winning call centre: Thanks to its high standards in terms of training and professional development, consumer/data protection and workplace equipment, plus its voluntary commitment to pay a minimum wage, telegate‘s call centre in Essen is awarded the quality mark from regional industry watchdog Call Center Essen e.V.
October	• telegate gains another strong business partner in the form of the Cylex business directory portal. Cylex now prominently lists all business directory entries from commercial customers of 11880.com and klickTel. Customers benefit in particular from Cylex‘s excellent search machine rankings.
November	• Service – guaranteed: As the first provider in the market for regional SME marking, telegate offers a marketing package with a „click guarantee“: If click volumes are not achieved, then telegate refunds customer‘s costs proportionally. • Relaunch of 11880.com and klicktel.de business directories: A new platform and user interface, a new design and additional content come together to ensure improved performance and even better search results when using the portals.
December	• telegate equips all of its call centres with a new, innovative phone and speech technology system. This ensures outstanding quality for voice-based directory assistance into the long term.


Content

Letter from the Management Board

Dear Shareholders, Customers and Friends of telegate AG,

The annual report you see before you is a testament to an eventful year in telegate's history. Two main issues shaped the year 2013: First, we were able to let you, our valued shareholders, partake in our legal triumph over Deutsche Telekom AG with an above-average dividend. And second, after years of difficult groundwork, we approached the break-even for our Media division. In the coming year we will earn money in this business segment for the first time.

The annual general meeting in August 2013 agreed to distribute a dividend of EUR 2.00 per share to each shareholder. This meant that telegate AG was one of the German companies with the highest dividend yields in the past year. Years ago, we promised our company's shareholders that they would amply share in our success if the years-long legal battle over excessive data costs finally fell in our favour. We are delighted that we could honour this promise in 2013.

With some newly developed products that are optimising our online marketing portfolio, we proved over and over again in the past financial year that we are the most reliable partner for small and medium-sized enterprises in Germany. In addition to a package that guarantees a certain number of visitors each month, we offer all of our customers detailed performance monitoring. All online customers can regularly view statistics to precisely track how their telegate marketing package is performing with consumers, where their potential customers are coming from and which content is particularly in demand. These services set us well apart from our competitors and also fulfil the desire of small and medium-sized companies to have greater control over their investments.

We have no qualms about offering our customers detailed budget monitoring with regular statistics which illustrate their company's advertising effect because also in 2013, one million consumers per day were using our directory services. For the whole year 2013, we recorded 350 million search queries on all of telegate's media. At the end of last year, we completely overhauled our *www.11880.com* and *www.klicktel.de* online directories. In addition to a modernised look, the two sites now offer even more advantages to customers and consumers on desktop computers and mobile devices alike. For example, we optimised our search technology so that our customers' listings can be found even more quickly by major search engines. Furthermore, these listings are presented to local consumers more prominently in a coloured list of recommended links. We plan to make our media even more attractive in 2014. By displaying current petrol prices, local weather forecasts and cultural tips, we will generate even greater value for consumers and customers. We are very confident that at the end of 2014 we will be able to report an even higher number of search queries for our customers.

Of course, the profitability of our online business is our main focus – for our benefit and for yours. In 2013, we optimised our sales structure in this line of business and made it more efficient. This enabled us to further reduce the cancellation rate and increase profitability.

Dear shareholders, in the coming year we will continue to develop our media business and expand our market position. Customer loyalty will remain a top priority. With attractive support services and a full-service assistance programme for our customers, we want to help more and more small and medium-sized companies acquire new customers conveniently, productively and economically. In our directory assistance business, we will continue to do everything in 2014 to buck the negative market trend with our friendly and competent service.

Thank you for the trust you place in our company.

Planegg-Martinsried, 13 March 2014

Elio Schiavo
Chief Executive Officer

Ralf Grüßhaber
Chief Financial Officer

Report of the Supervisory Board

for the financial year from 1 January 2013 to 31 December 2013

Work in the 2013 financial year focused on the development of the media business. 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 2013 financial year
In the 2013 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 market environment, strategy and product development of the media business, optimising the sales organisation and the management of existing customers, optimising structural costs in particular as well as sale of the Spanish subsidiaries. The Supervisory Board also dealt with the further developments in connection with the data cost lawsuits of the group companies.

The Supervisory Board concerned itself in detail 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. However, on 2 December 2013, the Management Board initiated the status procedure to adjust the composition of the Supervisory Board based on a resolution passed on 27 November 2013 in accordance with the provisions of Section 1 (1) no. 1, Section 2 (1), Section 3 (1), Sections 4-7 of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) in conjunction with Sections 95, 96 (1) sub-paragraph 4, German Stock Corporation Act (Aktiengesetz, AktG) and Item 4.1 (1) of the Articles of Association of telegate AG. According to this resolution, the Supervisory Board will be composed of six members in accordance with the One-Third Employee Participation Act. 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.

Dr. Bahlmann resigned from his post effective at the annual general meeting on 27 August 2013. Mr. Santelia succeeded him as a new member of the Supervisory Board on 11 November 2013.

Meetings and attendance

The Supervisory Board held a meeting in each quarter of the 2013 financial year. Dr. Bahlmann attended one meeting. Ms. Lichner, Mr. Servo and Mr. Sahgal attended three meetings. Mr. Santelia attended one meeting. All other Supervisory Board members were present at all four meetings.

The Human Resources Committee and the Investment Committee each met once in the 2013 financial year. The Audit Committee met five times during the reporting period. The Nomination Committee did not need to meet in 2013.

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 2013 financial year.

The implementation of the German Corporate Governance Code at telegate AG was the subject of the meeting of 11 December 2013. 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 2013 annual and consolidated financial statements

On 27 August 2013, 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 2013 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich (PWC). The consolidated financial statements for the period from 01 January to 31 December 2013 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 2013.

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 12 March 2014. 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 business performance but also in view of the company's solid liquidity position, 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 2013 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 2013 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 the Management Board's proposal regarding the appropriation of profits for 2013.

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 2014

Jürgen von Kuczkowski
Chairman of the Supervisory Board

Investor relations

Capital market environment

After a successful year in 2012, the financial and capital markets also turned in a positive performance in 2013. The global equity markets all recorded strong price gains and were supported by cheap money and more than ample liquidity throughout the year. In Europe, the upturn on the equity markets was driven by the end of the long recession and the extensive recovery from the sovereign debt crisis.

In Germany, the DAX exceeded the 8,000-point mark in March and reached a level of more than 8,500 in May, before experiencing a brief downturn to end June below 7,700. Germany's leading index then rose sharply in the second half of the year and reached its high for the year of nearly 9,600 just before the end of the year. With a gain of 26 percent, the DAX had an extremely successful year.

Performance of the telegate share in 2013

The telegate share matched the stable price development of its benchmark indices, the Prime All Share index and the TecDax, in the first few months of 2013. In the expectation of a high dividend, the share price rose sharply and hit a 12-month high of € 9.88 on 22 May in the run-up to the annual general meeting, which was originally scheduled for 5 June.

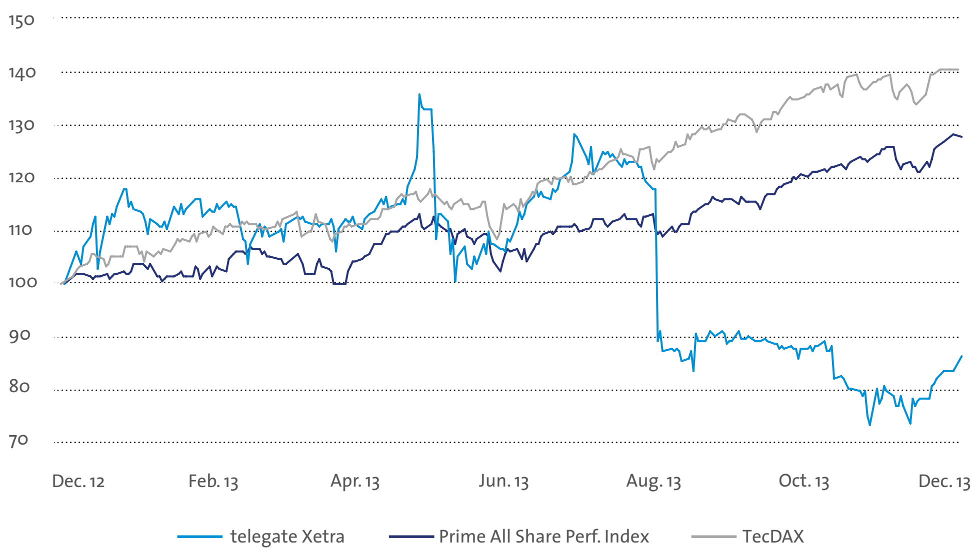
The share price then declined about 20 percent on the announcement of the postponement of the annual general meeting. The share price then largely recovered once a new date for the annual general meeting had been set for the end of August and it followed the generally positive market trend at the beginning of the second half of the year.

After payment of the dividend of € 2.00 per share on 27 August, the price fell as expected. By the end of October, the share was in a stable sideways trend and was not able to keep pace with the good performance of the markets. In the first half of November, the share went against the general market trend and lost around 10 percent of its value before recovering slightly towards the end of the year.

At the end of December, the telegate share stood at € 6.28, 14 percent below the previous year. In comparison, the Prime All Share Performance Index increased by 28 percent in the reporting period, while the TecDAX recorded an even more impressive gain of 41 percent.

In 2013, there were four analysts' calls, one on the publication of the annual financial statements for 2012, and three more on the publication of the quarterly results. In addition, numerous discussions with investors took place around the August annual general meeting and one-to-ones at the Equity Forum on 6 November. These activities were supported by regular research notes by CB Seydler.

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



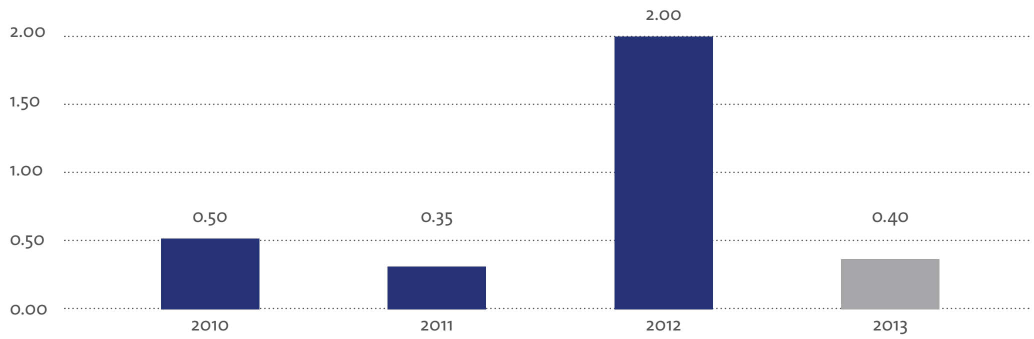
Key figures for the telegate share

		2010	2011	2012	2013
Number of shares		21,234,545	19,111,091	19,111,091	19,111,091
Share capital	EUR	21,234,545	19,111,091	19,111,091	19,111,091
Share price at year-end [1]	EUR	7.07	5.31	7.27	6.28
Highest share price [1]	EUR	11.39	9.43	7.27	9.88
Lowest share price [1]	EUR	6.18	5.31	4.99	5.35
Market capitalisation at year-end	EUR million	150.0	101.4	139.0	120.0
Earnings per share	Euro	0.21	0.18	2.46	-0.10
Dividend or proposed dividend per share	Euro	0.50	0.35	2.00	0.4
Dividend yield [2]	%	7.1	6.6	27.5	6.4

[1] *Xetra closing prices*

[2] *Based on the respective Xetra closing price*

Development of the dividend in €



Shareholder structure

As of 31 December 2013 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 25 June 2014 the distribution of a dividend of € 7.6 million for financial year 2013. This corresponds to € 0.40 per dividend-bearing share, or a dividend yield of 6.4 percent (previous year: 27.5 percent) based on the closing price at the end of the year.

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.

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

1. Economic environment and company strategy

1.1 Macroeconomic environment

The crisis-stricken countries in the euro zone made progress last year in improving their competitiveness and made a good number of the necessary adjustments to their current account balances. Coupled with the reduced uncertainty about the management of the crisis in the euro zone, this is likely to bring the recession to an end in many member countries, in spite of the need for further adjustments. The situation in Germany is even better. Domestic demand is strong, exports are thriving and even corporate investment is back on the rise. Against this background, it is expected that the economic situation in Germany will be even better in 2014 than in 2013.

1.2 Market development

1.2.1 Germany/Austria

The directory market in Germany still develops positive. And thereby especially the mobile web usage and the usage of special developed apps are further on the rise. According to a published study of vdav (Verband Deutscher Auskunfts- und Verzeichnismedien e.V.) in 2013 in respect of usage of directory inquiry and directories the amount of mobile searches in 2012 nearly doubled. The amount of searches of classic directory assistance market decreased further as expected.

With the paying customers of telegate in mind it is pleasing, that spending on online advertising increased again in 2013. We expect this trend to continue in the coming years, although with slightly slower growth rates.

This results in additional growth opportunities for telegate. telegate offers small and medium enterprises (SME) a broad range of 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 our own broad-coverage search media of the brands klicktel and 11880.com. 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 successful. Queries made from smartphones and tablets increased by more than 30 percent compared with the previous year. Due to the growing acceptance of the mobile internet and mobile devises among the population, mobile media will continue to further increase in importance as advertising channels for telegate. telegate has here a leading market position due to 2.5 million downloads of its own apps for smartphones and tablets and due to more than 150 million mobile search requests per year.

The directory assistance services can be considered a business that is largely independent of economic developments. The continuous and significant 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 market for conventional directory assistance services behind Deutsche Telekom.

1.2.2 Spain

The sale of telegate's business in Spain on June, 7th 2013 was an important step in last financial year. After telegate separated already from its French and Italian business in the past years, this sale was the last strategic step towards our focus on the German market. The focus on the home market is good an important, as that leads to tremendous chances, which we want to take advantage of with our significant increased product portfolio in the Media business.

2. Overview of the 2013 financial year

2.1 Basis of presentation

Within its Directory Assistance and Media operating segments telegate uses an efficient controlling system with a line of crucial key figures. telegate uses daily updated reporting tools to react on current operational business developments and changes of its Directory Assistance and Media business. Financially, the key performance indicators are revenues, profitability (EBITDA) and cash flow, while the key non-financial performance indicators in the Media segment are termination rate and share of 24-month contracts to draw conclusion on customer loyalty and customer satisfaction. The Directory Assistance segment is mainly controlled by the key non-financial performance indicator call volume. This is calculated as calls operated in the call centres within a certain period.

In the fourth quarter 2013, the company decided to assign the software business to the Media segment (to date part of the Directory Assistance Solutions segment). Add to this the Directory Assistance Solutions segment was renamed to Directory Assistance segment. The background to this reorganisation is the strict breakdown of revenue generation into commercial clients and digital services (-> Media segment) on the one hand and retail customers and directory assistance (-> Directory Assistance segment) on the other hand.

Similarly to the media business, the software business generates revenue almost exclusively with commercial clients (B2B). In addition, the software business is digital. Directory Assistance generates revenue mainly with end customers or retail customers; this is known as B2C. Segment reporting was revised to reflect the respective customer focus and type of services provided.

Telegate services within the segment Directory Assistance refer mainly to the directory assistance number 11880. The customer receives thereby nationwide German telephone numbers, prefixes and addresses and additional several value-add services can be used. In respect of these services the cost free sending of required information via e-mail, fax or SMS and direct connection with the required telephone number can be mentioned as example.

In the segment Media one can differentiate the product portfolio in media listing (top-listing on telegate's platforms), Google (search engine marketing / Google AdWords) and the sale of websites. The various products are offered on the market at different terms.

telegate uses the term "non-recurring items" for certain kind of costs and earnings. They refer to data costs claims and adjustment of structural costs. Structural costs are mainly related to measures in order to adjust capacity or to terminate contracts.

Due to the use of non-recurring items the comparability of profits on basis of EBITDA will be improved. The KPI EBITDA before non-recurring is an additional information regarding the profitability of the company (see below).

m€	2013	2012	Variance
Non-recurring items Group total	**2.9**	**-51.7**	**54.6**
thereof data costs	-0.2	-55.7	55.5
thereof structural costs	3.1	4.1	-1.0
thereof structural costs Media	1.9	1.9	0.0
thereof structural costs DA	1.2	2.2	-1.0

Financial key figures

Revenue:
In both the Directory Assistance and Media segments, one of the main key performance indicators for operations is revenue.

In the Directory Assistance segment, revenue is calculated mainly as the product of call volume and price per call. The call volume is made up of calls from landlines and the networks of the mobile phone service providers, where the rates may vary depending on the network operator. Overall, telegate registers declining revenues in the Directory Assistance segment for years. This is due to the continuous decrease of volume in the Directory Assistance market. The decline in revenue has been partially offset by rising revenue per call.

In the Media segment revenues are generated in the area of new customers and existing customers. The basis for sustainable revenue growth is an efficient sales team in new customer business and a focus in customer retention management on customer loyalty. Within the Media segment, the main distinction made is between the products media listing (top-listing on telegate's platforms), Google (search engine marketing / Google AdWords) and the sale of websites. The various products are offered on the market at different terms.

Profitability (EBITDA):
The main key figure used by the company to control profitability is EBITDA (earnings before interest, taxes, depreciation and amortisation). telegate uses this key indicator to control segment profitability in both the Directory Assistance and Media segments. The objective of this performance indicator is to make it possible to evaluate the operational performance of the segments independent of factors that are not directly related to operations such as amortisation/depreciation, financing and tax issues in order to maximise financial performance. For better comparability, the key indicator is usually adjusted for non-recurring effects.

Net cash flow:
The net cash flow represents net cash inflow generated from operations during a period. The consideration of this indicator makes it possible to evaluate the company's financial health. It shows the degree to which a company is able to use its revenue process to generate the cash required to maintain the value of the assets in its statement of financial position and to make investments for expansion. With the help of this information telegate is able to optimise its cash flows and financial position.

The Net cash flow is calculated as operating cash flow + cash flow from investing activities +/- interest expenses, adjusted by data cost claims, costs related to the tax audit, short term assets and so far not paid out Seat dividend.

Non-financial key figures

Termination rate and share of 24-month contracts as key indicators to measure customer loyalty and satisfaction in the Media segment
A high level of customer loyalty and satisfaction is of particular importance for the development of the Media business. This basically involves making use of a customer support concept to establish a long and sustainable relationship between the customer and the company. This ensures future revenues, it generates high profit margins and increases the profitability of the Media segment.

The main quantifiable key indicator relating to customer loyalty and satisfaction are termination rate and the number of 24-month contracts instead of 12-month contract period concluded in new business. Termination rate is defined as number of contract terminations in a period in relation to existing contracts of the previous year period.

Call volume in the Directory Assistance segment

Reason for the continuous and significant market decline in Directory Assistance that has been observed for many years now is attributable to the shift in consumer usage behaviour towards the digital acquisition of information. This makes it even more important for telegate to make an accurate prediction of the development of call volume. Telegate has an efficient reporting system, proven forecast models and many years of data. In addition to a reliable estimation of the expected revenues, information about call volume is also particularly important in planning staffing levels in the call centres.

Employee satisfaction

Sustainable economic success of a company is in the view of telegate inseparably connected with a high degree on employee satisfaction. Thereby the recruiting of highly qualified new employees is as important as development and promotion of existing staff.

On this background telegate undertakes regularly company-wide employee surveys. The result of this is the so called HEI (Happy Employee Index), which indicates the overall satisfaction of telegate group's staff. The thereof derived measures and action items contribute in a not immaterial amount to lead telegate successful into the future.

2.2 Course of business

In the financial year 2013 we mainly achieved the targets. The guidance in respect of group performance (EBITDA[1] before non-recurring effects) communicated in March 2013 has been achieved. The profitability of the Media segment improved significantly, thus the forecasted break-even point has been achieved in the fourth quarter. On the contrary the target of a positive net cash flow has not been achieved due to unexpected high Capex expenditures. All targets in respect of non-financial key figures have been achieved. A further reduction of termination rate and an increase of the share of 24-month contracts have been registered in the Media business in 2013. There was a further decline in the directory assistance business as expected. The projection in that respect, that the lower call volume can be partly compensated by higher revenue per caller, has been achieved as well.

Consolidated revenue declined by 16 percent in the financial year, from € 86.6 million to € 72.3 million, due to continuing market decline in the directory assistance business. The downward trend in caller volume in the directory assistance business continued as expected, resulting in a revenue decrease of 24 percent year-on-year, from € 48.8 million to € 37.0 million. Revenues in the Media business fell by 7 percent year-on-year, from € 37.8 million to € 35.3 million. According to IFRS Standards Media Revenues are being deferred (via total contract duration). This decline 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 significantly by 79 percent. Even though Media results clearly improved, the EBITDA before non-recurring items was negative by € -0.6 million (previous year: € -2.7 million).

1 EBITDA is defined as earnings before interest, taxes, depreciation and amortisation

The Media business now accounts for 49 percent of consolidated revenue (previous year: 44 percent). As noted above, in the fourth quarter the software business was retroactively reclassified from the Directory Assistance segment to the Media segment for the whole year. The resulting effect on revenues amounted to € 3.4 million in 2013 (previous year: € 4.0 million), the effect on earnings (EBITDA) amounted to € 2.7 million (previous year: € 3.3 million).

Consolidated EBITDA including non-recurring effects totalled € 7.6 million in the last financial year, compared to € 65.3 million in the previous year. Due to a changed definition of EBITDA (in contrast to prior year, depreciation on intangible assets from capitalized sales commission are included in the 2013 EBITDA calculation) as well as the sale of the Spanish business of telegate the previous year`s figures were adjusted accordingly. The EBITDA of the Spanish Segment amounted to € 1.2 million in the previous year. Last year`s projection of the Spanish business included an EBITDA before non-recurring items for 2013 in the amount of € 1.0 million.

Reasons for the high deviation basically are proceeds from data cost litigation in the previous year. Adjusted for non-recurring effects, EBITDA amounts to € 10.5 million, corresponding to a decline of € 3.1 million compared with the previous year (previous year: € 13.6 million). Non-recurring effects in the last financial year amounted to € -2.9 million. This is the result of € 0.2 million in income in connection with the data cost litigation and € 3.1 million expense for structural cost adjustments. The non-recurring effects in 2012 were significantly positive and totalled € 51.7 million. These include positive non-recurring effects from the data cost litigation totalling € 55.7 million, and an expense of € 4.1 million relating to the adjustment of structural costs.

Cash and cash equivalents and available for sale financial assets declined from € 93.2 million to € 40.1 million in the last financial year due to the dividend payment in the amount of € 38.2 million and due to tax payments in respect of the succeeded data cost claims. Net cash flow, adjusted for the effect of data cost litigation and expenses resulting from the tax audit, totalled € -2.8 million (previous year: € 1.2 million) due to high Capital expenditure.

The focus in 2013 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 directory assistance business. We succeeded not only in increasing sales efficiency but also in 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 30 percent increase in the number of mobile search queries compared with the previous year.

In the Directory Assistance segment, we were able to partially compensate for the market-related decline in business by providing the best possible customer service and making further capacity adjustments. The consolidation of the Stralsund call centre with the call centres in Rostock and Neubrandenburg was another necessary step to optimise capacity costs.

3. Financial situation

3.1 Financial performance

3.1.1 Business development in 2013 compared with the 2013 outlook (in the 2012 annual report)
In the last financial year, the telegate group recorded a decline in revenues of 16 percent, which is in the range of the forecast in the Outlook section of the 2012 Annual Report of a drop of 15-20 percent.

In terms of profitability, we expected an EBITDA before non-recurring effects of between € 8 and 10 million. Since telegate began capitalising the cost of acquiring new customers in accordance with international accounting rules at the beginning of the year and now amortises this cost over the term of the contracts, the earnings forecast was raised to € 11-13 million due to this change in accounting. Added to this is the sale of the Spain business in June 2013, for which a contribution to earnings of € 1 million was planned. The overall result is an adjusted earnings forecast of € 10-12 million for 2013. The forecast was confirmed by our EBITDA before non-recurring effects of € 10.5 million.

For the Media segment, we expected to reach the break-even point during the financial year. This expectation was met with our EBITDA before non-recurring effects of € 0.2 million in the fourth quarter of 2013. For the whole year the EBITDA before non-recurring items reached minus € 0.6 million (previous year: minus € 2.7 million).

In addition, we expected to generate a positive net cash flow in 2013. Due to various non-recurring effects, this goal could not be achieved, and the actual net cash flow was € -2.8 million. This was due primarily to the bringing forward of payments related to the technology conversion in the directory assistance business from 2014 to 2013.

With regard to non-financial key performance indicators in the Media segment we expected a significant increase in the number of 24-month contracts concluded. The planned increase was realised with a rise of 67 percent in 2013 versus 41 percent in 2012. The termination rate was expected to decrease from 40 percent in 2012 to an average of 30 percent in 2013. The actual level of 32 percent in 2013 was close to the projected figure.

In the Directory Assistance segment, a further decline in the call volume was expected. In order to at least partially counter this effect a slight increase in revenue per caller was assumed. This goal was achieved with an average value of € 3.11 per caller during the past financial year (2012 actual: € 2.97 per caller).

3.1.2 Segment report

3.1.2.1 Germany/Austria

Overall, telegate can look back on a satisfactory financial year and, with a series of measures, the company is laying the foundations for a successful future in the Media division. At the core of this is the improvement in the financial performance by achieving break-even during the 2013 financial year.

The structural and comprehensive procedural and organisational changes in sales and existing customer management implemented two years ago are now bearing fruit and will serve as the foundation for improving customer loyalty in the coming years. A new procedure for website products, media listing and Google AdWords campaigns has been established under which new customers are handled exclusively by the sales employee who was also responsible for the signing of the contract. This ensures that the product meets the customer’s expectations.

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 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 fell to an average of 32 percent in the 2013 financial year. This means an average improvement of around 21 percent within one year.

Actions taken in the area of coverage and traffic in 2013 include the entry into a partnership with globally successful app provider AroundMe. Businesses partnering with telegate are now able to present current offers, discounts and promotions via the mobile apps 11880.com and klicktel.de as well as AroundMe, the world’s most frequently used location-aware mobile app.

We were also pleased to conclude a cooperation agreement with the well-known information portal Cylex. Telegate’s advertising customer benefit in particular of this cooperation. Due to the top listing of their listings in the directory of Cylex they will now be found even better by potential customer. This is valid especially for searches via the big search engines like Google as the Cylex portal is very good search engine optimised and often appears among the initial hits in Google searches. We are confident that these partnerships will lead to a further coverage and therefore a further improvement in customer loyalty.

Revenue in the Media division decreased by 7 percent year-on-year, from € 37.8 million to € 35.3 million. Higher sales efficiency and improved customer loyalty largely compensated for reduced sales capacities in this context. The cost savings achieved in 2013 were significant. Higher profit margins due to a smaller but more efficient sales organisation and the substantial reduction in operating costs for personnel and advertising significant improved the profitability of the Media division. The Media division reached break-even for the first time in the fourth quarter of the financial year just ended. Earnings (EBITDA before non-recurring effects) increased by 79 percent, from € -2.7 million in the previous year to € -0.6 million in the past financial year.

The directory assistance market has been on the decline for years, and 2013 was no different, with yet another significant drop in caller volume (-27 percent compared to previous year). Due to the now limited possibilities to increase revenue per caller, the decline in caller volume was only offset slightly on the revenue side. In the past financial year revenue amounted to € 37.0 million, which is down 24 percent compared with the previous year (previous year: € 48.8 million). In order to at least partly compensate for the decline in revenue, efforts were mainly focused on further optimising capacity costs. EBITDA (adjusted for non-recurring effects) decreased by 32 percent, from € 16.4 million to € 11.1 million.

Total revenue from the Germany/Austria segment fell by 16 percent to € 72.3 million (previous year: € 86.6 million). Fortunately, the cost situation is 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. In absolute figures EBITDA before non-recurring effects thus decreased by € 3.2 million, from € 13.7 million to € 10.5 million.

3.1.2.2 Spain

As said above, telegate AG disposed of its Spanish business with effect from 7 June 2013.

Prior to the disposal date, the Spain segment generated revenues of € 1.9 million and EBITDA of € 0.7 million in 2013. In the full 2012 financial year, revenues totalled € 6.1 million and EBITDA amounted to € 1.1 million. In the context of the deconsolidation the values on a Group level were adjusted accordingly.

3.1.3 Group

Revenues in the telegate group declined by 16 percent in the past financial year to € 72.3 million (previous year: € 86.6 million). The share of the Media business in total revenue increased from 44 percent in the previous year to 49 percent.

Cost of revenues including non-recurring effects again declined significantly, by 16 percent from € 39.5 million to € 33.2 million. The most important factor here is lower personnel costs in the Directory Assistance segment due to the further reduction in capacity. Adjusted for non-recurring effects, costs were reduced by € 3.9 million or 11 percent to € 32.5 million (previous year: € 36.4 million).

Savings of € 11.6 million, or a reduction of 28 percent to € 30.0 million, were achieved in the area of selling and distribution costs, including non-recurring effects (previous year: € 41.6 million). This is mainly the result of the further reduction of sales capacities in the Media segment as well as the reduction of marketing expenses. Excluding non-recurring effects, selling and distribution costs stood at € 28.8 million, a cost saving of 27 percent (previous year: € 39.6 million).

General administrative expenses including non-recurring effects decreased by 19 percent in 2013, from € 15.1 million to € 12.3 million. Adjusting for non-recurring effects results in a reduction of 5 percent from € 11.5 million to € 10.9 million.

The item Other operating income and expenses, including non-recurring effects, amounted to € -0.3 million last year. This figure amounted to € -60.1 million the previous year and related mainly to earnings due to proceeds from data cost litigation. The figure in 2013, adjusted for non-recurring effects, was € 0.0 million (previous year: € 0.3 million). The total basis of fixed costs has been further reduced by 10 percent in the last year.

Consolidated EBITDA including non-recurring effects totalled € 7.6 million for the last financial year, compared to € 65.3 million in the previous year. This significant deviation is due to the high proceeds from data cost litigation from the previous year. Adjusted for non-recurring effects, EBITDA amounts to € 10.5 million – 23 percent less than the previous year (previous year: € 13.6 million). Non-recurring effects totalled € 2.9 million in 2013 (previous year: € -51.7 million). These include non-recurring effects from structural cost adjustments of € 3.1 million (previous year: € 4.1 million) plus proceeds from data cost litigation of € 0.2 million (previous year: € 55.7 million).

Net financial income was € 0.0 million in 2013, compared to € 23.1 million in the previous year. Last year's results include interest income from the successful data cost litigation in the amount of € 23.5 million and interest income from fixed-term deposits amounting to € 0.4 million. On the other hand there are interest expenditure in the amount of € 0.9 million.

In 2013 income tax is € 0.9 m€ (previous year: tax expense of € 26.7 million). Income tax is the result of usage of loss carry back, reversal of tax accruals and higher deferred taxes. The high tax expense in the previous year is mainly related with proceeds from the data cost litigation.

The net income decreased from € 47.1 million (€ 2.46 per share) to € -2.0 million (€ -0.10 per share).

3.2 Financial position and cash flows

3.2.1 Capital expenditures

Capital expenditures at the group level amounted to € 7.9 million in the past financial year and were thus € 1.0 million higher compared with the previous year's figure of € 6.9 million. The technology conversion in the Directory Assistance segment, the largest investment project in recent years, was successfully completed in 2013. No major projects are planned for 2014, so the investment budget will be significantly lower than in 2013.

Capital expenditures of € 3.5 million were incurred in the Directory Assistance segment last year (previous year: € 5.6 million). Most of this was the result of the conversion of the technology in Directory Assistance to a state-of-the-art IP-enabled system. In addition, there were purchases for the modernisation of call centre workstations and investment in IT infrastructure.

In the Media segment, capital expenditures totalling € 4.3 million were made (previous year: € 1.4 million). These capital expenditures included € 2.2 million associated with hardware replacement and further developments of the CRM system, the relaunch of the web portals "11880.com" and "klicktel.de" and investments in IT infrastructure (previous year: € 1.4 million). This figure also includes capitalised sales commission of € 2.2 million (previous year: € 0.0 million) arising from the sale of 24-month contracts.

Investment at the Spanish subsidiary which was sold in June 2013 amounted to € 0.1 million (previous year: € 0.2 million).

There is an investment obligation related to the conversion of technology in Directory Assistance of € 0.5 million on 31st of December 2013. This investment obligation can be covered by own liquidity due to the sufficient capital facilities. Same applies also for all other investments, which will occur in 2014.

3.2.2 Statement of financial position

The telegate group's total assets decreased significantly from € 144.1 million to € 105.3 million as of 31 December 2013.

On the asset side current assets fell from € 118.6 million to € 80.3 million. This is mainly due to the decrease in cash and cash equivalents resulting from the dividend distribution in August 2013. Furthermore cash was invested in liquid fonds that are shown in the position Available for sale financial assets. The cash holdings yield interest at the level of variable interest rates of daily available deposits. The company has got credit facilities, which were rarely used, in the amount of € 3.0 million (2012: € 3.0 million) on 31st of December 2013.

Trade accounts receivable decreased by € 3.1 million to € 13.2 million, which is mainly attributable to the declining traditional directory assistance business and thus to the lower level of revenue (previous year: € 16.3 million). Cash and cash equivalents as well as short term deposits are solely invested with German banks of a high reputation and which are rated with an investment grade by international rating agencies.

On the reporting date 31 December 2013, telegate was invested in liquid money market funds in the amount of € 30.1 million, which are reported as available for sale financial assets (previous year: € 0.0 million).

Other financial assets in the amount of € 24.6 million mainly include an investment made in favour of Seat Pagine Gialle Italia S.p.A. and Telegate Holding GmbH in the amount of € 24.2 million. This is an obligation of telegate AG for the so far not paid out Seat Dividend for the past financial year.

Other current assets fell from € 7.9 million to € 2.0 million. The decrease is primarily related to the reimbursement of court costs and attorney fees, which telegate had claimed as part of the data cost litigation against Deutsche Telekom.

Liabilities increased slightly to € 44.8 million (previous year: € 43.0 million).

Current liabilities rose from € 38.5 million to € 40.3 million as a result of some countervailing effects. The accrued non-current liabilities decreased from € 16.2 million to € 9.5 million due to payments resulting from data cost litigation. The conclusion of the tax audit of telegate resulted in a reduction in income tax liabilities from € 12.1 million to € 1.3 million. Other financial liabilities in the amount of € 24.2 million include dividends payable to Seat Pagine Gialle Italia S.p.A. and Telegate Holding GmbH (previous year: € 0.0 million). telegate has no relevant long-term liabilities, no liabilities in foreign currency and no bank loans.

Shareholders' equity declined by € 40.1 million year-on-year to € 60.9 million (previous year: € 101.1 million). This is due to the reduction in retained earnings from € 45.7 million to € 9.7 million. This is primarily related to the dividend distribution made in August 2013. On 31 December 2013, the equity ratio was 57.9 percent (31 December 2012: 70.2 percent).

3.2.3 Cash flow & financing

3.2.3.1 General

telegate's financial management ensures, that the group is at all times able to meet its payment obligations and at the same time to realise an adequate yield from deposits of the excessive liquidity.

As telegate had a very large supply of cash and cash equivalents as of 31 December 2013, due particularly to the cash flow from data cost litigation in the previous year, it was able to cover every cash requirement that arose during the financial year with its own funds.

In respect of investing the excessive liquidity telegate generally follows a low-risk and conservative deposit strategy to minimise the risk of losses as possible. Short term deposits are of different duration, which depends on the liquidity need of the group, have a range from one day to three month and are yield with the valid interest at the time. On 31st of December 2013 the cash items are deposits with a fixed duration of up to three month or cash accounts of German banks.

The dividend policy of telegate is linked to our treasury strategy. In the interest of all stakeholders we follow a continuing dividend policy, which participate our shareholder adequately in the business success. Thereby the amount of dividend takes into account our financial objectives, especially the coverage of a solid financial basis to execute the company strategy.

The development of liquidity in the past financial year was mainly characterised by declining income from operations and the cash outflow due to the dividend distribution in August.

Cash flow from operations in the past financial year amounted to € -5.6 million, compared to € 41.6 million in the previous year. Adjusted for cash effects of € 11.5 million from data cost litigation (previous year: € 36.2 million) and the tax audit, cash flow from operations was € 5.9 million, as against € 5.4 million in the previous year.

Cash flow from investing activities amounted to € -62.8 million compared to € 19.4 million in the previous year. Here, net cash of € 30.0 million (the balance of the items “Purchases of available for sale financial assets” and “Proceeds from sale of available for sale financial assets”) was used in 2013 to acquire fixed-income securities with very good credit ratings (investment in short-term near money-market funds with a term of two days). On the other hand € 24.2 million was reported under current fixed-term deposits. This relates to the according to legal agreement outstanding dividend payable to Seat Pagine Gialle Italia S.p.A. for the 2012 financial year. The previous year’s results include interest income totalling € 23.9 million (2013: € 0.1 million). Thereof € 23.5 million are related to data cost litigation (2013: € 0.0 million).

Adjusted for the acquisition of fixed-term deposits, financial assets and non-recurring items from data cost claims, the cash flow from investing activities amounted to € -8.7 million (previous year: € -4.2 million). The higher expenditure compared with the previous year mainly results from the cash outflow for modernising the infrastructure in directory assistance services, and the reporting of capitalised sales commission arising from the sale of 24-month contracts in the Media division. This contrasts with an inflow of cash of € 1.0 million from the sale of the Spanish operations in June 2013.

Cash flow from financing activities amounted to € -14.9 million in 2013 (previous year: € -6.7 million). For 2013, dividend payments of € 14.0 million have been taken into account (previous year: € 6.7 million). These consist of a net dividend for the shares, which belong to free float and of tax payments related to the dividend of Seat, which was not paid yet in the amount of € 24.2 million and which is reported in the item “acquisition of short term deposits”. The tax audit resulted in interest payments in the amount of € 0.9 million in 2013 (previous year: € 0.0 million).

Net cash flow is calculated as cash flow from operations + cash flow from investing activities +/- interest income/expense. In the last year the Net cash flow amounted to € -69.3 million, compared to € 60.9 million in the previous year. The adjusted Net cash flow does not include data cost effects, expenses related to the tax audit and the so far not paid Seat dividend. The adjusted Net cash flow of last year amounted to € -2.8 million, compared to € 1.2 million in the previous year.

Cash and cash equivalents and available for sale financial assets totalled € 40.1 million on 31 December 2013 (31 December 2012: € 93.3 million). The cash available for the outstanding dividend payment to Seat is not reflected in this item. Cash and cash equivalents are not restricted. The financial assets available for sale (short term cash items) can be withdrawn with a notice of two working days and are therefore available without any restriction.

3.2.3.2 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 € 11.5 million for the past financial year (previous year: € 47.8 million).

The Management Board recommended to the annual general meeting to distribute dividends in the amount of EUR 7.6 million in 2014 for financial year 2013 in a resolution dated 04 March 2014; this distribution has not yet been recognised as a liability as of 31 December 2013. This corresponds to a dividend of EUR 0.40 per no-par value share. Approval on the part of the Supervisory Board is still pending.

3.2.4 Acquisitions & divestments / Changes in the basis of consolidation

Effective 7 June 2013, the two wholly-owned Spanish subsidiaries, 11811 Nueva Information Telefonica S.A.U. and 11850 Guias S.L.U., were sold.

4. Report on post-balance sheet date events

No reportable events of particular significance occurred between the end of the financial year up until the time of preparation of this management report.

5. Research and development

As a service provider, telegate does not carry out basic research in the original sense, therefore costs for research are not reported. However, development cost from internal projects of software development in respect of modernisation of both the businesses of Directory Assistance and Media are capitalised. Telegate has got for this topic an own development department located in Essen and a team of software experts in Armenia. The average number of personnel is 25 and did not change fundamentally compared to previous year. Business activities contain the programming of applications, development and maintenance of the online yellow-pages “klicktel.de” and “11880.com” as well as the development of the operator interface in the DA business. The capitalisation of intangible assets amounted to € 1.6 million in the last year (previous year: € 0.5 million).

6. 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 2013. And the results are again promising. The HEI (Happy Employee Index), a company-wide key figure to measure overall satisfaction of the employees has increase in last year from 2.0 to 1.8. The results of this survey proof, that employee of telegate are more satisfied than in previous year, have an increased awareness for the company and for their possibilities to actively participate. Target for HEI in 2014 is a value of 2.0.

As of 31 December 2013 telegate had 1,072 employees group-wide (headcount; excluding trainees, “mini-jobs” and dormant employment contracts) – 202 less than a year ago (previous year: 1,274). This decline in numbers is largely due to a further, volume-related capacity reduction in the directory assistance business. 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.

7. Opportunity and risk management

7.1 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. Both 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'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 within the budget process and rolling forecasts by the person responsible for planning in the group's controlling department.

The telegate group's opportunity and risk management system is regularly reviewed for its efficiency and fitness for purpose. The Board will be informed regularly in regard to the risk situation of the telegate Group. Additionally the Board will be informed about single risks that are classified in the risk analysis as "high", "very high" and "extremely high". Furthermore the risk management system is supervised by the Audit Committee of the Supervisory Board.

If any potential for improvement is identified, this is reported to the Management Board and according measures are implemented.

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

In order to ensure responsible handling of any risks, the company has a Compliance Committee. 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.

7.2 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). Add to this the internal audit proofs subjects, which are determined by the audit committee and the management board. 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. For this reason monthly meetings of the responsible Managers take place, while there all relevant KPIs of the business are discussed.

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. Accounting relevant information are exchanged continually between the head of controlling and accounting as well as reported to the CFO in regular meetings.

The dual control principle is also applied for important transactions, such as purchasing, invoices/payment runs, for example. This principle comprises that no single person alone is responsible for a process. Furthermore qualified staff has to work on the process in order to recognise and avoid deviations and problems of control. 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, Personnel or the Legal Affairs department, and are also documented centrally. A typical example of this is the centralised approval of capital expenditures.

The ICS is supported by IT systems that are regularly checked for their efficiency. IT systems used in accounting are standard software to the extent possible. These systems are protected against unauthorised access by appropriate security and authorisation 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, makes 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.

7.3 Group-wide opportunities

In order to evaluate the potential of opportunities, the single opportunities are classified in regard to probability of occurrence and their impact on our company targets as “extremely high”, “very high”, “high”, “medium” and “low”.

Actions for damages against Telekom Deutschland GmbH (formerly Deutsche Telekom AG)
The lengthy legal proceedings with Telekom Deutschland GmbH concerning abusively over-priced data charges concluded with a ruling in telegate’s favour in the 2012 financial year. Based on this ruling, we see a medium high chance that the subsequent action for damages of telegate AG for lost profits to the sum up to € 86 million will also be decided in our favour. The maximum compensation to date was previously € 110 million, reduced, however, as a result of telegate Media AG losing its suit before the Düsseldorf Higher Regional Court on 13 November 2013). Setting as well as statement of claim of telegate AG differs significantly of that of telegate Media AG. The rejection of the claim of telegate Media AG by the OLG does not allow any conclusion on the success probability of the claim of telegate AG. No reliable projection can be made at this point of time regarding the duration of these legal disputes. The company, however, does not expect a final decision on these proceedings in the financial year 2014.

Market development in the Media division
A 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, and that mobile Internet search is becoming an increasingly favoured option. With around 350 million commercial search queries in 2013, telegate has secured an excellent position for itself in this market with its “klicktel” and “11880” online directories.

This large number of search queries with commercial context is a key asset for telegate when selling online ad products to SMEs. With its products for website creation, the sale of prominently-placed advertisements and the adoption of search engine optimisation measures, telegate has transformed itself into one of the largest providers of all-in-one services for regional online advertising for SME in Germany.

Should Media sales efficiency and/or productivity perform 10 percent better than expected, this would produce an increase in revenue of approx. € 0.7 million in the first year. Conversely, should sales productivity perform less well than expected, this would constitute a risk of the same magnitude. We here see a chance with a probability of the category “medium”.

Termination rate development in the Media division

Due to structural process and organisational changes, customer base management in the Media business has shown continued improvement over the last few years. Increased customer satisfaction and its effects on customer loyalty has enabled successive reductions to the termination rate.

Should we make greater progress in customer satisfaction – and therefore in customer loyalty – than planned, this would translate into positive effects for our sales trends. If the termination rate trend were to show a 10 percent improvement over the plan value, this would translate to additional revenues of € 0.6 million. Conversely, an unexpected rise in the termination rate would constitute a risk of the same magnitude. We here see a chance with a probability of the category "medium".

Market development in the directory assistance business

Due to the change in media usage from traditional to digital media, the directory assistance market has been on the decline for many years. This negative trend in caller volume has been accounted for in the 2014 business plan. There is, nonetheless, a chance – however small – that the market will shrink to a lesser degree than expected. This would have a positive effect on the caller volume trend and hence on revenues.

Should telegate's caller volume of directory assistance shrink by 1 percent less than expected, this would translate to a positive effect on revenues of € 0.4 million. Conversely, should caller volume shrink more rapidly than expected, this would constitute a risk of the same magnitude. Due to the continuously dropping call volume the value of the chance decreased accordingly.

Description of chances in a summary

All in all the number of chances of telegate decreased compared to previous year mainly due to the loss of the data cost compensation claims of telegate Media AG. From an operational perspective there is no fundamental change of chances.

The current biggest chance for telegate group is related to successful development of the damage claims against Deutschen Telekom. Also telegate is very confident about the outcome a possible success has to be seen in the timing context. I.e. concrete, that we do not see a final ruling in this claim in the near future. Therefore a potential success is not part of the business plan.

Chances of a better as expected market development are as described limited and therefore play a secondary role.

7.4 Group-wide risks

In order to evaluate the potential of the risks, the single risks are classified in regard to probability of occurrence and their impact on our company targets as "extremely high", "very high", "high", "medium" and "low".

Legal risks in the Directory Assistance segment

telegate plans to achieve savings in structural costs of total around € 2.5 million in 2014. Based on today's knowledge, there is a rather limited risk in our view that these cost savings cannot be implemented at all or only to a limited extent. We assume a low probability that the company is able to implement only 50 percent of the cost savings. This would correspond to lost income of around € 1.25 million. Due to the strong market decline in the DA business the group profitability decreased accordingly during past years. In order to limit the drop of profitability, cost saving measures get more and more important.

Legal risks in the Directory Assistance segment
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.

Further lawsuits initiated by Telekom Deutschland GmbH for subsequent payment of data costs are still pending in this connection. The probability of case of damage is currently classified as “high”. Should Telekom Deutschland GmbH prevail, we estimate the impact on company earnings to be € 0.6 million. The situation of risk improved compared to previous year.

Communications risk in the Directory Assistance and Media segments
In a worst-case scenario, the internal checks and measures at telegate designed to prevent the unauthorised publication of confidential information could prove inadequate. As a result, information could enter the public domain inadvertently or prematurely. Such information could include details about our strategy, about mergers and takeovers or unpublished financial results.

Furthermore, telegate manages its sales activities respectively customer contacts in the Media division mainly in outbound. As a result, there is a risk of negative media coverage, among others in social networks, which could lead to damage to the company’s reputation.

To protect confidential information, telegate has implemented a series of precautions, which are also anchored within the structure of our corporate processes and organisation. These include mandatory security training for all employees, standards for secure internal and external communication (including external Media sales communications), and technical security measures related to our company-wide communication channels.

While we believe the risk to be low, we estimate that a security breach would impact company earnings by € 1.0 million for the Directory Assistance division and € 0.9 million for the Media division.

Regulatory risk in the Media division
telegate uses outbound telesales to sell some media products. This sales channel is in line with current legislation. While we estimate the risk to be low, we nonetheless appreciate that the legislature may act to further restrict activities in contacts to B2B customer via phone. telegate’s legal department is closely involved with this subject and is working on counteracting this risk.

We estimate the impact of further regulation on company earnings to be € 0.9 million. The situation of risk did not change compared to previous year.

Financial and liquidity risks in the Directory Assistance and Media segments
In the Media business as well as in our Directory Assistance business we see a low risk of bad debts.

Due to the growing importance of our media business, the aim is to minimise this counterparty credit risk as much as possible. Overdue receivable are therefore handed over to a collection company after completion of a multi-level dunning process. A portion of the overdue receivable has already been written down when it is handed over to the collection company. A further portion of the receivable is written off after it has been in the collection process for more than one year. If there is no receipt of payment within the second year, the receivable is fully written off. The debt collection process is reviewed at regular intervals and continuously optimised. The ratio of bad debt losses in the media business was thus halved in the last two years.

In the Media division, there is a risk that the future volume of bad debt is greater than expected. If the bad debt quota were to rise by 10 percent, this would impact company earnings by € 0.2 million (previous year: € 0.2 million).

In the Directory Assistance division, there is also a risk of bad debt arising from customer non-payment. By drawing on our many years of experience, the company is, however, very competent in forecasting this level of bad debt. Nonetheless, there is a very low risk that the volume of bad debt will exceed the volume planned. If the quota were to rise by 10 percent, we estimate the impact on company earnings to be € 0.03 million (previous year: € 0.04 million).

Regulatory risk in the Directory Assistance division

The business activities of the telegate group depend to an extent on the decisions of legislators and regulatory authorities. These also include the rules on the assignment of telephone numbers. 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.

While we estimate the risk to be very low, it is possible that numbers assigned to telegate could be withdrawn. In the event of this happening, we estimate the impact on company earnings to be € 0.3 million. The situation of risk did not change compared to previous year.

Overall summary of the risk position

Due to the audit performed at telegate AG in 2012 and the associated elimination of a number of tax risks, telegate's overall risk position has improved significantly compared to the previous financial year.

We believe the greatest challenges facing our group to be as discussed above, i.e. primarily due to legal disputes with Telekom Deutschland GmbH to recover data charges, and to a group-wide communications risk in the context of the unauthorised publication of confidential data, together with a negative public image resulting from outbound sales in our media business.

At present, no risks have been identified that, severally or together, could threaten the continued existence of our company as a going concern. We are confident that we will be able to continue to master the challenges that result from the risks as outlined above.

8. Report on expected developments

The statements made here are based on the telegate group's operations planning for the 2014 financial year, as adopted by the Management Board and Supervisory Board in December 2013. The planning is based on the objectives of the Directory Assistance and Media segments. The plan of the financial year 2014 is based on a continued group structure.

8.1 Corporate strategy

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

In the course of this strategy telegate focus consequently on the extension of its digital platforms since years. Thereby it shall also in the future rely on the long-term directory experience of the company to deliver high quality also in the new markets. Telegate adapts so to new market environment as well as changed user behaviour and therefore secures a brilliant competition position as expert and trend setter in the growth market "local search".

Directory Assistance segment

In the directory assistance business, we expect the negative trend in caller volume in Germany to continue in 2014. For 2014, we expect call volume of our directory assistance to fall by a level as the year 2013. Caller volume downturn for the 2013 financial year just ended was 27 percent.

To partially offset the effects of this downturn in revenue, we continued to work on increasing revenue per call in 2013. In 2013, these efforts resulted in an increase of € 0.14 per caller. For 2014, we assume that we will be able to maintain this level, despite negative structural effects, with appropriate product improvements.

As a result, we estimate that the Directory Assistance segment will earn revenues of € 25.5-28.5 million in 2014. In 2013, segment revenues were € 37.0 million.

In terms of the development of earnings, we plan to post EBITDA before non-recurring effects of € 6.5-7.5 million in 2014. In 2013, EBITDA before non-recurring effects amounted to € 11.1 million.

Media segment

In the Media segment, the achievement of EBITDA break-even in Q4 2013 constituted a major milestone, as communicated in the guidance for 2013. In 2014, the strategic focus here continues to be on implementing measures to significantly improve profitability, and on long-term revenue and customer growth.

In the area of new customer business, sales efficiency will continue to be improved in 2014. This will be achieved by implementing a range of measures. These are for example continuing adaption of products or adjusting the commission system as well as continuing optimisation in our sales processes. We also plan to reduce staff turnover in sales by introducing more advanced training activities.

A further measure used to boost sales success in 2013 was the downsizing of the sales team by 19 percent year-on-year. We intend to maintain this focus on our best-performing sales staff in 2014: accordingly, one can assume that further slightly downsizing of our sales team will occur, when compared to the team size for the previous year. As a result, the average sales team size in 2014 would roughly equal the size in the fourth quarter of 2013.

In existing customer business, we intend to build on the successes of the 2013 financial year. Here, two key figures are of especial importance: the termination rate and the proportion of 24-month contracts in new contract business.

In 2013, the average churn rate was 32 percent, which represented a significant year-on-year reduction of around 21 percent. For 2014, a further slightly reduction of a single digit range is planned. A range of measures are intended to achieve this result. One such measure is for customers to receive specialised support offers in the relevant phase of their contract to increase customer loyalty. In addition, optimisations, already implemented in 2013, in respect of product creation will be continued.

Another objective is to further increase the number of 24-month contracts. In the last financial year, these contracts' share of new signings was already 67 percent. For 2014, we plan to slightly further increase this proportion to just fewer than 70 percent. While this will not have a direct impact on revenues in 2014, it nonetheless has a highly positive effect in 2015 on the churn rate in the second year of the contract.

Overall, we plan for the Media segment to generate revenues in 2014 on a level of previous year. In 2013, segment revenues were € 35.3 million. In regard to not deferred revenues we assume a noticeable increase.

Turning to the development of earnings in the Media segment, we expect EBITDA before non-recurring effects in 2014 of € 0.5-1.5 million. By means of comparison, the figure for the last financial year was € -0.6 million.

telegate group
The overall situation for the telegate group may continue to be described as challenging. As before, we are facing a strong market downturn in our high-margin directory assistance business, which contributes around the half of our total revenues. To limit this downturn in terms of its effects on revenue and profits, we will continue to develop our media business while taking every step that is necessary to streamline our general cost structures.

At the group level, we plan revenues in a range of € 59.0-64.0 million in 2014. In comparison, revenues in 2013 were € 72.3 million. In terms of profitability, we anticipate EBITDA before non-recurring effects in 2014 of € 7-9 million. In comparison, EBITDA (before non-recurring effects) in 2013 were € 10.5 million.

Our most important liquidity key figure is net cash flow. In the last financial year, we posted an adjusted net cash flow of € -2.8 million. Since 2013 was burdened by a high level of expenditure for infrastructure modernisation, our objective in 2014 is to post a balanced figure for net cash flow.

8.2 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.

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

9.1 Composition of subscribed capital

As of 31 December 2013 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 2013, 19,111,091 of these shares were outstanding (previous year: 19,111,091 shares).

9.2 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.

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

As of 31 December 2013, 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.

9.4 Shares with special rights conferring powers of control

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

9.5 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.

9.6 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.

9.7 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 Article 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.

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

Pursuant to Article 2 (6) of the Articles of Association (as applicable in 2007), the Management Board was 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 served 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 and 27 May 2009. In financial year 2007, 247,500 subscription rights were issued under the stock option programme. This resulted in a decrease of the authorised 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. In addition, stock options issued were not exercised, and these expired on 30 June 2013. The authorisation to increase the share capital of telegate AG is thus no longer in force.

9.9 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 2013.

9.10 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).

10. 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.

11. 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. Therefor revenues and EBITDA before non-recurring items as well as HEI (happy employee index) were determined as main objectives – in the financial year 2013. Add to this early key performance indicators as termination ratio were determined for strategic goal of developing the Media business. 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 2013

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 2013 the compensation paid to the members of the Management Board pursuant to IAS/IFRS amounted to € 1,027 thousand (previous year: € 1,274 thousand).

Fixed salaries accounted for € 500 thousand of this amount (previous year: € 463 thousand) and bonuses for € 460 thousand (previous year: € 380 thousand). Payments in kind totalled € 36 thousand (previous year: € 49 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 € 31 thousand (previous year: € 19 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 €

	2013	2012
	(IAS/IFRS)	(IAS/IFRS)
Fixed compensation	500,000	462,813
Bonus	459,857	380,223
Special bonus	0	362,872
Compensation in kind	35,802	48,571
Pension commitment	31,027	19,255
Total without stock options	**1,026,686**	**1,273,734**
Stock options	0	0
Total including stock options	**1,026,686**	**1,273,734**

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.

In 2012, a payment of € 869 thousand was made to former members of the Management Board based on a bonus agreement from 2005 as a result of the successful data cost lawsuits.

Other regulations in respect of contract emlpoyment

In case of an early termination of the appointment determined by the company each management board is entitled to receive the agreed reimbursement for the rest of duration of the contract of employment till the regular termination date. The settlement amounts is, however, caped to maximum two year salary. If a member of the management board is recalled after the change of control of the main shareholder, the settlement cap will increase by 50%. There are no further requirements in case of a regular termination of the contract of employment.

On closing date 31 December 2013 the existing contracts of the management board has a remaining time of maturity of 6 respectively 11 month.

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 146 thousand in the 2013 financial year (previous year: EUR 147 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.

Planegg-Martinsried, 6 March 2014

The Management Board

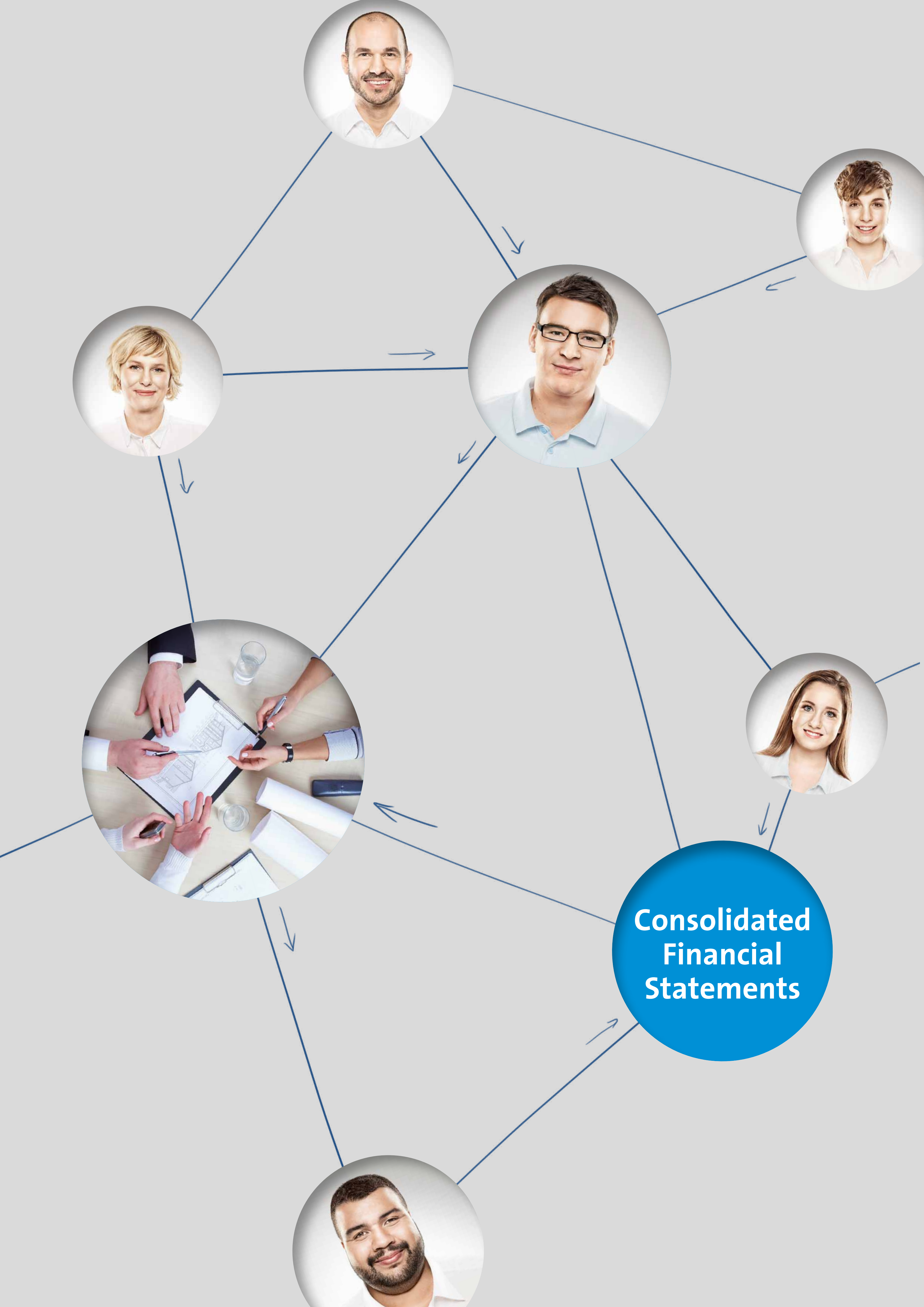
Responsibility statement

"To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group."

Planegg-Martinsried, 6 March 2014

Elio Schiavo
Management Board
Chairman

Ralf Grüßhaber
Management Board
Member


Consolidated
Financial
Statements

Consolidated Statement of Financial Position (IFRS)

Assets in kEUR	Notes	31 December 2013	31 December 2012
Current assets			
Cash and cash equivalents	20	9,950	93,250
Trade accounts receivable	21	13,158	16,266
Current tax assets	16	499	27
Available for sale financial assets	22	30,128	0
Other financial assets	23	24,570	1,162
Other current assets	24	2,035	7,926
Total current assets		**80,340**	**118,631**
Non-current assets			
Goodwill	25	6,773	6,746
Intangible assets	26	12,393	12,252
Property and equipment	27	5,729	5,952
Other financial assets	23	15	200
Other non-current assets	24	0	3
Deferred tax assets	28	0	266
Total non-current assets		**24,910**	**25,419**
Total assets		**105,250**	**144,050**

See accompanying notes to the consolidated financial statements.

Liabilities and equity in kEUR	Notes	31 December 2013	31 December 2012
Current liabilities			
Trade accounts payable	29	2,064	4,286
Accrued liabilities	30	9,502	16,171
Provisions	31	1,103	3,398
Current tax liabilities	16	1,265	12,094
Other financial liabilities	45	24,227	0
Other current liabilities	33	2,112	2,540
Total current liabilities		**40,273**	**38,489**
Non-current liabilities			
Provisions	31	374	262
Provisions for retirement benefits	34	18	0
Deferred tax liabilities	28	3,657	4,222
Total non-current liabilities		**4,049**	**4,484**
Total liabilities		**44,322**	**42,973**
Equity			
Share capital		19,111	19,111
Additional paid in capital		32,059	32,059
Other revenue reserves		0	4,236
Retained earnings		9,657	45,670
Other components of equity		101	1
Equity attributable to owners of the parent		60,928	101,077
Total equity	35	**60,928**	**101,077**
Total liabilities and equity		**105,250**	**144,050**

See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in kEUR	Notes	12-Months Report 1.1. - 31.12.2013	1.1. - 31.12.2012 *
Continuing operations			
Revenues	6	72,333	86,584
Cost of revenues	7	-33,152	-39,546
Gross profit		**39,181**	**47,038**
Selling and distribution costs	8	-30,001	-41,605
General administrative expenses	9	-12,271	-15,138
Other operating income	13	317	75,287
Other operating expense	14	-33	-15,154
Operating income (loss)		**-2,807**	**50,428**
Interest income		151	23,934
Interest expense		-149	-861
Gain (loss) from marketable securities		19	0
Gain (loss) on foreign currency translation		-1	-3
Financial income (loss)	15	**20**	**23,070**
Income (loss) before income tax		**-2,787**	**73,498**
Current income tax		305	-21,924
Deferred income tax		589	-4,735
Income tax	16	**894**	**-26,659**
Net income (loss) from continuing operations		**-1,893**	**46,839**
Discontinued operations			
Net income (loss) from discontinued operations	18	-111	233
Net income (loss)		**-2,004**	**47,072**
Attributable to:			
Owners of the parent		-2,004	47.072
Non-controlling interests		0	0
		-2,004	**47,072**
Basic and diluted earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	19	-0.10	2.46
Earnings per share for *continuing operations* - basic and diluted, for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	19	-0.10	2.45

** Amounts adjusted according to IFRS 5*
See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in kEUR	Notes	12-Months Report 1.1. - 31.12.2013	1.1. - 31.12.2012
Net income (loss)		**-2,004**	**47,072**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net		-23	0
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets, net		100	0
Foreign currency translation differences		0	2
Other comprehensive income (loss) after tax	35	**77**	**2**
Total comprehensive income (loss)		**-1,927**	**47,074**
Thereof from:			
continuing operations		-1,816	46,841
discontinued operations		-111	233
		-1,927	**47,074**
Attributable to:			
Owners of the parent		-1,927	47,074
Non-controlling interests		0	0
		-1,927	**47,074**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Shareholders Equity (IFRS)

in kEUR	Equity attributable to owners of the parent							
	Share capital	Additional paid in capital	Other revenue reserves	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
	(note 35)	(note 35)	(note 35)	(note 35)	(note 35)			
Balance at January 1, 2013	**19,111**	**32,059**	**4,236**	**45,670**	**1**	**101,077**	**0**	**101,077**
Net income (loss)	-	-	-	**-2,004**	-	**-2,004**	-	**-2,004**
Actuarial gains (losses) from pensions and similar obligations	-	-	-	-23	-	-23	-	-23
Available for sale financial assets	-	-	-	-	*100*	*100*	-	*100*
Foreign currency translation	-	-	-	-	*0*	*0*	-	*0*
Other comprehensive income (loss)	-	-	-	**-23**	**100**	**77**	-	**77**
Total comprehensive income (loss)	**0**	**0**	**0**	**-2,027**	**100**	**-1,927**	**0**	**-1,927**
Release other revenue reserves	-	-	-4,236	4,236	-	0	-	0
Dividends	-	-	-	-38,222	-	-38,222	-	-38,222
Balance at December 31, 2013	**19,111**	**32,059**	**0**	**9,657**	**101**	**60,928**	**0**	**60,928**
Balance at January 1, 2012	**19,111**	**32,059**	**24,401**	**-14,878**	**-1**	**60,692**	**0**	**60,692**
Net income (loss)	-	-	-	**47,072**	-	**47,072**	-	**47,072**
Actuarial gains (losses) from pensions and similar obligations	-	-	-	0	-	0	-	0
Available for sale financial assets	-	-	-	-	0	*0*	-	*0*
Foreign currency translation	-	-	-	-	*2*	*2*	-	*2*
Other comprehensive income (loss)	-	-	-	-	**2**	**2**		**2**
Total comprehensive income (loss)	**0**	**0**	**0**	**47,072**	**2**	**47,074**	**0**	**47,074**
Release other revenue reserves	-	-	-20,165	20,165	-	0	-	0
Dividends	-	-	-	-6,689	-	-6,689	-	-6,689
Balance at December 31, 2012	**19,111**	**32,059**	**4,236**	**45,670**	**1**	**101,077**	**0**	**101,077**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows (IFRS)

in kEUR	Notes	1.1. - 31.12.2013	1.1. - 31.12.2012
Cash flows from operating activities			
Income (loss) before income tax from continuing operations		**-2,787**	**73,498**
Income (loss) before income tax from discontinued operations		**-95**	**728**
Income (loss) before income tax		**-2,882**	**74,226**
Adjustments for:			
Amortisation and impairment of intangible assets	26	5,286	9,106
Depreciation and impairment of property and equipment	27	2,215	1,629
Depreciation of current intangible asstes[1]	24	3,028	4,501
Gain (loss) on disposal of property and equipment		6	19
Gain (loss) from goverment grants		-11	-15
Interest income		-151	-23,934
Interest expense		152	868
Gain (loss) from marketable securities	15	-19	0
Gain (loss) on foreign currency translation	15	1	3
Valuation allowance for trade accounts receivable		-653	-349
Valuation allowance for current financial asset	23	638	0
Valuation allowance for other non-current assets	24	0	300
Gain (loss) from the sale of subsidiaries		625	0
Changes in non-current provisions		14	-357
Changes in non-current other and financial assets		164	247
Operating profit before changes in operating assets and liabilities		**8,413**	**66,244**
Changes in operating assets and liabilities:			
Trade accounts receivable		2,464	3,379
Current intangible asstes[1]	24	-1,803	-4,181
Miscellaneous current assets[1]		4,242	-3,620
Trade accounts payable		-339	-245
Current provisions		-2,026	1,777
Accrued expenses and other current liabilities		-5,635	-12,714
Income taxes paid		-10,876	-9,088
Cash used in (provided by) operating activities		**-5,560**	**41,552**

1 *Beginning of the fiscal year 2013, the depreciation and changes in current intangible assets are shown seperately from current assets; the previous year was adjusted accordingly.*

See accompanying notes to the consolidated financial statements.

in kEUR	Notes	1.1. - 31.12.2013	1.1. - 31.12.2012
Cash flows from investing activities			
Purchase of intangible assets excl. sales comissions		-3,651	-2,846
Purchase of sales comissions with contract period > 1 year	26	-2,162	0
Purchase of property and equipment		-3,961	-1,747
Proceeds from sale of property and equipment		0	14
Paid subsequent purchase price adjustment	25	-27	-31
Proceeds from sale of subsidiaries	18	1,009	0
Proceeds from government grants		11	15
Purchase of current cash deposits	23/36	-24,209	0
Purchase of available for sale financial assets	22	-57,978	0
Disposal of available for sale financial assets	22/15	28,012	0
Interest received [2]		125	23,953
Cash used in (provided by) investing activities		**-62,831**	**19,358**
Cash flows from financing activities			
Dividends paid	36	-14,014	-6,689
Interest paid		-894	-16
Cash used in financing activities		**-14,908**	**-6,705**
Effect of exchange rate changes on cash and cash equivalents		**-1**	**-3**
Change in cash and cash equivalents		**-83,300**	**54,202**
Cash and cash equivalents at the beginning of reporting period		**93,250**	**39,048**
Cash and cash equivalents at the end of reporting period		**9,950**	**93,250**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period		*40,078*	*93,250*

2 For reasons of better classification the interest received is allocated in investing activities beginning of the fiscal year 2013, the previous year was adjusted accordingly.

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 2013.

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 (EUR thousand). For computational reasons, rounding differences of the mathematically exact values may occur in tables and references.

As a rule, the consolidated financial statements are prepared on a historical cost basis unless stated otherwise in note 2 Summary of significant accounting policies.

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

The consolidated financial statements and the group management report prepared as of 31 December 2013 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

The consolidated financial statements of telegate for the 2013 financial were released for publication by the Management Board on 06 March 2014.

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 – i.e. 31 December 2013 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the telegate group as of 31 December 2013 in accordance with section 313 (2) HGB (German Commercial Code):

Name	Domicile	Share in capital
telegate Media AG	Essen	100 %
WerWieWas GmbH [1]	Martinsried, municipality of Planegg	100 %
11880 telegate GmbH	Vienna, Austria	100 %
telegate LLC [2]	Yerevan, Armenia	100 %

[1] The shares in this group company are held indirectly.

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

The basis of consolidation changed as follows in the 2013 financial year compared with 31 December 2012 (see also note 5):

- Deconsolidation of the Spanish subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. (Madrid, Spain) as of 07 June 2013, see note 18.

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 or until control is effectively lost.

All material 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 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

Revenues are measured at the fair value of the consideration received or receivable. Revenues are 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, revenues, as a rule, are recognised if it can be estimated reliably. This is the case when all of the following four conditions are satisfied:

- the amount of revenues 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 presentation (offsetting of proceeds and costs) of revenues 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 presentation (costs are deducted from proceeds).

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

In accordance with IAS 18.24 (b), revenues from the Media products business (advertising sales business) are 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 realised over the term of the contract according to the provision of the service. Costs of services which are directly attributable to revenues (direct selling expenses) are recognised as intangible assets and amortised over the term of the agreement. Customers in this field of revenue are mainly small and medium-sized enterprises.

Revenues from the software business are recognised in profit or loss as of the date of the transfer of access to the software to the customer. These revenues are based on the agreements concluded with the customers on the type and volume of the respective software. This business primarily addresses 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 into euros (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 into euros using the exchange rate applicable at the date of the transaction. In accordance with IAS 21.23c, non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

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 comprehensive 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.

Defined benefit retirement plans constitute obligations of the telegate Group arising from pension entitlements and ongoing payments to current and former employees and their survivors entitled to receive such payments.

The provision for defined benefit plans shown in the statement of financial position under the item “Provision for retirement benefits” corresponds to the present value of the defined benefit obligation on the reporting date, less the fair value of the plan assets. Should the value of the plan assets exceed the corresponding pension obligations, the excess amount is shown under the item “Other non-current assets”, taking into account the asset ceiling.

The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. Demographic (e.g. fluctuation rate) and financial assumptions (e.g. 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 resulting from empirical adjustments and changes in actuarial assumptions are recognised in other comprehensive income as incurred.

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.

In accounting for defined benefit plans, all income and expenses are reported in general administrative expenses with the exception of the interest expense from additions to the provision and the expected return from the plan assets, which is reported in interest income and expense.

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 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 straight-line 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 allocated to 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.

Financial liabilities are classified

- as financial liabilities measured at amortised cost
- as financial liabilities at fair value through profit or loss

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 plus – 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 income 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 in the case of non-derivative financial assets not classifiable in any other category, 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 income 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.

Assets carried at fair value

The Group measures the fair value of an asset or liability on the basis of assumptions market participants would use when pricing an asset or liability.

telegate AG uses valuation techniques that are appropriate under the relevant circumstances and for which sufficient data is available for measuring fair value. In this process, as many as possible significant, observable inputs must be used and unobservable inputs must be kept to a minimum.

All assets and liabilities for which a fair value is determined or reported in the financial statements are classified in the fair value hierarchy described below based on the lowest level of inputs significant to the entire measurement:

- Level 1: Quoted (unadjusted) prices in active markets for identical assets and liabilities
- Level 2: Measurement parameters other than the quoted prices included in Level 1 that are nonetheless observable for the asset or liability either directly or indirectly
- Level 3: Measurement parameters for assets or liabilities not based on observable market data

On subsequent measurement, the inputs are reviewed to determine whether reclassification to a different level is necessary.

The material, unobservable Level 3 inputs are reviewed at regular intervals. Information from third parties such as pricing services and appraisers are analysed to determine whether the evidence used meets the requirements of IFRS.

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 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.

Internally generated intangible assets are regularly tested for signs of impairment up to the point of completion and carried at cost in subsequent periods.

The company only has internally generated intangible assets with a specified useful life, which are amortised using the straight-line method over their useful lives.

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 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 (prior period tax expenses or tax income, if appropriate) 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 comprehensive 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 assets and tax liabilities are shown netted in the consolidated financial statements in accordance 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 net income or loss for the period attributable to ordinary shareholders 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 net income or loss for the period attributable to ordinary shareholders 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.

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 21 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 2013, the carrying amount of the goodwill was EUR 6,773 thousand (2012: EUR 6,746 thousand); see also note 25.

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. The carrying amount was written off completely as of 31 May 2013. As a result, the carrying amount of this intangible asset on the reporting date was EUR 0 thousand (2012: EUR 441 thousand).

Intangible assets

Upon initial consolidation of telegate Media AG in 2008, customer bases for the Media and Software business 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. The useful life in the Media segment was adjusted to seven years in financial 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 extraordinary impairment loss of EUR 3,289 thousand in financial year 2012. 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 lives did not change. As of 31 December 2013, the carrying amounts of these acquired customer bases amount to EUR 3,401 thousand (2012: EUR 5,098 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 future taxable profit or there are sufficient deferred tax liabilities 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 462 thousand as of the reporting date (2012: EUR 1,123 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 41.

4. Changes in accounting policies

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 2013 financial year.

IAS 19 Employee Benefits (revised 2011)

The IASB published comprehensive amendments to IAS 19. The option to recognise actuarial gains and losses from defined benefit pension plans immediately in profit or loss, directly in other comprehensive income or according to what is known as the corridor method was eliminated. Thus, actuarial gains and losses from defined benefit pension plans must be recognised in full in the period in which they arise in other comprehensive income, and appropriated directly to retained earnings/net accumulated losses because they will never be reclassified into profit or loss. In the future, the interest rate used to calculate expected income from plan assets will be the same as the discount rate for the pension obligation.

The amendments to IAS 19 were published in June 2011 and were applied for the first time for financial years beginning on or after 01 January 2013 (retrospective application).

As a result of first application of this rule, the net income for the period increased or would be increased compared to the previous rule of IAS 19 by EUR 9 thousand (2012: EUR 18 thousand) and other comprehensive income decreased by EUR 22 thousand (2012: EUR 18 thousand). There were no material effects on assets because the liabilities in the statement of financial position as of 01 January 2012 and 31 December 2012 amounted to EUR 0 thousand and as of 31 December 2013 to EUR 18 thousand. The only effect of first application of the rule on cash flows was a change in presentation.

Since the effects of the first application of IAS 19 (revised) on the financial position, cash flows and financial performance in financial year 2012 are not material, the Group disclaimed presenting a statement of financial position as of 01 January 2012. However, all of the information in note 34 is based on the revised version of IAS 19.

IAS 1 Presentation of Financial Statements

The amendments to IAS 1 introduce new rules for the presentation of items of other comprehensive 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 comprehensive income is amended such that subtotals are required for line items that can be recycled.

The amendment to IAS 1 was published in June 2011 and shall be applied for the first time for financial years beginning on or after 01 July 2012. 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. In the current financial year, the components of other comprehensive income were broken down into items that can subsequently be reclassified to profit or loss, or remain in the net retained profit/net accumulated loss item because they will not be reclassified.

IFRS 7 Financial Instruments: Disclosures

The new disclosures under IFRS 7 are to include 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 amendment to IAS 1 solely concerns the disclosure requirements does not affect the group's financial position, cash flows and financial performance.

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.

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

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. The application of the new standard did not affect the group's financial position, cash flows or financial performance in these financial statements.

IAS 36 Recoverable amount disclosures for non-financial assets

As a result of a revision of IFRS 13 Fair Value Measurement, the IASB changed some of the reporting requirements in IAS 36 Impairment of Assets regarding measurement of the recoverable amount for impaired assets.

The changes were published in May 2013 and are applicable retrospectively to reporting periods beginning on or after 1 January 2014. Earlier application is permitted, but only in reporting periods in which IFRS 13 was already applied. These amendments result merely in changes in the disclosures in the notes to the consolidated financial statements and thus do not affect the company's financial position, cash flows or financial performance.

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 2013, the group has not taken advantage of this option.

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 shall be applied for the first time for financial years beginning on or after 01 January 2014 (corresponding to the first-time application of IFRS 10, IFRS 11, IFRS12). The application of the new IFRS 10 has no effects on the group's financial position, cash flows and financial performance because it does not affect the group's basis of consolidation.

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 currently does not affect the group's basis of consolidation and thus is not expected to have any 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.

IAS 19 Employee Benefits (amended 2011)

The change to IAS 19 entitled "Employee contributions to defined benefit plans" provides an option for accounting for defined benefit pension commitments to which employees or third parties make required contributions. Companies are permitted to continue to report employee contributions linked to service, but not dependent on years of service, in the period in which the related service is rendered.

The amendment to IAS 19 was published in November 2013 and shall be applied for the first time for financial years beginning on or after 01 July 2014. Earlier application is permitted. The amendments have not yet been transposed into European law.
Application of this rule is not expected to change the group's financial position, cash flows and financial performance because these do not currently apply to the group.

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 2014. 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 2014. Earlier application is permitted. Since neither associates nor joint ventures are included in telegate's consolidated financial statements, the revised standard did not 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.

IAS 39 Changes to novation of derivatives and continuation of hedge accounting

The IASB has issued amendments to the rules on discontinuing hedging relationships in IAS 39. According to these changes, derivatives remain designated as hedging instruments in continuing hedges despite novation. The amendments aim to avoid effects on hedge accounting as a result of derecognition of the derivative when the contract is switched to a central counterparty.

The amendments to IFRS 9 were published in June 2013 and must 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 this amendment is not expected to affect the group's financial position, cash flows or financial performance because telegate does not currently practise hedge accounting.

IFRIC 21 Levies

IFRIC 21 provides guidance on when to recognise a liability for a levy imposed by a government. The interpretation applies both to levies reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is known.

IFRIC 21 was published in May 2013 and enters into force for reporting periods beginning on or after 1 January 2014 (retrospective application). Earlier application is permitted. telegate does not expect the group's financial position, cash flows or financial performance to be affected.

Annual improvements to IFRS – 2010-2012 Cycle

In December 2013, the IASB published another amendment (Annual Improvements to IFRSs – 2010-2012 Cycle) as part of its annual process of minor improvements to standards and interpretations. It contains amendments to the following standards:

- IFRS 2 Share-based Payment
- IFRS 3 Business Combinations
- IFRS 8 Operating Segments
- IFRS 13 Fair Value Measurement
- IAS 16 Property, Plant and Equipment / IAS 38 Intangible Assets

The amendments must be applied for the first time in financial years beginning on or after 01 July 2014. Earlier application is permitted.

The application of these amendments currently is not expected to affect the group's financial position, cash flows or financial performance but will only result in extended disclosures in the notes.

Annual improvements to IFRS – 2011-2013 cycle

On 12 December 2013, the IASB published the Annual Improvements to IFRS - 2011-2013 Cycle document. This clarifies the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards
- IFRS 3 Business Combinations
- IFRS 13 Fair Value Measurement
- IAS 40 Investment Property

The amendments must be applied for the first time in financial years beginning on or after 01 July 2014. Earlier application is permitted.

Application of these amended standards is expected to influence the scope of disclosures in the notes and thus will not affect the group's financial position, cash flows or financial performance.

IFRS 9 Financial Instruments: Classification and Measurement

The IASB published IFRS 9 Financial Instruments in November 2009. This standard contains the first of three phases of the IASB project to replace the existing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 changes the recognition and measurement rules for financial assets, including various hybrid contracts. Going forward, financial assets must be classified as measured at fair value or measured at amortised cost upon initial recognition. The basis for the classification depends on the entity's business model and the contract terms of the financial asset. The requirements of IAS 39 regarding impairment of financial assets and accounting for hedging relationships continue to apply.

The mandatory date of initial application, originally 01 January 2015, has been postponed.Due to the ongoing amendments to IFRS 9 being made by the IASB, the company has not yet completed a review of the effects on the consolidated financial statements of applying IFRS 9.

The amendments have not yet been transposed into European law.

5. Changes in the basis of consolidation

The basis of consolidation changed as follows in financial year 2013:

Sale

The subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. were sold effective 07 June 2013; for more details see note 18 "Discontinued operations".

The basis of consolidation 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 or were wholly owned subsidiaries of telegate AG.

In accordance with IFRS 3.2c, as a merger of companies under common control, this intra-group transaction did 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 carried forward. Thus, the merger had no effect on the consolidated financial statements.

Notes to the Consolidated Income Statement

6. Revenues

Consolidated revenues in the 2013 financial year amounted to EUR 72,333 thousand (2012: EUR 86,584 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 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. 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 on CD-ROM and, as an intranet solution, also access to databases.

The revenues decreased mainly due to the decline of the market in the operating segment directory Assistance. More explanations on the development of revenues can be found in the group management report and the presentation by business segment is contained in note 37.

7. Cost of Revenues

The cost of services rendered in order to generate revenues of EUR 33,152 thousand (2012: EUR 39,546 thousand) primarily consist of capacity and infrastructure costs of the directory and media business. The decline in the cost of revenues, particularly in personnel costs for the operator and management, resulted mainly from the downward trend in the directory assistance business and the non-recurring effects associated with data cost litigation in the previous year (see also note 38).

8. Selling and distribution costs

The selling and distribution costs of EUR 30,001 thousand (2012: EUR 41,605 thousand) mainly include the costs of telegate's own sales staff and the media business, the costs for advertising (television advertising, externally consulting advertising agencies and cooperation agreements) in the amount of EUR 2,654 thousand (2012: EUR 4,918 thousand) as well as the costs of receivables management, including losses on receivables.

In addition, selling and distribution costs include the amortisation of capitalised sales commission and 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).

Selling and distribution costs decreased mainly due to capacity adjustments, the reduction of advertising expenses, and the extraordinary impairment losses on the media and software customer base in the amount of EUR 3,289 thousand recognised in the 2012 financial year.

9. General administrative expenses

The general administrative expenses in the amount of EUR 12,271 thousand (2012: EUR 15,138 thousand) primarily include the costs of corporate services such as finance, legal, human resources, IT, as well as the 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. General administrative expenses declined mainly as a result of the non-recurring effects in financial year 2012 arising in connection with data cost litigation (see also note 38).

10. Staff costs

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

in EUR thousand	2013	2012
Wages and salaries	33,849	42,530
Capitalised sales commission	-3,965	-4,181
Social security costs	6,347	7,607
Retirement benefit plans	52	23
Total	**36,283**	**45,979**

Wages and salaries include direct selling expenses which are capitalised as intangible assets in accordance with IAS 38 and thus reduced staff costs. The presentation of this item for 2012 was correspondingly adjusted. For additional information on capitalised sales commission, see notes 24 and 26.

Wages and salaries decreased mainly due to the adjustments of the capacity costs and the special payments in context with data costs (see also note 38) in the financial year 2012.

11. Depreciation and amortisation

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

in EUR thousand	2013	2012
Amortisation of intangible assets	5,225	8,969
Depreciation of property, plant and equipment	2,128	1,387
Depreciation of non-current assets	**7,353**	**10,356**
Amortisation of current intangible assets	3,028	4,501
Total depreciation and amortisation	**10,381**	**14,857**

See note 24, 26 and 27 for more information and explanations.

12. Rental and leasing expenses

Rental and leasing expenses of EUR 3,971 thousand (2012: EUR 4,142 thousand) were recognised in the income statement in the 2013 financial year. These expenses mostly stem from the rental and leasing of real estate and the vehicle fleet, and line costs.

For information about obligations arising from non-cancellable financing arrangements, see note 40.

13. Other operating income

Other operating income amounted to EUR 317 thousand (2012: EUR 75,287 thousand) and was mainly the result of data cost litigation; see additional information in note 38.

14. Other operating expenses

The other operating expenses amount to EUR 33 thousand (2012: EUR 15,154 thousand) and primarily include expenses for data cost litigation; see additional information in note 38.

15. Net financial income

Net interest income

in EUR thousand	2013	2012
Interest income from data cost litigation	0	23,533
Interest income from current deposits and fixed-term deposits	112	332
Interest income from bank deposits	0	10
Interest income from loans and receivables past due	2	2
Other interest and similar income	37	57
Interest and similar income	**151**	**23,934**
Interest expense for bank overdrafts and guarantees	-14	-15
Interest expense associated with related parties	-19	0
Other interest and similar expenses	-116	-846
Interest and similar expenses	**-149**	**-861**
Net interest income	**2**	**23,073**

Information on interest income from data cost litigation is provided in note 38 and information on interest expense associated with related parties in note 45.

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

Net income from marketable securities

in EUR thousand	2013	2012
Gain on sale of marketable securities	19	0
Net income from marketable securities	**19**	**0**

The net income from the sale of marketable securities results from investments in liquid money money market funds during the 2013 financial year.

Net income from foreign currency translation

in EUR thousand	2013	2012
Gains on foreign currency translation	5	10
Loss on foreign currency translation	-6	-13
Net income from foreign currency translation	**-1**	**-3**

Net gains and net losses on financial instruments by measurement category

	Net interest income from financial instruments		Net income from financial instruments	
in EUR thousand	2013	2012	2013	2012
Cash and cash equivalents	79	327	0	-2
Loans and receivables	21	2	-2,297	-2,639
Available-for-sale financial assets	0	0	19	0
Financial liabilities measured at amortised cost	-19	0	-1	-1

Interest income from loans and equivalents in the 2013 financial year include interest income from cash investments associated with related parties; see also note 36. Interest expenses against related paries are shown in the interest income of the financial liabilities measured at amortised cost; see also note 36.

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.

16. 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 EUR thousand	2013	2012
Current income taxes	**305**	**-21,924**
Deferred income taxes	**589**	**-4,735**
Income tax expense/income shown	**894**	**-26,659**

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 total tax rate of 29.968% applicable for the financial year 2013 (2012: 29.939%):

in EUR thousand	2013	2012
Net income / loss before income tax	**-2,787**	**73,498**
Applicable total tax rate	**29.968%**	**29.939%**
Expected tax expense/income	**835**	**-22,005**
Increase / reduction of the income tax burden by:		
Valuation allowances on deferred tax assets	0	-1
Income tax rate differences	63	-744
Tax effect on expenses / income (permanently) non-deductible for tax purposes	-157	-248
Taxes, previous years	140	31
Effects of the tax audit	35	-3,700
Tax effect of other differences	-22	8
Income tax expense/income shown for the financial year	**894**	**-26,659**

Calculated as the ratio of income tax expense/income shown to net income/loss for the period before taxes, the effective tax rate is 32.061% (2012: 36.272%).

The change in the effective tax rate is largely the result of the previous year's effects of the tax audit and the income tax differences.

Income tax liabilities amount to EUR 1,265 thousand (2012: EUR 12,094 thousand), the income tax receivables amount to EUR 499 thousand (2012: EUR 27 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 had no deferred tax assets as of 31 December 2013 (2012: EUR 266 thousand). The carrying amount of deferred tax liabilities decreased by EUR 565 thousand from EUR 4,222 thousand (as of 31 December 2012) to EUR 3,657 thousand; see note 28.

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

The total amount for restructuring measures and non-recurring effects included in the net income for the period before taxes amounts to an expense of EUR 2,917 thousand (2012: EUR 75,194 thousand in income after the deduction of expenses) and is composed of the following:

Non-recurring effects on the income statement
Income (after the deduction of expenses) were incurred in the amount of EUR 205 thousand in financial year 2013 subsequent to the successful data cost litigation in the previous year and from as yet unresolved legal disputes regarding data costs. These amounts are is included in the income statement, mostly in general administrative expenses and cost of revenues. In the prior year, income (after the deduction of expenses) of EUR 79,274 thousand was generated from the successful data cost litigation (see also notes 7, 9, 13, 14, 15 and 38).

Structural cost adjustments led to expenses amounting to EUR 3,122 thousand (2012: EUR 2.971 thousand), which are mainly attributable to capacity adjustments and contract terminations. These expenses are included in the cost of revenues, selling and distribution costs, and general administrative expenses.

Restructuring measures
A detailed and formal restructuring plan was announced in 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 business. This task was nearly completed by the end of January 2013.

The obligations arising for telegate from the aforementioned restructuring plan were fulfilled in the current financial year. Thus, there were no further costs incurred in the 2013 financial year (2012: EUR 1,109 thousand). See note 31 for more information.

18. Discontinued operations

telegate AG sold the wholly owned subsidiaries 11811 Nueva Información Telefónica S.A.U. and Uno Uno Ocho Cinco Cero Guías, S.L. to Spain-based Titania Corporate S.L. with effect from 07 June 2013. This sale is in line with the group's long-term strategy of concentrating on the opportunities and potential available in the German market.

The purchase price received until the reporting date totalled EUR 4,123 thousand and was paid in cash. Accordingly, the companies were deconsolidated from the telegate Group on 07 June 2013. The two subsidiaries had formed the group's Spain segment.

telegate AG sold the wholly owned subsidiary Telegate Italia S.r.L. to SEAT Pagine Gialle S.p.A., the majority shareholder of telegate AG, with effect from 1 June 2010.

Accordingly, the company was deconsolidated from the telegate Group on 01 June 2010. As an operating segment, Telegate Italia S.r.L. was formerly included in the Group's reportable "Italy/Spain" operating segment. Relating this selling, there are subsequent expenses in the amount of EUR 85 thousand, which are shown in the gain/loss from the disposal of the discontinued operations Italia.

The discontinued operations in Spain and the items relating to the disposal of Telegate Italia S.r.L. had the following effects on the results of the telegate group:

in EUR thousand	2013	2012
Revenues	1,875	6,136
Expenses	-1,345	-5,408
Income before income tax	**530**	**728**
Income taxes	-15	-495
Net income	**515**	**233**
Gain/loss from the disposal of the discontinued Spanish operations	-711	-
Gain/loss from the disposal of the discontinued Italian operations	85	-
Net income after taxes	**-111**	**233**

The gain/loss from the disposal of the discontinued Spanish operations includes directly attributable expenses incurred as a result of the sale of the subsidiaries.

Assets and liabilities of the disposed subsidiaries (excluding cash)

in EUR thousand	as of 07.06.2013
Current assets	
Trade accounts receivable	1,152
Current tax assets	8
Other financial assets	30
Other current assets	32
Total current assets	1,222
Non-current assets	
Intangible assets	324
Property and equipment	179
Other financial assets	28
Deferred tax assets	256
Total non-current assets	787
Current liabilities	
Trade accounts payable	37
Accrued current liabilities	236
Provisions	40
Income tax liabilities	37
Other current liabilities	109
Total current liabilities	459

Cash inflow due to the sale

in in EUR thousand	2013
Purchase price received	4,123
Cash sold in connection with the discontinued operations	-3,072
Payment of directly attributable expenses	-41
Cash inflow (net)	1,009

Net cash flows of the discontinued operations

in EUR thousand	2013	2012
Operating activities	668	1,351
Investing activities	-58	-353
Financing activities	0	0
Net cash flow	610	998

19. Earnings per share

Financial year ended on 31 December	2013	2012
	in EUR	in EUR
Basic and diluted earnings per share from continuing operations based on the net income attributable to ordinary shareholders of the parent	-0.10	2.45
Basic and diluted earnings per share from discontinued operations based on the net income attributable to ordinary shareholders of the parent	-0.00	0.01
Basic and diluted earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.10	2.46

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	2013	2012
	in EUR thousand	in EUR thousand
Income from continuing operations attributable to ordinary shareholders of the parent	-1,893	46,839
Income from discontinued operations attributable to ordinary shareholders of the parent	-111	233
Net income attributable to ordinary shareholders of the parent applicable for calculating basic and diluted earnings per share	-2,004	47,072

Financial year ended on 31 December	2013	2012
	in thousands	in thousands
Weighted average number of ordinary shares for calculating basic earnings per share	19,111	19,111
Dilutive effect of the stock options	0	0
Weighted average number of ordinary shares for calculating diluted earnings per share	19,111	19,111

Notes to the consolidated statement of financial position

20. Cash and cash equivalents

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

Financial year ended on 31 December, in EUR thousand	2013	2012
Short-term deposits	7,076	81,138
Bank balances and cash	2,874	12,112
Total	**9,950**	**93,250**

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 2013, 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 9,950 thousand (2012: EUR 93,250 thousand) and thus corresponds to their carrying amount.

The high level of cash and cash equivalents in the 2012 financial year is primarily attributable to inflows from data cost litigation. For more information see note 38.

The decline in the cash and cash equivalents item as of 31 December 2013 is mainly due to the investment in securities with a remaining term of up to one year (see note 22) and the dividend payment decided in August 2013 (see note 23 and 36).

The company has unused overdraft facilities of EUR 3,000 thousand (2012: EUR 3,000 thousand) with financial institutions at its disposal as of 31 December 2013.

21. 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 counterparty credit risks. The gross receivables as of the reporting date amount to EUR 16,796 thousand (2012: EUR 20,575 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 TEUR				of which: not impaired as of the reporting date and past due within the following time bands		
		Carrying amount before impairment	of which: Neither impaired nor past due as of the reporting date	less than 90 days	between 91 and 180 days	more than 180 days
Receivables arising from payables	as of 31.12.2013	16,796	8,039	2,416	846	1,857
Receivables arising from payables	as of 31.12.2012	20,575	10,142	3,175	710	2,239

The following trade accounts receivable were impaired with an amount of EUR 3,638 thousand (2012: EUR 4,309 thousand) as of 31 December 2013. Changes in the allowance account are presented as follows:

in EUR thousand	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 01 January 2012	**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**
Additions	56	2,609	2,665
Utilisation	-112	-1,468	-1,580
Reversal	0	-1,738	-1,738
Disposals from deconsolidation	-18	0	-18
As of 31 December 2013	**208**	**3,430**	**3,638**

For additional information on counterparty credit risks, see note 44.

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

22. Available-for-sale financial assets

Since the second quarter of 2013, telegate AG has been investing in liquid money market funds. According to IAS 39.9, these are classified as “available for sale” and measured at fair value. For more information on the classification and measurement of available-for-sale financial assets, see note 2. The fair value of this investment is EUR 30,128 thousand (2012: 0 EURO thousand). The investments denominated in euros are neither overdue nor impaired.

The available-for-sale assets changed as follows in the 2013 financial year:

in EUR thousand	**31.12.2012**	Addition	Disposal	Yield booked to equity	31.12.2013
Available-for-sale financial assets	**0**	57,978	27,993	143	30,128

23. Other financial assets

Other financial assets consist of the following items:

Financial year ended on 31 December, in EUR thousand	2013	2012
Other financial assets, current	**24,570**	**1,162**
Other financial assets, non-current	**15**	**200**

The current other financial assets comprise mainly of cash deposits to pay the dividend in the amount of EUR 24,222 thousand (2012: EUR 0 thousand) in the future; see further information in note 36.
In the financial year 2013 there were revaluations on current other financial assets in the amount of EUR 638 thousand (2012: EUR 0 thousand). The other positions were neither impaired nor past due.

Non-current other financial assets were neither impaired nor past due. The other financial assets are measured at amortized cost (by using the effective interest method).

24. Other assets

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

Financial year ended on 31 December, in EUR thousand	2013	2012
Prepaid expenses	848	928
Current intangible assets	753	1,979
Prepaid social security contributions	2	986
Other current assets	432	4,033
Other current assets	**2,035**	**7,926**
Other non-current assets	**0**	**3**

Current intangible assets include capitalised direct selling expenses associated directly with the customer order in the Media products business (advertising sales business). As a result, they are amortised according to the straight-line method over the contract period of one year. Additions amounted to EUR 1,803 thousand (2012: EUR 4,181 thousand) and the amortisation amounts included in the selling expenses to EUR 3,028 thousand (2012: EUR 4,501 thousand). The decrease in additions compared with financial year 2012 resulted from the increased number of customer orders with a contract period of more than one year (see note 26). The gross carrying amounts correspond to the figures in the table because in the relevant amortisation year, a simultaneous disposal is assumed.

Prepaid expenses mainly include technology expenses paid but not yet recognised as an expense. Other current assets mainly comprise reimbursement rights from data cost claims (see note 38).

In accordance with section 23 (1) of the German Social Code (Sozialgesetzbuch), social security contributions are due in the prospective amount of the contribution liability for the relevant month of employment. As at the end of the 2012 financial year, telegate reported these contributions as prepaid social security contributions. From the current financial year onward, this pre-payment will be offset against obligations to employees (see note 30).
Following a re-evaluation there was a revaluation in the amount of EUR 300 thousand in respect of non-current receivables of advertising credits in the financial year 2012, which was recorded in advertising expenses within the segment Germany/Austria. Reason was the limited possible usage of the credit in the financial year.

25. Goodwill

Cost

in EUR thousand	Goodwill
As of 01 January 2012	**6,717**
Additions	31
As of 31 December 2012	**6,748**
Additions	27
As of 31 December 2013	**6,775**

Accumulated impairment

in EUR thousand	Geschäfts- oder Firmenwert
As of 31 December 2012	**2**
As of 31 December 2013	**2**

in EUR thousand	Goodwill
Carrying amounts as of 31 December 2012	**6,746**
Carrying amounts as of 31 December 2013	**6,773**

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 basis of consolidation 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 these earn-out clauses, an increase of EUR 27 thousand in goodwill was recognised (in accordance with IFRS 3.33, old version) in the current financial year (2012: EUR 31 thousand).

Impairment test of goodwill

The book values of goodwill in the amount of EUR 6,773 thousand (2012: EUR 6,746 thousand) comprise of EUR 416 thousand (2012: EUR 416 thousand), which belong to the segment directory assistance of telegate Media AG. The predominant part of goodwill belongs to the Media business of telegate Media AG.

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. Due to materiality there was only one aggregated test of both cash-generating units on basis of the entity telegate Media AG undertaken.

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

The value in use of EUR 33.8 million of the cash-generating unit Media business is determined based on the calculation of fair value using management's cash flow prognoses for a period of three years.

The discount rate used for the cash flow prognoses is based on average weighted capital costs (2013: 7.9%; 2012: 9.0%). Cash flows after the period of three years are recognised as the terminal value. The determination of values for the terminal value for the purpose of impairment testing of goodwill of the Media business is based on a growth discount of 1.5% (2012: 1%) for the purpose of determining the value in use for the impairment test of goodwill of the Media business.

The value in use of EUR 2.2 million of the cash-generating unit Directory Assistance business is determined based on the calculation of fair value using management's cash flow prognoses for a period of five years. The longer prognoses period was chosen to represent the declining directory assistance business in a better way. The discount rate used for the cash flow prognoses is based on average weighted capital costs (2013: 17.6%; 2012: 9.0%). Cash flows after the period of five years are recognised as the terminal value. Thereby it is assumed, that the business is sustainable on a low level. Therefor no growth discount is assumed for the determination of values for the terminal value of the Directory Assistance business.

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 on cash-generating units within telegate Media AG's past experience and increased in reflection of expected efficiency improvements. It is planned, for example, that EBITDA of the cash generating unit Media business will increase from EUR 3.3 million EUR in 2014 to 6.9 million in 2016. EBITDA of the cash generating unit Directory Assistance business will decline from EUR 1.1 million EUR in 2014 to 0.02 million in 2018 due to the declining business.

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.

As result the projection assumes a steady increasing free cash flow before tax of the cash-generating the Media business till the financial year 2016 to an amount of EUR 2.4 million. This again is basis for the calculation of terminal value and therefore has the biggest impact on valuation. The free cash flow before tax of the cash-generating unit Directory Assistance business will reduce till the financial year 2018 to an amount of EUR 0.07 million.

Sensitivity of the assumptions made

In the opinion of the management, the following main assumptions have the biggest influence on the value in use 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. A discount factor of 1 percent higher reduces the fair value of the cash-generating unit Media business of EUR 5.2 million as well as the fair value of the cash-generating unit Directory Assistance business of EUR 0.04 million.
- Changes of customer demand especially in the Media business may have a significant effect on the future cash flows of cash generating units. A revenue reduction of 5 percent per anno reduces the fair value of the cash-generating unit Media business of EUR 13.8 million as well as the fair value of the cash-generating unit Directory Assistance business of EUR 0.16 million.

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 value in use of the cash-generating units mentioned above could cause the carrying amounts of the cash-generating units to exceed their recoverable amount.

26. Intangible assets

Cost

in EUR thousand	As of 01 January 2012	Additions	Disposals	Transfers	Deconsolidation	As of 31 December 2012
Software	17,121	1,913	0	359	0	19,393
Licenses	15,041	104	0	0	0	15,145
Internally generated database	2,073	0	0	0	0	2,073
Acquired customer bases	30,301	0	0	0	0	30,301
Acquired klickTel brand	997	0	0	0	0	997
Internally generated intangible assets	0	152	0	293	0	445
Sales commission	0	0	0	0	0	0
Other intangible assets	2,953	210	0	0	0	3,163
Other intangible assets being purchased/with prepayments	376	987	0	-359	0	1,004
Internally generated intangible assets in development	293	300	0	-293	0	300
Total	69,155	3,666	0	0	0	72,821

in EUR thousand	As of 01 January 2013	Additions	Disposals	Transfers	Deconsolidation	As of 31 December 2013
Software	19,393	1.741	0	968	-226	21,876
Licenses	15,145	48	0	0	0	15,193
Internally generated database	2,073	0	0	0	0	2,073
Acquired customer bases	30,301	0	0	0	0	30,301
Acquired klickTel brand	997	0	0	0	0	997
Internally generated intangible assets	445	787	0	273	0	1,505
Sales commission	0	2,162	0	0	0	2,162
Other intangible assets	3,163	66	-933	0	-2,290	6
Other intangible assets being purchased/with prepayments	1,004	106	0	-968	0	142
Internally generated intangible assets in development	300	841	0	-273	0	868
Total	72,821	5,751	-933	0	-2,516	75,123

Accumulated amortisation and impairment

in EUR thousand	As of 01 January 2012	Amortisation	Impairment losses	Disposals	Decon- solidation	As of 31 December 2012
Software	**14,211**	1,552	0	0	0	**15,763**
Licenses	**12,674**	1,487	0	0	0	**14,161**
Internally generated database	**2,073**	0	0	0	0	**2,073**
Acquired customer bases	**19,440**	2,474	3,289	0	0	**25,203**
Acquired klickTel brand	**375**	100	0	0	0	**475**
Internally generated intangible assets	**0**	58	0	0	0	**58**
Sales commission	**0**	0	0	0	0	**0**
Other intangible assets	**2,690**	146	0	0	0	**2,836**
Total	**51,463**	**5,817**	**3,289**	**0**	**0**	**60,569**

in TEUR	As of 01 January 2013	Amortisation	Impairment losses	Disposals	Decon- solidation	As of 31 December 2013
Software	**15,763**	1,853	0	0	-226	**17,390**
Licenses	**14,161**	774	0	0	0	**14,935**
Internally generated database	**2,073**	0	0	0	0	**2,073**
Acquired customer bases	**25,203**	1,697	0	0	0	**26,900**
Acquired klickTel brand	**475**	98	0	0	0	**573**
Internally generated intangible assets	**58**	226	0	0	0	**284**
Sales commission	**0**	575	0	0	0	**575**
Other intangible assets	**2,836**	63	0	-933	-1,966	**0**
Total	**60,569**	**5,286**	**0**	**-933**	**-2,192**	**62,730**

in EUR thousand	Carrying amounts as of 31.12.2013	Carrying amounts as of 31.12.2012
Software	4,486	3,630
Licenses	258	984
Internally generated database	0	0
Acquired customer bases	3,401	5,098
Acquired klickTel brand	424	522
Internally generated intangible assets	1,221	387
Sales commission	1,587	0
Other intangible assets	6	327
Intangible assets being acquired/with prepayments	142	1,004
Internally generated intangible assets in development	868	300
Total	**12,393**	**12,252**

The useful life of intangible assets was determined in as follows in the 2013 financial year: There were no adjustments of the useful life compared with 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
Internally generated intangible assets	3 to 5 years
Sales commission	2 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 cost of revenues, selling and distribution costs and general administrative expenses proportionately and to comprise amortisation in the amount of EUR 61 thousand (2012: EUR 137 thousand) based on discontinued operation until the time of classify as held for sale.

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

As of 31 December 2013, the telegate group had open obligations from orders for intangible assets in the amount of EUR 381 thousand (2012: EUR 2,783 thousand) which are expected to apply to financial year 2014.

Directly attributable sales commission is capitalised as an intangible asset in accordance with IAS 38 and amortised using the straight-line method over the contract period of the customer order.

27. Property and equipment

Cost

in EUR thousand	As of 01 January 2012	Additions	Disposals	Currency translation	Reclassi-fication	Decon-solidation	As of 31 December 2012
Technical equipment	**34,057**	3,333	-2,213	0	0	0	**35,177**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**7,165**	162	-175	-1	0	0	**7,151**
Gesamt	**41,222**	**3,495**	**-2,388**	**-1**	**0**	**0**	**42,328**

in EUR thousand	As of 01 January 2013	Additions	Disposals	Currency translation	Reclassi-fication	Decon-solidation	As of 31 December 2013
Technical equipment	**35,177**	2,093	-680	0	146	-5,297	**31,439**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**7,151**	97	-101	-1	-146	-1,296	**5,704**
Total	**42,328**	**2,190**	**-781**	**-1**	**0**	**-6,593**	**37,143**

Accumulated depreciation and impairment

in EUR thousand	As of 01 January 2012	Depreciation	Impairment losses	Disposals	Currency translation	Decon-solidation	As of 31 December 2012
Technical equipment	**31,758**	1.117	0	-2,200	0	0	**30,675**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**5,344**	512	0	-154	-1	0	**5,701**
Total	**37,102**	**1,629**	**0**	**-2,354**	**-1**	**0**	**36,376**

in EUR thousand	As of 01 January 2013	Depreciation	Impairment losses	Disposals	Currency translation	Decon-solidation	As of 31 December 2013
Technical equipment	**30,675**	1,825	1	-663	0	-5,246	**26,592**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**5,701**	371	18	-99	-1	-1,168	**4.822**
Total	**36,376**	**2,196**	**19**	**-762**	**-1**	**-6,414**	**31,414**

in EUR thousand	Carrying amounts as of 31.12.2013	Carrying amounts as of 31.12.2012
Technical equipment	4,847	4,502
Other equipment, fixtures, furniture and office equipment	882	1,450
Total	**5,729**	**5,952**

The useful life of property and equipment was determined in as follows in the 2013 financial year: There were no adjustments of the useful life compared with the previous year.

Technical equipment	3 to 19 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 of the items and included in the cost of revenues, selling and distribution costs and general administrative expenses proportionately based on use. It includes the amortisation in the amount of EUR 87 thousand (2012: EUR 242 thousand) attributable to the business sold relevant up to the time classify as held for sale.

The impairment loss in the 2013 financial year amounting to EUR 19 thousand (2012: EUR 0 thousand) resulted from the decommissioning of technical and other equipment.

As of 31 December 2013, the telegate group had open obligations from orders for property and equipment in the amount of EUR 41 thousand (2012: EUR 145 thousand) which are expected to apply to financial year 2014.

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

28. 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 rate of 14.13% 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 403.77%. Due to different trade tax multipliers, the trade tax rate of subsidiaries based in Germany but not included in the group differs. 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 evaluation of assets and liabilities in the IFRS and tax accounts at the tax rates for the years in which the differences are expected to reverse. The deferred taxes consist of the following:

As of 31 December in EUR thousand	2013	2012
Gross value of deferred tax assets:		
Tax loss carryforwards	462	1.123
Property and equipment	0	43
Further assets	28	30
Provisions	204	186
Other liabilities	4	7
Less impairment loss	0	-911
Deferred tax assets before netting	**698**	**478**
of which in other comprehensive income	11	0
Netting	-698	-212
Deferred tax assets after netting	**0**	**266**
Less deferred tax liabilities:		
Property and equipment	-21	-20
Intangible assets	-1,876	-2,142
Further assets	-2,457	-2,271
Provisions	-1	0
Other liabilities	0	-1
Deferred tax liabilities before netting	**-4,355**	**-4,434**
of which in other comprehensive income	-45	0
Netting	698	212
Deferred tax liabilities after netting	**-3,657**	**-4,222**
Net value of deferred taxes	**-3,657**	**-3,956**

As of 31 December 2013, the company's accumulated corporate income tax loss carryforwards amounted to EUR 1,293 thousand (2012: EUR 3,744 thousand). As of 31 December 2013, the company's cumulative trade tax loss carryforwards amounted to EUR 1,825 thousand (2012: EUR 0). The trade tax loss carryforwards were generated exclusively in Germany. The difference between the corporate income tax and trade tax loss carryforwards is firstly the result of a corporate income tax loss carryback (EUR 1,000 thousand, 2012: EUR 0) and trade tax add-backs.

Corporate income tax loss carryforwards that were not recognised as a result of insufficient usability amount to EUR 0 as of the reporting date (2012: EUR 3,037 thousand). Trade tax loss carryforwards were recognised in full in the reporting year, as in the previous year.

Tax loss carryforwards assessed 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. For the remaining group companies tax loss carried forward limitations as a result of country-specific regulations were considered.

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

As of 31 December in EUR thousand	2013	2012
Deferred tax assets		
Current	0	278
Non-current	698	200
Deferred tax liabilities		
Current	-574	-574
Non-current	-3,781	-3,860
Net value of deferred taxes	**-3,657**	**-3,956**

29. Trade accounts payable

The amount shown as of the reporting date was EUR 2,064 thousand (2012: EUR 4,286 thousand).

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

Trade accounts payable are recognised at their redemption amount.

30. 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 EUR thousand	2013	2012
Invoices outstanding	5,074	9,099
Obligations to employees	4,428	7,072
Total	**9,502**	**16,171**

Obligations to employees include in particular wage and salary payments that are not due until the coming financial year.

Since the financial year 2013 the obligations to employees will be offset against prepaid social security contributions, which are due in the amount of the expected contribution debt in accordance with section 23 (1) of the German Social Code (Sozialgesetzbuch) (see note 24).

The reduction in accrued current liabilities in financial year 2013 was mainly the result of payments in connection with the obligations from the prior-year data cost litigation; see note 38. Likewise, material obligations to employees existing in the previous year were fulfilled in the current financial year.

31. Provisions

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

in EUR thousand	2013	2012
Contract risks	1,103	1,727
Contingent losses	273	277
Other	101	1,656
Total	**1,477**	**3,660**
of which current	1,103	3,398
of which non-current	374	262

The changes in provisions for the 2013 financial year are presented as follows:

in EUR thousand	Contract risks	Contingent losses	Other	Total	Contingent losses	Other	Total
	Current	Current	Current	Current	Non-current	Non-current	Non-current
As of 01 January 2013	**1,727**	**15**	**1,656**	**3,398**	**262**	**0**	**262**
Reversal	-796		-121	-917			
Use		-15	-1,495	-1,510	-14		-14
Addition	172			172	20	22	42
Reclassification						79	79
Time value of money					5		5
Deconsolidation			-40	-40			
As of 31 December 2013	**1,103**	**0**	**0**	**1,103**	**273**	**101**	**374**

As of the 31 December 2013 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 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.

The significant risks include the facts and circumstances presented in the financial statements.

Provisions for contract risks composed of provisions for contractual obligations due to the selling of subsidiaries and provisions relating to data costs.

In the financial year 2013 the company has resolved current provisions for legal or contractual obligations. For these provisions, no utilization is expected.

Among other things, other current provisions cover interest in accordance with Section 233a Abgabenordnung (AO – German Tax Code) expected as part of an ongoing tax audit. For more information about the tax audit, see note 32.

As of 31 December 2013, provisions for restructuring totalled EUR 0 thousand (2012: EUR 101 thousand). The provisions were recognised for the purpose of consolidating individual call centres and were consumed in the current financial year. See also note 17.

Non-current provisions for contingent losses are provisions for rental capacity adjustments and other obligations regarding to tenancies. Cash outflows are mainly expected in the years 2015 until 2018 relating to non-current provisions.

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 41 in accordance with IAS 37.86.

32. Income tax liabilities

The tax audit at telegate AG for the audit period 2006 - 2009 mentioned in the previous year has since been completed. The assessment notices were issued in 2013. For income taxes a provision for risks amounting to totally EUR 3.4 million was considered in the previous year. The assessed determinations relating to income taxes amounted to EUR 3.4 million as well. All amounts owed were paid in 2013.

33. Other current liabilities

Other current liabilities are comprised as follows:

Financial year ended on 31 December, in EUR thousand	2013	2012
Deferred income	1,619	1,835
VAT liabilities	17	73
Other liabilities	476	632
Total	**2,112**	**2,540**

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

Other current liabilities mainly comprise liabilities from payroll tax, church tax and the solidarity surcharge as well as liabilities to social security institutions.

34. 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 19.8.

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 %	2013	2012
Actuarial interest rate	3.80	3.80
Development of salaries	2.00	2.00
Pension development	1.00	1.00
Fluctuation rate	3.40	3.70

The interest rate used is determined by reference to market yields achieved on high quality corporate bonds at the reporting date.

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

in EUR thousand	2013	2012
Current service cost	-31	-19
Interest expense	-33	-30
Interest income	33	30
Expenses for defined benefit post-employment benefits recognised in net income	**-31**	**-19**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**-31**	**-25**

With regard to the recognition of the amounts for the financial year 2012 it will be referred to note 4 “IAS 19 Employee Benefits (revised 2011).

The current service costs are reported in general administrative expenses. The interest expenses and interest income are components of the net financial income.

The actual income from plan assets in financial year 2013 was EUR 28 thousand. The actual expenses from plan assets in the previous year was EUR 50 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 19.67, and showed the following development:

in EUR thousand	2013	2012
Present value of the defined benefit obligations as of 01 January	**867**	**558**
Current service cost	31	19
Interest expense	33	30
Actuarial gains (-) or losses (+) from changes in financial assumptions	0	264
Actuarial gains (-) or losses (+) from experience adjustments	-6	-4
Present value of the defined benefit obligations as of 31 December	**925**	**867**

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the company totals EUR 529 thousand (2012: EUR 510 thousand).

Actuarial losses of EUR 264 thousand incurred in financial year 2012 from the change in financial assumptions resulted mainly from the decrease in the assumed discount rate. Furthermore, the increase in the present value of the defined benefit obligation was also the result of the change in the method applied to calculate interest as of 01 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 01 January 2012.

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

in EUR thousand	2013	2012
Fair value of plan assets as of 01 January	**928**	**934**
Interest income	35	50
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	-7	-100
Contributions by the employer	44	44
Fair value of plan assets as of 31 December	**1.000**	**928**

The plan assets constitute pension liability insurance policies with benefit entitlements pledged to beneficiaries. The insurance company holds around 36% of its investments in Pfandbriefe and other secured loans, 23% in government bonds from industrialised countries and 15% in corporate bonds. The funds are invested in a variety of instruments to balance out fluctuations as much as possible and generate stable earnings.

The effect of the asset ceiling developed as follows:

in EUR thousand	2013	2012
Effects of the asset ceiling, 01 January	**61**	**376**
Net interest income	3	20
Changes resulting from limitation of the defined benefit pension plan to the asset ceiling (excluding the amounts reported in net interest income/expense) were recognised in other comprehensive income.	29	-335
Effects of the asset ceiling as of 31 December	**93**	**61**

As of the reporting date, the value of the plan assets exceeds the obligation. This amount was reduced to zero in accordance with IAS 19.64(b). The changes resulting from limitation of the defined benefit pension plan to the asset ceiling (excluding the amounts reported in net interest income/expense) were recognised in other comprehensive income.

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 EUR thousand	2013	2012
Present value of the defined benefit obligation (DBO)	925	867
Fair value of plan assets	-1.000	-928
Net assets	**-75**	**-61**
Plan assets not recognised because of the ceiling in IAS 19.64(b)	93	61
Liability recognised in the statement of financial position	**18**	**0**

The following table shows the development of the amounts for the current and previous reporting periods (excluding effects of the asset ceiling):

in EUR thousand	2013	2012
Present value of the defined benefit obligation (DBO)	925	867
Fair value of plan assets	-1.000	-928
Plan surplus	**-75**	**-61**

The group continually reviews the obligations arising from commitments to pay company retirement pension benefits. One goal here is to avoid material underfunding of pensions. The company did not change the risk management process from the previous year.

The sensitivity to changes of the present value of the defined benefit obligations as of 31 December 2013 was as follows:

		Effect on the obligation	
Assumptions	Change in the assumption	Increase in the assumption	Decrease in the assumption
Actuarial interest rate	0.50 %	Decrease by 11.37%	Increase by 13.20%
Development of salaries	0.50 %	Increase by 3.26%	Decrease by 3.00%
Fluctuation rate	0.50 %	Decrease by 0.41%	Increase by 0.42%

The projected unit credit method was used to calculate sensitivities. Changes were made where the company considered these possible or they enabled an assessment of the effects on the present value of the defined benefit obligations.

The timeframe for possible changes to the premises in the sensitivity analysis includes the period up to 31 December 2014. The selection of bandwidths, particularly for changing the interest rate, is based primarily on past observations. However, using past figures to determine future developments leads to certain limitations in determining the assumptions.

The sensitivity analysis identifies the interest rate as a material parameter influencing the present value of the defined benefit obligations.

The company expects contributions to defined benefit pension plans in the amount of EUR 44 thousand in the financial year 2014.

The weighted average term of the defined benefit plans is 25 years.

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 2013 amounted to EUR 21 thousand (2012: EUR 20 thousand), which was recognised as expense.

35. Equity

Subscribed capital

The subscribed capital of telegate AG is divided into 19,111,091 no-par value shares (2012: 19,111,091). All no-par value shares issued by the company have been fully paid-in. As of 31 December 2013, the number of shares outstanding amounts to 19,111,091 (2012: 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

Pursuant to Art. 2 (7) of the Articles of Association, the Management Board was authorised to contingently increase telegate AG's share capital up until 30 June 2013, by a nominal amount of up to EUR 1,000,000 as part of a stock option plan. This contingent capital increase served 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, 09 May 2007, 11 June 2008 and 27 May 2009. In financial year 2007, 247,500 subscription rights were issued under the stock option programme. This resulted in a decrease of the authorised 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. In addition, stock options issued were not exercised, and these therefore expired on 30 June 2013. The authorisation to increase the share capital of telegate AG is thus no longer in force.

Additional paid in capital

The additional paid in capital as of 31 December 2013 amounted to EUR 32,059 thousand – the same as in the previous year.

Revenue reserves

Revenue reserves as of the reporting date amounted to EUR 0 thousand (2012: EUR 4,236 thousand).

A recommendation was made to the Supervisory Board by resolution of the Management Board on 06 March 2014 to withdraw EUR 4,236 thousand from revenue reserves of telegate AG, which, in accordance with section 270 (2) HGB (German Commercial Code) has already been taken into account when preparing the annual financial statements as of 31 December 2013. Approval on the part of the Supervisory Board is still pending.

A recommendation was made to the Supervisory Board by resolution of the Management Board on 27 January 2013 to withdraw EUR 20,165 thousand from revenue reserves of telegate AG, which, in accordance with section 270 (2) HGB (German Commercial Code) has already been taken into account when preparing the annual financial statements as of 31 December 2012. The Supervisory Board approved this action.

Retained earnings

Retained earnings as of the reporting date amounted to EUR 9,657 thousand (2012: EUR 45,670 thousand).

Also in the financial year 2013 the retained earnings reduced due to actuarial gains/losses relating to pensions and similar liabilities in the amount of EUR 31 thousand less deferred taxes in the amount of EUR 8 thousand. This circumstance is shown in the other comprehensive income.

Further information are shown in the presentation of development of the equity.

Other components of equity

As of the reporting date, the other items of equity totalled EUR 101 thousand (2012: EUR 1 thousand).

The increase of EUR 100 thousand in the current financial year is the result of unrealised profit from financial assets available for sale in the amount of EUR 143 thousand less deferred taxes of EUR 43 thousand.

The increase by EUR 2 thousand in the 2012 financial year due to foreign currency translation stemmed exclusively from a subsidiary doing business in a foreign currency.

The increase of EUR 100 thousand (2012: EUR 2 thousand) was recognised in other comprehensive income after taxes.

36. Paid and proposed dividends

In accordance with the resolution of the annual general meeting dated 27 August 2013, the proposal by the Management and Supervisory Boards on the appropriation of profit was approved and EUR 38,222,182.00 (2012: EUR 6,688,881.85) of the retained earnings for 2012 shown on telegate AG's single-entity HGB financial statements were used to distribute a dividend. This corresponds to a dividend of EUR 2.00 per no-par value share (2012: EUR 0.35 per no-par value share).

Due to the application for a composition procedure with creditors made by SEAT Pagine Gialle Italia S.p.A. to the insolvency court in Turin in accordance with Article 161 Paragraph 6 Royal Decree 267/1942, an agreement was made with the principal shareholder not to pay the dividend resolved by the annual general meeting of telegate AG proportionally attributable to the shares held directly or indirectly by SEAT Pagine Gialle Italia S.p.A. to the shareholders of Telegate Holding GmbH / SEAT Pagine Gialle Italia S.p.A. for the time being. This amount was invested as time deposits by telegate AG and will be paid at a future point in time to be determined by SEAT or the insolvency court. The financial investment of EUR 24,222 thousand is shown under other financial assets (see note 23). The corresponding liability is reported under other financial liabilities.

The Management Board recommended to the annual general meeting to distribute dividends in the amount of EUR 7,644 thousand in 2014 for financial year 2013 in a resolution dated 04 March 2013; this distribution has not yet been recognised as a liability as of 31 December 2013. This corresponds to a dividend of EUR 0.40 per no-par value share. Approval on the part of the Supervisory Board is still pending.

Other notes and disclosures

37. 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 Directory Assistance and Media.

In the fourth quarter of 2013, the company decided to assign the software business to the Media segment (to date part of the Directory Assistance Solutions segment) and to rename the Directory Assistance Solutions segment Directory Assistance segment. The background to this reorganisation is the strict breakdown of revenue generation into commercial clients and digital services (-> Media segment) on the one hand and retail customers and directory assistance (-> Directory Assistance segment) on the other hand.

Similarly to the media business, the software business generates revenue almost exclusively with commercial clients (B2B). In addition, the software business is digital. The Media operating segment provides advertising services for small- and medium-sized enterprises mainly in Germany.

Directory Assistance generates revenue mainly with end customers or retail customers; this is known as B2C. It offers users information and directory assistance services via various service channels in Germany and Austria.

Segment reporting was revised to reflect the respective customer focus and type of services provided. The segment presentation for 2012 was correspondingly adjusted.

The Spain operating segment comprises all activities on the Spanish market, which almost exclusively concern directory assistance services. The business in Spain was sold with effect from 07 June 2013. The revenues and costs associated with these discontinued operations were eliminated in the reconciliation.

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 company manages the segments using earnings performance indicators up to EBITDA (earnings before interest, taxes, depreciation and amortisation) level. In the previous year, amortisation of intangible assets from capitalised sales commission was excluded from this figure. The prior-year figures were adjusted for purposes of comparability of the indicators. Capital allocation (liabilities and assets) within the Germany/Austria segment is not controlled at division level. The business ratio EBITDA before non-recurring effects illustrates an additional information of the profitability of the company.

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.

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

	Germany/Austria					
as of 31 December 2013 in EUR thousand	Directory Assistance	Media	Total	Spain	Reconciliation [1]	Group
Revenues						
Revenues from transactions with external customers	37,032	35,301	72,333	1,875	-1,875	72,333
Revenues from transactions with other segments	0		0		0	0
Total revenues	**37,032**	**35,301**	**72,333**	**1,875**	**-1,875**	**72,333**
Earnings						
EBITDA	9,814	-2,442	7,372	678	-476	7,574
Net financial income			-21	38	3	20
Earnings before income taxes			-3,030	568	-325	-2,787
EBITDA before non-recurring effects	11,056	-562	10,494	678	-681	10,491
Assets and liabilities						
Segment assets			105,250			105,250
Segment liabilities			44,322			44,322
Other segment information						
Investments in non-current assets*	3,528	4,345	7,873	68		7,941
Depreciation of plant and equipment	1,524	604	2,128	87	-87	2,128
Amortisation of intangible assets	2,388	2,837	5,225	61	-61	5,225
Amortisation of current intangible assets	0	3,028	3,028			3,028

as of 31 December 2012 in EUR thousand	Germany/Austria Directory Assistance	Media	Total	Spain	Reconciliation[1]	Group
Revenues						
Revenues from transactions with external customers	48,821	37,763	86,584	6,136	-6,136	86,584
Revenues from transactions with other segments	2		2		-2	0
Total revenues	**48,823**	**37,763**	**86,586**	**6,136**	**-6,138**	**86,584**
Earnings						
EBITDA	14,170	-4,571	9,599	1,059	54,627	65,285
Net financial income			-549	79	23,540	23,070
Earnings before income taxes			-5,807	759	78,546	73,498
EBITDA before non-recurring effects	16,378	-2,699	13,679	1,059	-1,114	13,624
Assets and liabilities						
Segment assets			141,675	2,375		144,050
Segment liabilities			42,313	660		42,973
Other segment information						
Investments in non-current assets*	5,572	1,357	6,929	232		7,161
Depreciation of plant and equipment	741	646	1,387	242	-242	1,387
Amortisation of intangible assets	5,208	3,761	8,969	137	-137	8,969
Amortisation of current intangible assets	0	4,501	4,501			4,501

** From the end of the financial year, investments are shown at segment level; the previous year's figures were adjusted accordingly.*

[1] *Explanation to the reconciliation*
The effects of data cost proceedings 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 205 thousand (2012: EUR 55,741 thousand), interest income of EUR 0 thousand (2012: EUR 23,533 thousand) and earnings before income taxes of EUR 205 thousand (2012: EUR 79,274 thousand).

All other items in the reconciliation relate to elimination of the revenue and costs of the discontinued business in Spain because this is reported separately in the consolidated income statement as "profit/loss after taxes from discontinued operations."

Information regarding data cost and structural cost are also found among note 17.

38. Data costs

The Düsseldorf Higher Regional Court ruled against Deutsche Telekom AG on 13 April 2011 in two law suits initiated by Datagate GmbH and telegate MEDIA AG, as well as on 08 June 2011 in a suit initiated by telegate AG, 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 2000.
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 Düsseldorf Higher Regional Court on 13 April 2011 and 08 June 2011 became final in 2012.

See notes 7, 9, 13, 14, 15 and 17 for more information regarding data cost litigation.

39. Share-based payment

The annual general meeting of telegate AG on 12 May 2005 resolved to introduce a stock-option programme, 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 resolutions of the annual general meeting of 12 May 2005, 15 May 2006, 09 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.

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 could be exercised until 30 June 2013.

No stock options were granted in the current reporting period.

No expenses for share-based payment transactions were recognised in the 2013 financial year (2012: EUR 0 thousand).

The stock options developed as follows during the financial year:

	2013		2012	
	Number of stock options	Weighted average exercise price (in EUR)	Number of stock options	Weighted average exercise price (in EUR)
Outstanding as of 01 January	269,515	13.41	328,290	13,19
Forfeited	-32,500	13.51	-58,775	12,20
Expired	-237,015	13.40	-	-
Outstanding as of 31 December	-	-	269,515	13,41
Vested as of 31 December	-	-	-	-

According to Section 2.5 of the option terms and the resolution by the annual general meeting of telegate AG dated 27 May 2009, the term of the option programme ended on 30 June 2013. In accordance with Section 2.7 of the option terms, all options not exercised up to this point therefore expire. In financial year 2013, 237,015 stock options expired due to non-fulfilment of the conditions for exercise in accordance with Section 4 of the option terms and the termination of the option programme as of 30 June 2013, and 32,500 stock options were forfeited due to termination of employment relationships.

The group applied 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 EUR)	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 EUR)	11.01	16.09	14.28
Exercise price (in EUR)	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.

40. 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	as of 31 December 2013		as of 31 December 2012	
in EUR thousand	Obligations under marketing-, IT services- and consulting agreements	Obligations under rental and lease contracts	Obligations under marketing-, IT services- and consulting agreements	Obligations under rental and lease contracts
up to 1 year	2,571	3,823	2,719	4,151
more than 1 year and up to 5 years	3,912	2,607	4,804	4,320
more than 5 years	74	0	165	185
Total	**6,557**	**6,430**	**7,688**	**8,656**

Obligations from marketing and IT services mostly include expenses connected with advertising and maintenance contracts. Obligations under rental and lease contracts mainly arise from real estate and vehicle fleet expenses.

Claims under rental agreements

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

in EUR thousand	as of 31 December 2013	as of 31 December 2012
Maturity	Claims under rental agreements	
up to 1 year	90	95
more than 1 year and up to 5 years	72	137
Total	**162**	**232**

41. 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 appeal by subsidiary telegate Media AG in the action for damages against Deutsche Telekom AG was rejected by way of a final decision handed down by Düsseldorf Higher Regional Court (AZ VI U 50/12 dated 11 December 2013). The proceedings have therefore ended. 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) and 2009 (telegate AG, Datagate GmbH, WerWieWas GmbH). Datagate has been merged into telegate Media AG in the meantime. 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.

Guarantees

As of 31 December 2013, the group had guarantee credit lines with its principal banks in the amount of EUR 1,200 thousand (2012: EUR 1,200 thousand).

As of 31 December 2013, telegate AG had furnished guarantees in the amount of EUR 3,000 thousand (2012: EUR 3,000 thousand) for telegate Media.

42. Number of employees

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

2013 financial year	As of 31 December 2013		Annual average	
	absolute	in full-time equivalents	absolute	in full-time equivalents
telegate group				
Total	1,072	915	1,121	960
of which operators and sales	766	620	798	651

Financial year 2012	As of 31 December 2012		Annual average	
	absolute	in full-time equivalents	absolute	in full-time equivalents
telegate group				
Total	1,274	1,019	1,352	1,086
of which operators and sales	940	718	1.013	780

43. Auditors' fees

The expenses for the fees of the auditors (PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich) recognised in the income statement are comprised as follows:

in EUR thousand	2013	2012
Audits of financial statements	157	151
Other assurance services	0	12
Total	**157**	**163**

44. Financial risks

The group has various financial assets at its disposal, such as trade accounts receivable, cash and cash equivalents as well as financial assets and other financial assets available for sale.

The primary financial liabilities used by the group include trade accounts payable, other financial liabilities 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 2012 and 2013 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 counterparty credit 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.

The group's financial assets available for sale are traded in euros and monitored continually. These investments should be classified as safe, and they are subject to only minimal fluctuations in value. The creditworthiness of the contractual partners for these financial instruments is reviewed regularly.

Other financial assets include short-term money and capital market products ("Flexgeld"). The investment denominated in euros is subject to only insignificant interest rate fluctuations. The position and creditworthiness of the financial institutions are monitored continually so that the risk of non-performance can be classified as very low.

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. With an increase in the failure rate by 10%, a there is an impact effects to EUR 0.03 million, however, there is a very low risk that the bad debts are higher than planned.

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. A further write-off is recognized if the receivable is handed out more than a year. If there is no payment after two years the receivable is fully written off. In the Segment Media, there is a risk, that the default rate is higher than expected. If the default rate increased by 10% there is an impact effects to EUR 0.2 million.

All major customers are subjected to a review of their creditworthiness, and the receivables portfolios are monitored on an ongoing basis. Counterparty credit 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 revenues with customers in Germany be invoiced centrally by Deutsche Telekom AG ("DTAG") (financial year 2013: 34%; financial year 2012: 36%).

Receivables from DTAG from this invoicing contract as of 31 December 2013 account for 23% (2012: 25%) 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 2013, the group's financial liabilities have the maturities listed below. The information about trade accounts payable is based on the contractual, non-discounted amounts; see also notes 29. The disclosure concerning other financial liabilities is based on the agreements relating to the circumstance described in note 36.

Financial year ended on 31 December 2013 in EUR thousand	payable on demand	up to 3 months	3 to 12 months	more than 1 year	**Total**
Trade accounts payable	-	2,064	-	-	**2,064**
Other financial liabilities	24,227	-	-	-	**24,227**

Financial year ended on 31 December 2012 in EUR thousand	payable on demand	up to 3 months	3 to 12 months	more than 1 year	**Total**
Verbindlichkeiten aus Lieferungen und Leistungen	-	4,286	-	-	**4,286**
Sonstige finanzielle Verbindlichkeiten	-	-	-	-	**-**

Interest rate risk

The interest rate risk results from investment in money and capital market products (overnight, fixed-term, "Flexgeld" 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.

	Increase/decrease in basis points	Effects on earnings before taxes in EUR thousand
2013	+25	104
	-20 *	-80
2012	+25	123
	-20	-101

* *The reduction in basis points is carried up to an interest rate of 0.00%*

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 2013, the equity ratio was 57.9% (2012: 70.2%).The decrease in the equity ratio compared with financial year 2012 mainly resulted from the dividend payment made in August 2013.

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

Price risk

Telegate has been investing in liquid money market funds since financial year 2013. The investments are denominated in euros and are monitored continually. Changes in fair value are recognised in other comprehensive income. Return on investments arises from a change of the market value and possible distributions. By a change of the acquired stocks market value of 0.5% the effect in the other income would be EUR 151 thousand. Due to the portfolio structure, no loss of capital is anticipated in the medium term.

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, including their levels in the fair value hierarchy: It does not contain any information about the fair value of financial assets and liabilities that were not measured at fair value if the carrying amount suitably approximates the fair value.

as of 31.12.2013	Carrying amounts of the IAS 39 measurement category			Fair value		
	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	-	30,128	-	30,128	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	9,950	-	-			
Trade accounts receivable	13,158	-	-			
Current other financial assets	24,570	-	-			
Non-current other financial assets	15	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	2,064			
Other financial liabilities	-	-	24,227			

as of 31.12.2012	Carrying amounts of the IAS 39 measurement category			Fair value		
	Loans and receivables	Available-for-sale	Financial liabilities measured at amortised cost	Level 1	Level 2	Level 3
Financial assets measured at fair value						
Securities	-	0	-	0	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	93,250	-	-			
Trade accounts receivable	16,266	-	-			
Current other financial assets	1,162	-	-			
Non-current other financial assets	200	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	4,286			
Other financial liabilities	-	-	0			

45. 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 2013. 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. The SEAT Group does not prepare consolidated financial statements for a smaller basis of consolidation including telegate AG

As of 31 December 2013, 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. Unless stated otherwise, receivables and liabilities outstanding as of the reporting date are not secured and bear no interest.

Transactions with related parties

Rendering or receiving of services

In the 2010 financial year, SEAT Pagine Gialle S.p.A. was invoiced EUR 0.1 million for support services. As part of the restructuring of the SEAT Group, this telegate AG receivable from financial year 2010 was transferred to SEAT Pagine Gialle Italia S.p.A. In the past financial year, the receivable was classified as unrecoverable due to the application for a composition procedure made by SEAT Pagine Gialle Italia S.p.A. to the insolvency court in Turin. As of 31 December 2013, telegate AG no longer has any receivables from the SEAT Group (2012: EUR 0.1 million).

As of 31 December 2013 there are dividend distribution liabilities including interest expenses against Telegate Holding GmbH and SEAT Pagine Gialle Italia S.p.A. in the amount of EUR 24,227 thousand (2012: EUR 0 thousand). The interest expenses add up to EUR 19 thousand in total ((2012: EUR 0 thousand). The amount was placed by telegate AG as term deposit and will be paid at a future point in time to be fixed by SEAT Pagine Gialle Italia S.p.A. or the insolvency court, respectively. The interest rate is corresponding to the rate of the described liability. For more detailed information see note 36.

Transactions with related parties (persons)

As of 31 December 2013, employees of the SEAT Group were members of telegate AG's Supervisory Board. These persons were entitled to Supervisory Board compensation for the 2013 financial year in the amount of EUR 46 thousand (2012: EUR 42 thousand), which accordingly was recognised as a current liability.

Compensation of individuals in key management positions

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 EUR thousand	2013	2012
Fixed compensation	500	463
Bonus	460	380
Special bonus	0	363
Compensation in kind	36	48
Pension commitment	31	19
Total without stock options	**1,027**	**1,273**
Stock options	0	0
Total including stock options	**1,027**	**1,273**

In the 2012 financial year, a payment of EUR 869 thousand was made to former members of the Management Board based on a bonus agreement from 2005 as a result of the successful data cost lawsuits.

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

in EUR thousand	2013	2012
Present value of the defined benefit obligations as of 31 December	925	867
Of which for former members of the Management Board	529	**510**

The Supervisory Board members received compensation totalling EUR 146 thousand in the 2013 financial year (2012: EUR 147 thousand).

Payments made to the employee representatives on the Supervisory Board for services outside their supervisory activities reflect standard market practice.

46. Events after the reporting period

There are no material events after the reporting period.

47. 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 1 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	--
Mr Ezio Cristetti	Since 29 June 2011, Human Resources Director, SEAT Pagine Gialle S.p.A., Milan, Italy (until 13 October 2013), Director of Operations, Prontoseat S.r.l., Turin, Italy	• SEAT Pagine Gialle Italia S.p.A., Turin, Italy, Chairman • Cipi S.p.A., Milan, Italy, Director
Mr Massimo Cristofori	Since 19 September 2008, CFO (until 13 October 2013), Manager Special Projects (since 14 October 2013), Seat Pagine Gialle S.p.A., Milan, Italy	• TDL Infomedia Ltd., Manchester, UK, Director • TDL 2013 Realisations Ltd., Manchester, UK, Director • Cipi S.p.A., Milan, Italy, Director
Ms Claudia Dollase	Since 08 November 2010, Full-time Works Council member, Operator (until 14 February 2013), HR Group Specialist/ Recruiting (since 15 February 2013), telegate AG, Rostock	--
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 (full-time), Operator, telegate AG, Neubrandenburg	--
Mr Leonard Kiedrowski	Since 15 May 2006, Data Editor, telegate AG, Neubrandenburg	--
Ms Silke Lichner	Since 15 May 2006, Data Editor, telegate AG, Neubrandenburg	--

Mr Gautam Giorgio Sahgal	Since 29 June 2011, Finance Director, TDL 2013 Realisations Ltd., Manchester, UK (until August 2013), Managing Director, Corporate Media Partners Ltd., Farnborough (Hampshire), UK (from August 2013)	• TDL Infomedia Ltd., Manchester, UK, Director • TDL 2013 Realisations Ltd., Manchester, UK, Director • Europages S.A., Neuilly-sur-Seine, France, director • Corporate Media Partners Ltd., Sutton Coldfield, West Midlands, UK, Director • Direct Research Company Ltd., Farnborough (Hampshire), UK, Director
Mr Vincenzo Santelia	Since 11 November 2013, CEO, SEAT Pagine Gialle S.p.A., Milan, Italy, CEO, SEAT Pagine Gialle Italia S.p.A., Turin, Italy	• Prontoseat S.r.L., Turin, Italy, Chairman • TDL Infomedia Ltd., Manchester, UK, Director • TDL 2013 Realisations Ltd., Manchester, UK, Director
Mr Andrea Servo	since 22 May 2012, Group Accounting and Tax Manager (until 13 October 2013), CFO (since 14 October 2013), SEAT Pagine Gialle Italia S.p.A., Turin, Italy	• Europages S.A., Neuilly-sur-Seine, France, director • Consodata S.p.A., Rome, Italy, director
Dr Arnold R. Bahlmann	from 15 May 2006 to 27 August 2013, Self-employed business consultant, Munich	• Business Gateway AG, Starnberg, member of the Supervisory Board • TVN Group, Warsaw, Poland, member 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.

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 and is comprised of six member elected by the annual general meeting and six members elected by the employees. With the announcement on 02 December 2013 the management board of telegate AG has announced its resolution of 27 November 2013 to initiate status proceedings. The management board asserts, that the number of employees of telegate AG including subsidiaries permanently and sustainably is below the applicable threshold of 2,001 employees, thus the supervisory board has to be composed of two-third shareholders´ representatives and one-third employee representatives in accordance with the provisions of Section 1 (1) no. 1, Section 2 (1), Section 3 (1), Sections 4-7 of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) in conjunction with Sections 95, 96 (1) sub-paragraph 4, German Stock Corporation Act. In case there are no legal actions taken by the stakeholders mentioned in section 98 Stock Corporation Act within one month after the publication of the announcement on 02 December 2013 in the Federal Gazette and together with the start of the notice in all company locations on the same day in accordance with section 98 Stock Corporation Act, elections of the supervisory board will be done in the first half year 2014 and as a consequence the supervisory board will then be composed of four members elected by the annual general meeting and two members elected by the employees in accordance with item 4.1 (1) of the Articles of Association of telegate AG.

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 & Operations and Corporate Communications	• TDL 2013 Realisations Ltd., Manchester, UK, Chairman (until 14 August 2013) • Mobile Commerce Ltd., Cirencester, UK, Management Board Member
Mr Ralf Grüßhaber	Member of the Management Board Dipl.-Betriebswirt (FH), Martinsried/Munich, Responsible for Finance, Technology, Legal Affairs & Regulation, Personnel as well as Spain	• Uno Uno Ocho Cinco Cero Guias S.L., Madrid, Spain, Director (until 07 June 2013) • 11811 Nueva Información Telefónica S.A.U., Madrid, Spain, Director (until 07 June 2013) • 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.

48. 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 13 May 2013. 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 11 December 2013. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, 6 March 2014

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 stockholders’ 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, 2013. The preparation of the consolidated financial statements and the group management report in accordance with the IFRS, 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 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, 6 March 2014

Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Corporate Information

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UST-ID-Nr.:	DE 182 755 407
Tax Number:	143 / 802 / 54205

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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**

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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Mail: Investor.Relations@telegate.com

Auditor

PWC
Wirtschaftsprüfungsgesellschaft
München

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

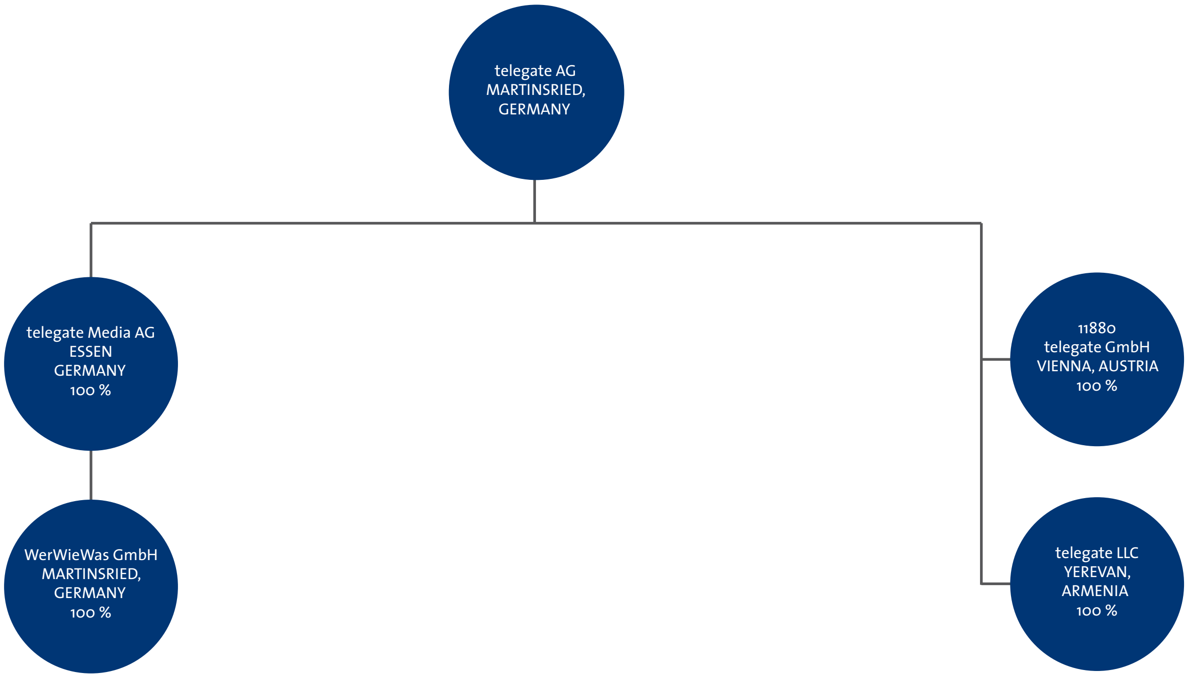
Visits
Access frequency to a website

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



Financial Calender 2014

March 13, 2014	Annual results 2013
May 7, 2014	3-months results 2014
June 25, 2014	AGM 2014
August 6, 2014	6-months results 2014
November 6, 2014	9-months results 2014

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