Annual Report
2014

telegate

11 88 0.com Da werden Sie geholfen.

klickTel Find people and places.

Results telegate Group

in EUR million	2014	2013	Change absolute	Change in percent
Revenues and earnings TG group				
Revenues	62.3	72.3	-10.0	-13.8%
EBITDA[1]	2.3	9.1	-6.8	-74.9%
EBITDA[1] before non-recurring items	9.4	12.0	-1.1	-10.1%
Non-recurring items from data cost litigation	0.3	-0.2	0.5	-
Non-recurring items from the adjustment of structural costs	6.8	3.1	3.7	-
Net income	-6.4	-1.8	-4.6	-
Details Germany/Austria segment				
Revenues Digital	34.6	35.3	-0.7	-2.0%
EBITDA[1] Digital before non-recurring items	1.8	1.0	0.8	-
Revenues Directory Assistance	27.7	37.0	-9.3	-25.1%
EBITDA[1] Directory Assistance before non-recurring items	7.7	11.1	-3.4	-30.8%
Statement of financial position				
Total assets	62.0	106.4	-44.4	-41.8%
Cash and cash equivalents[2]	26.9	40.1	-13.2	-33.0%
Equity	47.6	61.7	-14.1	-22.9%
Equity ratio (in percent)	76.8%	58.0%	-	-
Cash flow				
Cash flow from operations	-0.1	-4.6	4.5	-
Cash flow from financing activities	-31.9	-14.9	-17.0	-
Net cash flow[3]	-3.3	-2.8	-0.6	-
Key figures for the telegate share				
Earnings per share in euros	-0.33	-0.09	-0.24	-
Share price at year-end (in euros)[4]	3.31	6.28	-2.97	-47.3%
Market capitalisation at year-end	63.2	120.0	-56.8	-47.3%
(Proposed) dividend	-	7.6	-	-
Dividend or dividend proposal per share (in euros)	-	0.40	-	-
Dividend yield (in percent)[5]	-	6.4%	-	-
Other KPIs				
Churn rate, Media	29%	32%	-	-8.5%
Proportion of 24-month contracts, Media	67%	67%	-	0.0%
Revenue per call, Directory Assistance (in euros)	3.20	3.03	0.17	5.6%
Number of employees[6], group	901	1,072	-171	-16.0%

[1] *Earnings before interest, taxes, depreciation and amortisation*
[2] *Cash and cash equivalents and available-for-sale current financial assets*
[3] *Cash flow from operations + cash flow from investing activities +/- interest income/expense, after adjusting for data cost effects, expenses related to the tax audit (for financial year 2013), current deposits and effects related to the SEAT dividend.*
[4] *Xetra closing prices*
[5] *Dividend yield as (proposed) dividend per share divided by the closing share price (Xetra) as of the closing date or the last trading date of the respective financial year*
[6] *Headcount as of 31 December closing date*

telegate AG: milestones for the 2014 financial year

Januar

- telegate launches three new apps for BlackBerry users. All of the apps, including the emergency and burger apps, are free and offer innovative features for location-specific searches.

February

- Broad-coverage online directory Stadtbranchenbuch.com begins listing business directory entries from commercial customers of 11880.com and klickTel. This new partnership allows telegate to extend the digital advertising reach of all commercial customers and enables consumers online to find them more easily.

March

- telegate AG announces its financials for 2013: In the second half of 2013, the digital business crossed over into profitability. At the same time, the Management Board and Supervisory Board recommends distribution of a dividend of EUR 0.40 per share to the annual general meeting on 25 June 2014.

April

- telegate‘s digital business sees particularly strong demand for landing pages in the initial months of 2014. Many SMEs look to individual marketing pages that can be reached at the click of a mouse by entering common keywords in search engines.

May

- telegate AG announces figures for the first quarter of 2014: Digital services generated revenues of EUR 8.9 million. The segment performed well, already accounting for 54 percent of the company‘s total revenues.

June

- telegate AG appoints Franz Peter Weber as the company’s new Chief Financial Officer (CFO).
- At the annual general meeting on 25 June 2014, shareholders vote for distribution of a dividend of EUR 0.40 per share and elect a new Supervisory Board. The new members of the Supervisory Board are Dr. Michael R. Wiesbrock, Ralf Grüßhaber, Vincenzo Santelia and Andrea Servo. Dr. Michael R. Wiesbrock is elected Chairman at the subsequent inaugural meeting.

August

- telegate AG announces improved earnings in its digital business for the first half year of 2014. With earnings before interest, taxes, depreciation and amortisation (EBITDA) before non-recurring effects of EUR 0.4 million, the division continues its positive performance.
- The new klickTel app for the iPhone 6.1 is released. It provides information about current weather and traffic, petrol prices and regional emergency services directly on the user‘s home screen.

September

- Franz Peter Weber is named Spokesman of the Management Board. Michael Geiger, who had been Vice President Technology for many years, is appointed to the Management Board by the Supervisory Board on 11 October 2014. Elio Schiavo steps down from the company.

November

- telegate AG recorded revenues of EUR 47.5 million for the first nine months of the 2014 financial year. At EUR 26.1 million, the digital business generated 55% of total revenues. Both, profitability and customer satisfaction improved significantly.

Content

Letter from the Management Board

Dear Shareholders, Customers and Friends of telegate AG,

We look back on financial year 2014 as an important one – a year in which we set the stage for the future of our company. At the very start of this period, we thoroughly analysed all of our internal processes and revamped these in large part. This involved setting up new teams and redistributing responsibilities. We pursued one aim above all with these changes within the company: fulfilling the requests and meeting the needs of digital customers even faster and better than before. And we achieved this goal. In the second half of the year, customer satisfaction rose considerably, while the cancellation rate continues to decline. Our restructured quality management team now ensures that the service and consulting our customers receive are reliable and complete, both before and after signing their contracts. We achieved a lot in 2014 and can build on these accomplishments in 2015 to grow the digital business.

Major personnel changes were made in financial year 2014, especially at Management Board level. The two of us – Franz Peter Weber and Michael Geiger – were appointed to the Management Board in June and October, respectively. After the two former Management Board members left the company in quick succession, the Supervisory Board opted to appoint us as long-time employees to these positions to ensure continuity in management. Having gathered many years of experience in various positions at telegate AG, we both know the company very well. This expertise helped us implement a few key decisions at the end of the year to enable our company to appeal to our customers more specifically and ensure their loyalty for the long term with an optimised product portfolio in 2015.

This year, the clear focus is on customer acquisition in the digital business. With a broader, attractively priced product portfolio, we aim to make it even easier for business owners in Germany to take the plunge into online marketing. Websites are at the core of what we offer. They are designed according to individual customer preferences and produced by us to be located as easily as possible on the Internet. In addition, we offer customers a variety of innovative online products that draw even more attention to their businesses. As a digital partner to businesses in Germany, we take care of everything: Our customers can always rely on the results of our work and on our advice.

Regarding our action for damages against Deutsche Telekom AG, in which an amount of EUR 86 million plus interest is in dispute, there were no significant developments 2014. Unfortunately, the next hearing at Düsseldorf Higher Regional Court has been postponed twice. It is now scheduled for April 2015. We continue to be very optimistic about the hearing.

Dear Shareholders, since our former major shareholder SEAT Pagine Gialle transferred the majority of its stake to financial investors in the course of its restructuring plan at the end of 2014, and itself only retained an interest of 18.54 percent, most of our company's shares are now in free float. This new situation offers a multitude of opportunities for the further performance of telegate AG and its shares.

Thank you for the trust you place in our company.

Munich, 19 March 2015

F.P. Weber

Franz Peter Weber
Spokesman of the Management Board

Michael Geiger
Member of the Management Board

Report of the Supervisory Board

for the financial year from 1 January 2014 to 31 December 2014

Work in the 2014 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 2014 financial year

In the 2014 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 dominant issue was the performance of the media business. Close attention was paid in particular to quality improvements in sales and production processes to improve customer satisfaction. Opportunities to optimise costs, especially in the administrative departments and in connection with the merger of the call centre in Güstrow with the one in Rostock, were reviewed in depth. Another focal point was refining the existing compliance systems. These efforts were accompanied by extensive reporting and discussions of the opportunities and risks of the company's business performance. In terms of strategy, the positioning of the media business was discussed extensively at the budget meeting on 4 December 2014 and the foundation laid for a growth strategy.

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 existing compliance processes were analysed in detail, and additional improvement projects were approved and implemented. 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. Since the size of the Supervisory Board was reduced in June 2014, the Supervisory Board only has an Audit Committee and a Nomination Committee.

Composition and personal details of the Supervisory Board

The Supervisory Board of telegate AG is set up pursuant to the provisions of Sections 96 (1), 101 (1) AktG in conjunction with Sections 1 (1), 2 (1), 3 and 4 et seq. of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and, pursuant to Item 4.1 (1) of the Articles of Association of telegate AG, comprises four members elected by the annual general meeting and two elected by employees.

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.

At the annual general meeting on 25 June 2014, Ralf Grüßhaber, Vincenzo Santelia, Andrea Servo and Dr Michael Wiesbrock were elected to the Supervisory Board as shareholder representatives. As at 4 June 2014, the employees elected Ilona Rosenberg and Jens Sturm to the Supervisory Board as employee representatives. The Supervisory Board elected Dr. Michael Wiesbrock as its Chairman and Ralf Grüßhaber as its Deputy Chairman.

At the end of the annual general meeting on 25 June 2014, the former Chairman Jürgen von Kuczkowski and the former Supervisory Board members Ezio Cristetti, Massimo Cristofori, Claudia Dollase, Jörn Hausmann, Anett Kaczorak, Leonard Kiedrowski, Silke Lichner and Gautam Giorgio Sahgal stepped down from the Supervisory Board.

Meetings and attendance

The Supervisory Board held a meeting in each quarter of the 2014 financial year. Supervisory Board members Ilona Rosenberg and Vincenzo Santelia were present at all four meetings. Dr. Michael Wiesbrock, Andrea Servo, Jens Sturm and Ralf Grüßhaber took part in three meetings each. Due to the changes in the Supervisory Board, Ezio Cristetti, Massimo Cristofori, Claudia Dollase, Jörn Hausmann, Anett Kaczorak, Leonard Kiedrowski, Jürgen von Kuczkowski, Silke Lichner and Gautam Giorgio Sahgal only attended one meeting each. The Human Resources Committee and the Nomination Committee each met once in the 2014 financial year. The Audit Committee met four times during the reporting period. The Investment Committee did not need to meet in 2014.

Changes in the Management Board

Ralf Grüßhaber and Elio Schiavo stepped down from the Management Board with effect from 25 June 2014 and 10 October 2014, respectively. The Supervisory Board appointed Franz-Peter Weber to the Management Board with effect from 24 June 2014. Michael Geiger was appointed a member of the Management Board, while Franz-Peter Weber was made Spokesman of the Management Board as at 11 October 2014.

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 2014 financial year.

The implementation of the German Corporate Governance Code at telegate AG was the subject of the meeting of 04 December 2014. 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 2014 annual and consolidated financial statements

On 25 June 2014, 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 2014 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich (KPMG). The consolidated financial statements for the period from 01 January to 31 December 2014 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 2014.

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 18 March 2015. 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, 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 2014 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 2014 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. factual statements in the report are correct,
2. 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.

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 2015

Dr. Michael Wiesbrock
Chairman of the Supervisory Board

Investor relations

Capital market environment

2014 was a year with many ups and downs for the financial and capital markets. The main drivers in 2014 were the subdued economy and international crises, and, on the other hand, the continued very favourable interest rates.

In June, the DAX, Germany's leading index, broke the 10,000 mark for the first time. In mid-October, the stock market barometer then slid to 8,571, but recovered at the end of the year. The DAX closed a turbulent year on the stock exchanges with a gain of 3 percent.

Performance of the telegate share in 2014

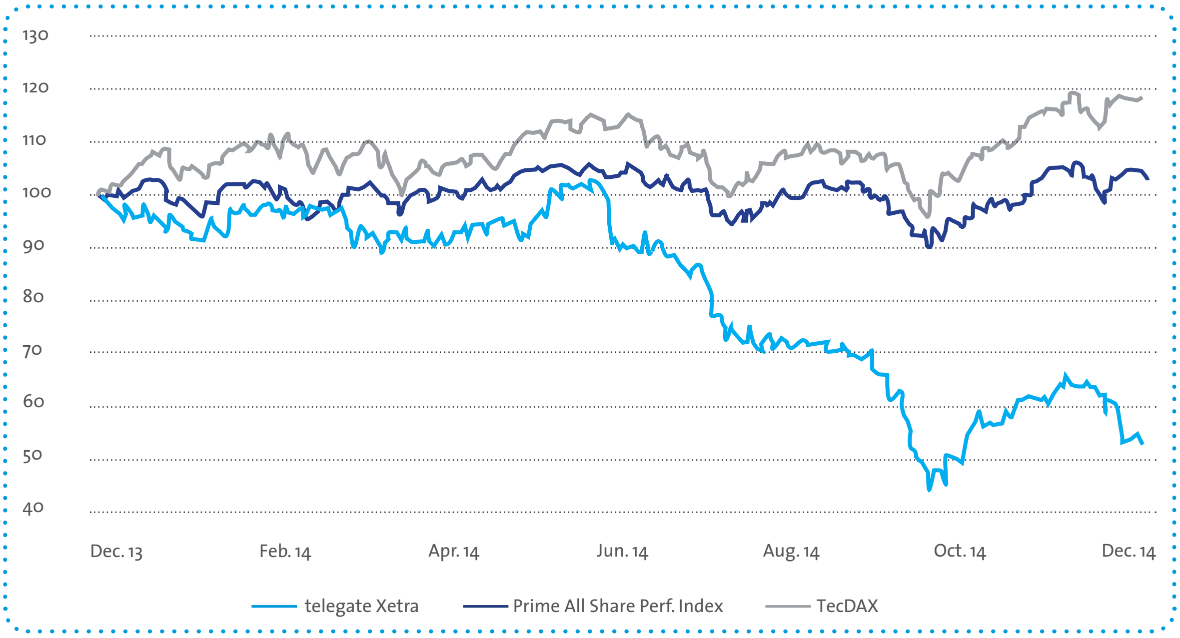
In the first six months of 2014 the telegate share trended sideways, matching the stable price development of its benchmark index, the Prime All Share index.

After payment of the dividend of € 0.40 per share at the end of June, the price fell as expected. In mid-July, and in line with the general market trend, the price dropped significantly; this decline was further accelerated in October due to the unclear situation of the telegate shares held by the majority shareholder SEAT Pagine Gialle, and on 16 October 2014 the share price hit a 12-month low of € 2.75. The share price then recovered significantly until the beginning of December, reaching € 4.15, before then dropping again.

At the end of December, the telegate share stood at € 3.31, 47 percent below the previous year. In comparison, the Prime All Share Performance Index increased by 3 percent in the reporting period, while the TecDAX recorded an even more impressive gain of 18 percent.

In 2014, there were four analysts' calls, one on the publication of the annual financial statements for 2013, and three more on the publication of the quarterly results. In addition, numerous discussions with investors took place around the annual general meeting in June and one-to-ones at the Equity Forum on 25 November 2014 in Frankfurt. These activities were supported by regular research notes of CB Seydler.

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



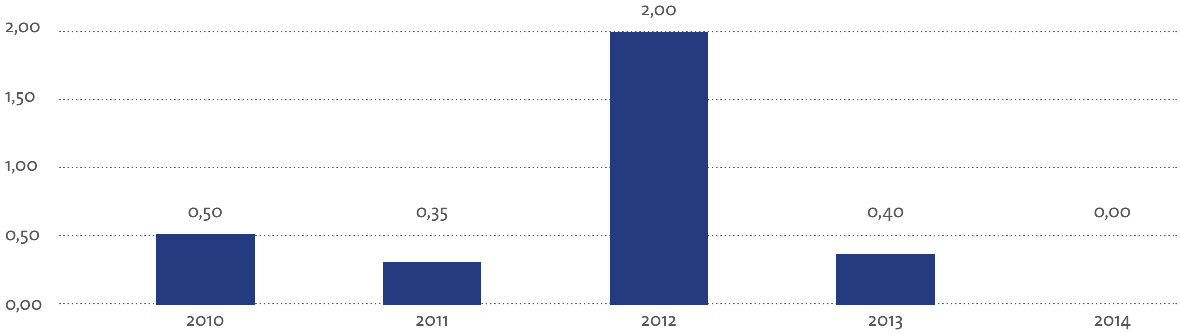
Key figures for the telegate share

		2010	2011	2012	2013	2014
Number of shares		21,234,545	19,111,091	19,111,091	19,111,091	19,111,091
Share capital	EUR	21,234,545	19,111,091	19,111,091	19,111,091	19,111,091
Share price at year-end[1]	EUR	7.07	5.31	7.27	6.28	3.31
Highest share price[1]	EUR	11.39	9.43	7.27	9.88	6.40
Lowest share price[1]	EUR	6.18	5.31	4.99	5.35	2.75
Market capitalisa-tion at year-end	EUR million	150.0	101.4	139.0	120.0	63.2
Earnings per share	EUR	0.21	0.18	2.46	-0.09	-0.33
Dividend or proposed dividend per share	EUR	0.50	0.35	2.00	0.40	0.00
Dividend yield[2]	%	7.1	6.6	27.5	6.4	0.0

[1] *Xetra closing prices*

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

Development of the dividend in €



Shareholder structure

As of 31 December 2014 there were 19,111,091 telegate AG shares outstanding. The company does not hold any treasury shares. SEAT Pagine Gialle Italia S.p.A. directly and indirectly holds 31.1 percent of the shares outstanding (previous year: 77.4 percent). The remaining 68.9 percent (previous year: 22.6 percent) of the shares are in free float.

Dividend

Given the company's growth strategy in the digital business, the Management Board and Supervisory Board intend to propose to the annual general meeting on 24 June 2015 not to distribute a dividend from company assets for financial year 2014.

Investor relations activities

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. 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 a favourite provider for the online presence of small and medium-sized enterprises in Germany. Developments in the damage compensation lawsuit against Deutsche Telekom AG were also discussed in detail.

Furthermore, the company regularly reported on its quarterly results and strategic decisions in telephone conferences.

Management Report

Management Report

1. Macroeconomic and sector-specific environment

Macroeconomic environment

The global economy stalled again during 2014. The global economic growth for the financial year 2014 was 3.3 percent. The reasons for this include the unusually low growth in world trade and the weaker performance of the emerging economies. The International Monetary Fund sees an increased risk of a global recession. The global economy remains vulnerable to disruption, turmoil in the financial markets and other factors. Global production is expected to increase by 3.5 percent in 2015.

The euro zone is exhibiting moderate growth. The gross domestic product increased only slightly in 2014. The EU Commission does not expect another noticeable increase until 2016.

The German gross domestic product increased by 1.6 percent in 2014, mainly as a result of a high level of employment and rising wages. German exports grew by 3.7 percent. Despite global risks, corporate investment increased in 2014.

Market development in Germany/Austria

The market for local online advertising in Germany is performing positively. According to a study on the use of online marketing published by OVK (Online Vermarkterkreis; Circle of Online Marketers) in 2014 the number of local online advertisements has increased significantly. The trend holds true both for local search and for exclusive marketing strategies and products on mobile devices. Due to their growing acceptance of the mobile Internet and mobile devices among the population, mobile media will continue to increase in importance as advertising channels for telegate. User behaviour on the Internet is moving more and more towards individuality. This results in additional growth opportunities for telegate. telegate offers SMEs a broad range of Internet and marketing services to help them improve their visibility in the digital world. telegate AG helps its customers take advantage of this user trend by optimising their Internet presence through telegate's individualised product offering, including a range of broad-coverage search media from the klickTel and 11880.com brands, websites and search engine marketing. A total of around 350 million search queries were received across all telegate channels in the past year for contact information for local companies, service providers and private individuals.

The market for telephone directory assistance services can be considered a business that is largely independent of economic developments. The continuous market decline that has been observed for many years now is attributable to the shift in consumer usage behaviour towards digital media. telegate 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.

2. Overview of the 2014 financial year

Basis of presentation

In its “Directory Assistance” and “Digital” operating segments, telegate uses an efficient management system with a number of key figures that are relevant to decision-making. In order to respond to new developments and changes in its operating business, telegate makes use of daily reporting instruments both in the directory assistance and in the digital business. In the financial area these include mainly the key performance indicators revenues, profitability (EBITDA) and cash flow. In the non-financial area, the key performance indicators are the digital figures “contract termination rate” and “proportion of 24-month contracts sold.” These key figures make it possible to assess the level of customer loyalty and customer satisfaction. The Directory Assistance segment is mainly controlled by the non-financial key figure call volume, which is calculated as the number of calls processed in the call centres in a given period.

Within the Digital segment, the primary distinction drawn is between the media entry products (top listing on the telegate platforms), Google (search engine marketing / Google AdWords) and websites. The various products are offered on the market at different terms.

In the Directory Assistance segment, telegate provides services mainly in connection with directory inquiries to 11 88 0, where customers receive German telephone numbers, area codes and addresses, and can also take advantage of various additional services. These services include sending the desired information by e-mail, fax or text message at no charge and the direct connection to the number the customer inquired about.

telegate uses the term “non-recurring items” for certain expenses and income. These are effects associated with data cost litigation and the adjustment of structural costs. Expenses associated with the adjustment of structural costs are mainly due to measures for capacity adjustments and restructuring.

The presentation of non-recurring items is intended to improve the comparability of net income or loss based on EBITDA. The key figure EBITDA before non-recurring items provides additional information on the company’s profitability (see below).

Non-recurring cost items:

in € thousand	2014	2013
Capacity adjustments	5,703	2,151
Restructuring measures	744	0
Other	361	971
Non-recurring items from the adjustment of structural costs	**6,808**	**3,122**
Non-recurring items from data cost litigation	**341**	**-205**
Total non-recurring items, group	**7,149**	**2,917**

Financial key figures

Revenue

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

In the Directory Assistance segment, revenue is essentially calculated 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 has seen revenues decline in the Directory Assistance segment for years. This is due to the continuous decrease of the market volume for directory assistance services. The decline in revenue has been partially offset by rising revenue per call.

In the Digital segment revenues are generated in the business with 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 especially by offering products optimised for customers. Within the Digital segment, the primary distinction drawn is between the media entry products (top listing on the telegate platforms), Google (search engine marketing / Google AdWords) and the creation and maintenance of individualised customer 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 Digital segments. The objective 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 items.

Net cash flow

The net cash flow represents net cash inflow generated from operations during a period. Analysing 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. This information enables telegate to optimise its financial position and net assets.

Net cash flow is calculated on the basis of cash flow from operations + cash flow from investing activities +/- interest income/expense, after adjusting for data cost effects, expenses related to the tax audit (for financial year 2013), current deposits and effects related to the Seat dividend.

Non-financial key figures

The contract termination rate and the proportion of 24-month contracts are the key figures used to measure customer loyalty and satisfaction in the Digital segment

A high level of customer loyalty and satisfaction is of particular importance for the development of the Digital business. This basically involves making use of a customer support concept to establish a long and sustainable relationship between customers and the company. This ensures future revenues, generates high profit margins and increases the profitability of the Digital segment.

The contract termination rate and the number of 24-month rather than 12-month contracts are the main quantifiable key performance indicators relating to customer loyalty and satisfaction. The contract termination rate represents the number of contracts terminated in a period in relation to the existing contracts from the same period in the previous year.

Call volume in the Directory Assistance segment

The reason for the continuous and substantial decline in the market for directory assistance seen for many years now is the change 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 experience. 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

In telegate’s view, the sustainable economic success of a company is inextricably linked to a high level of employee satisfaction. The recruitment of highly qualified new employees is as vital for telegate as the training of and support for the existing workforce.

For this reason, telegate conducts regular company-wide employee surveys. The result of these surveys is what is termed the HEI (Happy Employee Index), which tracks the overall satisfaction of the workforce in the telegate group. The resulting measures and areas of action make a not insignificant contribution to telegate’s future success. As in the previous year, telegate received good scores in this area.

3. Course of business

The operating business largely performed according to plan in financial year 2014. telegate successfully advanced its strategy of transforming itself into a focused online company by concentrating on increasing the profitability of the Digital business as well as optimising structural costs across the telegate group. Comprehensive measures to drive quality improvements in sales and production as well as technical and procedural quality assurance measures were implemented.

telegate surpassed the target set for consolidated profit (EBITDA[1] before non-recurring items) in the context of the forecast range of € 7-9 million because of the capitalisation of costumer websites in the amount of € 1.1 million (previous year: € 1.5 million).

Consolidated revenue decreased by 14 percent compared to the prior-year period. As planned, there was a further reduction in call volume in the Directory Assistance segment. Revenue in this segment decreased by 25 percent. By contrast, profitability in the Digital business remained encouraging, with revenue remaining virtually stable year-on-year. The proportion of the Digital business in consolidated revenue continued to grow and now stands at 56 percent, compared to the prior-year figure of 49 percent. The Digital division saw a repeat of the positive earnings (EBITDA) before non-recurring items. The consistent profitability was mainly the result of the continuous cost optimisation and a more efficient sales team, as well as improved customer loyalty. Compared with the prior-year period, the cost of revenues was reduced further in the current financial year.

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

The targets for the non-financial performance indicators were achieved. Key indicators for determining customer satisfaction continue their sustained uptrend. As in the prior year, the rate of cancelled contracts improved again. The proportion of new customer contracts with a 24-month term shows an encouraging development. In the current financial year, 72 percent of our new customers signed a 24-month agreement.

Consolidated EBITDA including non-recurring items declined by € 6.8 million compared to the prior year. Adjusted for non-recurring items, EBITDA amounts to € 9.4 million, corresponding to a decline of € 2.6 million compared with the previous year (previous year: € 12.0 million). The non-recurring items consist mainly of expenses for structural costs, restructuring measures and expenses related to data cost litigation.

Cash and cash equivalents and available for sale financial assets declined by € 13.2 million to € 26.9 million in the last financial year (prior year: € 40.1), mainly because of the dividend payment made and the negative cash flow due to adjustments of structural costs.

The goal of positive net cash flow was not achieved. Net cash flow, after adjusting for data cost effects, expenses related to the tax audit (for the financial year 2013), current deposits and effects related to the Seat dividend, was € -3.3 million (prior year: € -2.8 million).

The focus in 2014 continued to be on improving the profitability of the digital business in order to compensate as far as possible for the declining earnings from the directory assistance business. Furthermore, the focus was on comprehensive measures to drive quality improvements in all areas. The telegate AG succeeded not only in increasing sales efficiency but also in reducing the contract termination rate through greater customer loyalty. Media offerings are highly popular. 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 Güstrow call centre with the call centre in Rostock was another necessary step to optimise structural costs.

telegate creates websites for clients by offering various service packages which include everything from domain registration to hosting and designing the website. Websites are created individually for each customer, and telegate provides the service to the customer over the agreed minimum contract period of 12 or 24 months. The minimum contract period indicates that the company will receive a future inflow of economic benefits from the websites. In addition, the associated production costs can be calculated reliably. From financial year 2014 onward, the directly attributable production costs for customer websites will be capitalised as internally generated intangible assets and written down over their minimum contract period. The production costs incurred in previous periods were capitalised and subsequently re-measured after the fact as required. For more information see Notes to the consolidated financial statements 2014.

As at 24 June 2014, Franz-Peter Weber was appointed to the Management Board of telegate AG as Ralf Grüßhaber‘s successor. Ralf Grüßhaber stepped down from the Management Board of telegate AG at the end of the annual general meeting on 25 June 2014. Since 11 October 2014 Franz-Peter Weber is Spokesman of the Management Board.

Elio Schiavo stepped down from the Management Board of telegate AG as at 10 October 2014.

As at 11 October 2014 Michael Geiger was appointed as a member of the Management Board.

4. Financial situation

Results of operations

Business development in 2014 compared with the 2014 outlook (in the 2013 annual report)
In financial year 2014, the group generated EBITDA before non-recurring items of € 9.4 million, which is higher than the expected range of € 7-9 million for the full year 2014 (mainly due to the capitalisation of websites in the amount of € 1.1 million). With sales of € 62.3 million, the group achieved its forecast sales volume. This represents a 14 percent decline in sales from the prior year. However, for the financial year telegate failed to achieve the balanced net cash flow, net of effects associated with data cost litigation, expenses resulting from the tax audit (for financial year 2013), current deposits and effects related to the Seat dividend.

For the Digital division, the group expected an EBITDA before non-recurring items of between € 0.5 and 1.5 million. This reflects the long-term strategy of focusing on the online business. Because of the capitalisation of websites in the amount of € 1.1 million the EBITDA before non-recurring costs (€ 1.8 million) is higher than expected. Sales in this segment amounted to € 34.6 million, putting them at approximately the same level as the previous year. The slight decrease resulted from the ongoing consolidation and a decline in the software business.

In the Directory Assistance segment, a further decline in the call volume was expected. The decline rate for 2014 is 30 percent, which roughly corresponds to the previous year's figure of 27 percent. However, the projected sales volume of € 27.7 million was achieved by increasing sales per call by about 6 percent in the branded DA business.

In the non-financial performance indicators for the Digital segment, the focus was on a further decline in the contract termination rate. The target was met with an average level of 29 percent in 2014. We also recorded an improvement in the conclusion of contracts with a term of 24 months. This figure stood at 72 percent in 2014 compared to 67 percent in 2013, in line with the planned increase.

Segment report
telegate looks back on an eventful financial year and, with a series of measures, is laying the foundations for a successful future in the Digital division. The aim of the strategy in the Digital division is to become the favourite provider for the online presence of small and medium-sized enterprises (SMEs) in Germany. Similarly, the company has the goal for the Directory Assistance division of remaining the best provider in Germany.

The continued structural and comprehensive procedural and organisational changes in sales and existing customer management are now bearing fruit and will serve as the foundation for improving customer loyalty in the coming years. Comprehensive projects were implemented around the products website, media entry and Google Adwords campaigns in order to ensure high quality and performance. In addition, the group established a quality team in sales, introduced automated quality checks in production and made investments in the area of employee qualifications to ensure that the company is keeping its product promise to the customer.

In proactive customer meetings at specified time points, we discuss advertising campaigns and online promotions together with the customer and work to optimise them.

In financial year 2014, the group was able to improve the development processes for customer websites. New optimised and lean processes ensure that we are able to provide customers with an individualised website of the highest quality.

Another important component of the customers' successful online presence is their visibility in search engines. telegate has introduced comprehensive measures as part of our ongoing response to these challenges.

At € 34.6 million, sales in the Digital division are virtually constant compared to the previous year. The cost savings achieved in 2014 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 Digital division. The break-even achieved in the fourth quarter of financial year 2013 was repeated in 2014.

Earnings (EBITDA before non-recurring items) increased from € 1.0 million in the previous year to € 1.8 million in the past financial year.

The directory assistance market has been on the decline for years, and 2014 was no different, with yet another significant drop in caller volume (minus 30 percent year-on-year). In the past financial year revenue amounted to € 27.7 million, which is down 25 percent compared with the previous year (previous year: € 37.0 million). In order to at least partly compensate for the decline in revenue, efforts were mainly focused on further optimising capacity costs. Adjusted for non-recurring items, EBITDA decreased by 31 percent from € 11.1 million to € 7.7 million. It should be noted that the Directory Assistance segment continues to make a positive contribution to the company's earnings.

Group

Consolidated revenues in the 2014 financial year were € 62.3 million, compared to € 72.3 million in the previous year. This represents a decline of 14 percent (previous year: 16 percent).

Cost of revenues at the reporting date totalled € 31.3 million (previous year: € 32.8 million). Adjusted for non-recurring items, the consolidated cost of revenues was € 29.2 million. This is a decrease of 9 percent compared to the previous year's figure of € 32.1 million. The most important factor here is lower personnel costs in the Directory Assistance segment due to the further reduction in capacity.

Selling and distribution costs were reduced from € 30.0 million to € 27.3 million. Adjusted for non-recurring items, selling and distribution costs in the 2014 financial year were € 25.9 million, a € 2.9 million or 10 percent improvement (previous year: € 28.8 million). The primary reason for this welcome development is to be found mainly in lower sales personnel costs in the Digital division resulting from a reduction in sales employee numbers and decreasing employee turnover and lower marketing costs.

The general administrative expenses in the amount of € 13.2 million (previous year: € 12.3 million) 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.

The consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) as of the reporting date amounted to € 2.3 million (previous year: € 9.1 million). They include non-recurring items amounting to € 7.1 million (previous year: € 2.9 million) from structural cost adjustments of € 6.8 million (previous year: € 3.1 million) plus items related to data cost litigation in the amount of € 0.3 million (previous year: income of € 0.2 million).

EBITDA adjusted for these non-recurring items decreased by € 2.6 million, from € 12.0 million in the previous year to € 9.4 million.

Net financial income was € 0.4 million in 2014, compared to € 0.0 million in the previous year.

Tax gains in 2014 totalled € 2.3 million (previous year: € 0.8 million). The main reason for this is the addition of deferred tax assets of € 1.6 million (previous year: € 0.5 million) due to increased loss carryforwards.

The net loss amounted to € 6.4 million – primarily as a result of the high level of non-recurring items. This compares to a net loss of € 1.8 million in the previous year. This figure includes items recognised in the wake of the disposal of the discontinued Spanish and Italian operations in the amount of € 0.4 million (previous year: € -0.1 million).

Net assets and financial position

Capital expenditure

Capital expenditure in the 2014 financial year totalled € 4.8 million (previous year: € 8.9 million). These were mainly software development expenses as well as sales commission and the capitalisation of websites for contracts with a term of more than one year.

Capital expenditures of € 0.3 million were incurred in the Directory Assistance segment last year (previous year: € 3.5 million). The high level of capital expenditure in 2013 was mainly 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 Digital segment, capital expenditures totalling € 4.5 million were made (previous year: € 5.4 million). Investments focused primarily on internal software development for the modernisation of applications. This figure also includes capitalised sales commission of € 2.4 million (previous year: € 2.2 million) and capitalised websites in the amount of € 0.8 million (previous year: € 1.0 million) arising from the sale of 24-month contracts.

As of 31 December 2014, the telegate group had no significant open obligations from capital expenditure which are expected to apply to financial year 2015 (previous year: € 0.5 million).

Statement of financial position

As of the reporting date, total assets amounted to € 62.0 million (previous year: € 106.4 million), with current assets decreasing from € 80.6 million to € 41.0 million. The reason for this is mainly the dividend payments for shares held in free float made in June 2014 and the payment made in December to Seat Pagine Gialle S.p.A. (formerly Seat Pagine Gialle Italia S.p.A.) and Telegate Holding GmbH for the years 2012 and 2013. These effects led to a decrease in cash and cash equivalents and a reduction in the other financial assets of € 31.9 million. The dividends for Seat Pagine Gialle S.p.A. (formerly Seat Pagine Gialle Italia S.p.A.) and Telegate Holding GmbH in the amount of € 30.2 reported in a separate account under other financial assets. The amount of other financial assets was decreased accordingly by the payment carried out in December. As of 31 December 2014, telegate was invested in liquid money market funds that are classified as available for sale financial assets. The fair value of these investments is € 22.6 million (previous year: € 30.1 million). Other current assets fell from € 2.3 million to € 1.7 million. This includes prepaid expenses which mainly relate to technology expenses paid but not yet recognised as an expense and direct selling expenses which are directly attributable to the sales order. The decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume. The company has rarely used overdraft facilities of € 3.0 million (2013: € 3.0 million) with financial institutions at its disposal as of 31 December 2014. 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.

As of the reporting date, the group had non-current assets worth € 20.9 million (previous year: € 25.8 million). The decline by € 4.9 million stems from the decrease in property and equipment and intangible assets.

On the liabilities side, current liabilities decreased significantly from € 28.4 million to € 11.9 million (previous year: € 40.3 million). The reason for this is mainly the reduction of other financial liabilities of € 24.2 million to € 0.0 million due to the dividend payment made in December to Seat Pagine Gialle S.p.A. (formerly Seat Pagine Gialle Italia S.p.A.) and Telegate Holding GmbH. Accrued current liabilities decreased by € 1.5 million from € 9.5 million to € 8.0 million and includes outstanding invoices in the amount of € 3.8 million (previous year: € 5.1 million) and also obligations to employees in the amount of € 4.2 million (previous year: € 4.4 million).

telegate has no significant non-current liabilities, no liabilities in foreign currencies and no loan liabilities to banks.

Equity declined by € 14.1 million year-on-year to € 47.6 million (previous year: € 61.7 million). This is due to the reduction in retained earnings from € 10.4 million to € -3.7 million, which is primarily related to the dividend payment made. On 31 December 2014, the equity ratio was 76.8 percent (31 December 2013: 58.0 percent).

Cash flow & financing

General

telegate's financial management ensures that the group is at all times able to meet its payment obligations and to generate an adequate return from the investment of excess liquidity.

During the year, the group was able to meet its financing needs through own funds.

When investing excess liquidity telegate pursues as conservative an investment approach as possible in order to minimise the risk of losses. 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 2014, these concern deposits with German financial institutes at a fixed term of no more than three months as well as overnight deposit accounts.

telegate's dividend policy is in line with its financial strategy. The dividend amount reflects the financial management objectives - in particular, ensuring a solid financial foundation as part of the implementation of our corporate 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 payments made.

Cash flow from operations in the past financial year amounted to € -0.1 million, compared to € -4.6 million in the previous year. Adjusted for cash effects of € 2.2 million (previous year: € 12.4 million) from data cost litigation and expenses in connection with the tax audit (for financial year 2013), cash flow from operations was € 2.1 million, as against € 7.8 million in the previous year.

Cash flow from investing activities amounted to € 26.3 million compared to € -63.8 million in the previous year. In 2014, € 30.1 million in other current financial assets were sold (previous year: € 0.0 million). This sale is related to the dividend payment to Seat Pagine Gialle S.p.A. (formerly Seat Pagine Gialle Italia S.p.A.) and Telegate Holding GmbH and consists of the payments amounts for 2012 and 2013 (€ 5.9 million and € 24.2, respectively). The result includes net cash of € 7.5 million (the balance of the items „Purchases of available for sale financial assets" and „Proceeds from sale of available for sale financial assets") for the acquisition of fixed-income securities with very good credit ratings (investment in short-term near money-market funds with a term of two days) (previous year: € 30.0 million). Adjusted for these items, the cash flow from investing activities in 2014 amounted to € -5.4 million (previous year: € -9.6 million). The lower expenses compared to the previous year are mainly due to lower capital expenditure for property, plant and equipment.

Cash flow from financing activities amounted to € -31.9 million in 2014 (previous year: € -14.9 million). Dividend payments for shares held in free float of € 1.7 million (previous year: € 14.0 million) and € 30.1 million (previous year: € 0.0) to Seat Pagine Gialle S.p.A. (formerly Seat Pagine Gialle Italia S.p.A.) and Telegate Holding GmbH must be taken into account in 2014.

Net cash flow is calculated on the basis of cash flow from operations + cash flow from investing activities +/- interest income/expense, after adjusting for data cost effects, expenses related to the tax audit (for financial year 2013), current deposits and effects related to the Seat dividend. In the past financial year it was € -3.3 million, compared to € -2.8 million in the previous year.

Cash and cash equivalents and available for sale financial assets totalled € 26.9 million on 31 December 2014 (31 December 2013: € 40.1 million). Cash and cash equivalents are not subject to restrictions. Available for sale financial assets (short-term deposits) can be terminated with two business days' notice and are available to the company with virtually no restrictions.

5. Report on post-balance sheet date events

The percentage of the shares of telegate AG carrying voting rights held by Seat Pagine Gialle S.p.A., Turin, Italy, fell below the 20% threshold after the reporting date of 31 December 2014 due to additional sales of shares. Seat Pagine Gialle S.p.A. now directly holds a 16.24% stake in telegate AG and indirectly holds a 2.30% stake via Telegate Holding GmbH in telegate AG.

There are no further material events after the reporting period.

6. Research and development

As a service provider, telegate does not carry out basic research in the original sense, and therefore no research costs are shown. However, the company does recognise development costs for internal software used to generate sales in the Directory Assistance and Digital segments. telegate's in-house development department based in Essen and a team of software specialists in Armenia are responsible for this. The range of services in this area includes mainly the programming of applications, the development and maintenance of the "klicktel.de" and "11880.com" online directories, and the development of user interfaces in voice-based directory assistance. The company recognised internally generated intangible assets of € 0.9 million in the past financial year (previous year: € 1.6 million).

7. 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 2014. The results are promising again: The HEI (Happy Employee Index), a corporate indicator that measures the overall satisfaction of employees remains positive at 2.0 (previous year: 1.8). The results of the survey show that telegate employees continue to be satisfied with the company and have an ongoing awareness of the company and the role they can play in shaping the company's future.

As of 31 December 2014 telegate had 901 employees group-wide (headcount; excluding trainees, „mini-jobs" and dormant employment contracts) – 171 less than a year ago (previous year: 1,072). 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 Güstrow with the Rostock call centre. Furthermore, the headcount in administration and overhead were reduced in connection with the adjustment of structural costs.

8. Opportunity and risk management

General information

Establishing an effective opportunity and risk management system is essential for telegate, not least due to the economic and financial crisis. For telegate, „risk“ means both the danger of potential losses and of lost profits. Both can be triggered by 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 and opportunities. The aim is to identify material risks for the group in good time in order to initiate the appropriate countermeasures. Risks include, firstly, 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. Another type of risk is seen in the inability to increase the existing potential of the market or the potential for increased profitability in value creation. 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 Management Board is regularly informed of the risk situation in the telegate group. In addition, the Supervisory Board, particularly the Audit Committee, monitors the risk management system.

In addition to the company-level assessment, the “Digital“ 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. In 2014, the compliance system was enhanced, particularly with respect to sales processes. These include operational and organisational measures. For example, we very successfully introduced an additional quality process to improve sales advice. The entire compliance system was the subject of an independent audit by an external law firm. The result of the audit showed that the quality of the sales processes and the compliance culture in the company is particularly high.

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. The group understand the internal control and risk management system to be a comprehensive system and base it on the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, IDA), Düsseldorf, for the accounting-based internal control system (IDW PS 261 subsection 19 et seq.) and for the risk management system (IDW PS 340, subsection 4). Accordingly, an internal control system comprises those principles, procedures and measures that the management employs in a company with the aim of implementing its organisational decisions for the purpose of:

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

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

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

Full responsibility for the telegate group‘s ICS lies with the Management Board of telegate AG. All of the group‘s strategic business areas are integrated via a specifically defined management and reporting organisation. Monthly meetings with the department and division heads are held for this purpose to discuss all relevant key performance indicators of the operating business.

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-related information is continuously exchanged with the Head of Controlling and Head of Accounting and communicated to the CFO in regularly scheduled meetings.

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

Invoices received are also submitted to the relevant departments in line with the dual control principle to ensure that these are factually and arithmetically correct. This principle states that no single person alone may be responsible for a process. Instead, sufficiently qualified individuals must be involved in the process in order to recognise and prevent possible deviations and control weaknesses. Specifically, 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, make it possible to ensure correct and responsible accounting. Specifically, this ensures that business transactions can be recorded, processed and documented in accordance with legal requirements and internal guidelines, and be recognised immediately and correctly in the accounts. At the same time, it ensures that assets and liabilities are appropriately recognised, reported and measured in the annual and consolidated financial statements, and that reliable and relevant information is provided promptly and in full.

Group-wide opportunities

In order to determine the potential opportunities of telegate, opportunities are assigned a percentage indicating their probability of occurrence and assessed with respect to the impact they would have on our business goals and the company's results. Finally, the opportunities are ranked on the basis of their net impact or weighted impact on the company's results.

Actions for damages against Deutsche Telekom AG

The lengthy legal proceedings with Telekom AG concerning abusively over-priced data charges concluded with a ruling in telegate's favour in the 2012 financial year. Based on this, the group see a "medium-high" chance that the subsequent action for damages filed by telegate AG for lost profits of up to € 86 million will also be decided in our favour. The maximum compensation in the previous year was € 110 million, but this figure was reduced as a result of telegate Media AG losing its suit before the Düsseldorf Higher Regional Court on 13 November 2013. The situation and statement of claim of the action for damages by telegate AG differ significantly from those of telegate Media AG. Therefore, no conclusions about the success of the action of telegate AG can be drawn on the basis of the rejection of the action of telegate Media AG by the Higher Regional Court. No reliable projection can be made at this point of time regarding the duration of these legal disputes.

Market development in the Digital division

The segments relevant to the group are expected to see continued market growth in the coming years and the current trends are expected to continue. Based on numerous publications, double-digit growth is assumed.

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 2014, telegate has secured an excellent position for itself in this market with its "klicktel.de" and "11880.com" online directories.

This large number of search queries in a commercial environment 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 targeting SMEs in Germany.

Should Digital sales efficiency and/or productivity perform 13 percent better than expected, this would produce an increase in EBITDA of approx. € 1.5 million in the first year. Conversely, should sales productivity perform less well than expected, this would constitute a risk of the same magnitude. There was no material change in the extent of this opportunity compared to the previous year. The probability of occurrence is estimated at 13 percent.

Churn rate development in the Digital 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 churn 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 churn rate trend were to show a 2 percent improvement over the plan value, this would translate to an EBITDA improvement of € 0.8 million. Conversely, an unexpected rise in the churn rate would constitute a risk of the same magnitude. There was no material change in the extent of this opportunity compared to the previous year. The probability of occurrence is estimated at 25 percent.

Market development in the directory assistance business

Due to the shift in media usage from traditional media 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 small chance 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 directory assistance caller volume shrink by 2 percent less than expected, this would result in an increase in EBITDA 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 steady decline in caller volume, the likelihood of an increase over the previous year has been reduced accordingly.

Overall summary of the opportunities

Overall, telegate's opportunities have not changed significantly from the previous year from an operational perspective.

The greatest opportunity for the telegate group continues to lie in the success of the claims for damages against Deutsche Telekom. Although telegate sees good prospects for success, a longer-term view must be taken with regard to any possible success. Specifically, this means that we do not expect a decision in this case in the near future. For this reason, its potential success is not part of the corporate planning.

In addition, opportunities can arise from market developments.

As previously indicated, the opportunities presented represent corresponding risks in the event of negative developments. Risks and their probability of occurrence and the options for counter-measures are presented below.

Group-wide risks

As previously indicated, the opportunities presented represent corresponding risks in the event of negative developments. The main risks and the options for counter-measures are presented below.

To determine which risks are most likely to jeopardise the continued existence of telegate, the risks are weighted by their probability of occurrence and assessed with respect to the impact they would have on our goals and the company's results. Finally, in order to help the company focus and prioritise, the risks are ranked on the basis of their net impact or weighted impact on the company's results.

Financial and liquidity risks
The default of the debt collection service could bring about a temporary loss of data that results in a loss of pending sales. telegate would be forced to select a new service provider and integrate it into the billing processes; this start-up requires a certain amount of time.

The risk is measured at a probability of 5 percent, with a negative effect on EBITDA of € 2.9 million.

There is a risk that despite the adoption of controls and measures by telegate to prevent this, there could be illegal publications. As a result, there is a chance that 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. The risk is measured at a probability of 2 percent, with a negative effect on EBITDA of € 2.0 million.

Market risks
telegate manages its sales activities respectively customer contacts in the Digital division mainly in outbound. There is a risk of negative media coverage in connection with sales negotiations, among others in social networks, which could lead to damage to the company's reputation.

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

The probability of occurrence is 15 percent and it would impact EBITDA by € 3.8 million if the risk occurs.

In the Digital division, products are also sold in outbound. 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 telephone contacts to B2B customers. 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 EBITDA to be € 2.8 million. The probability of occurrence is 10 percent.

Regulatory risks
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 and 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 at a probability of occurrence of 0.5 percent, it is possible that numbers assigned to telegate could be withdrawn again. In the event of this happening, we estimate the impact on company earnings to be € 14.4 million.

Overall summary of the risk position
We see the greatest challenges for the group in the regulatory and legal risks described above.

In summary, it should be noted that the volume of net risk (total of the damage amounts of the individual risks, with the probability of occurrence factored in) has declined significantly compared to the previous year. For example, the net risk volume declined by 61 percent (or € -4.0 million) to € 2.6 million in 2014. The reasons for this decline are the reassessment of risks and the elimination of risks that no longer exist.

Internal and external optimisation measures are intended to further reduce the probability of occurrence and the effect on results in the event of occurrence.

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.

9. Report on expected developments

The statements made here are based on the telegate group's operations planning for the 2015 financial year, as adopted by the Management Board and Supervisory Board in December 2014. The planning is based on the objectives of the Directory Assistance and Digital segments. Planning for the 2015 financial year is based on a corporate structure that doesn't change.

Corporate strategy

The telegate group will continue in 2015 to adhere firmly to its strategy to develop the company from a traditional directory assistance business to the favourite provider for the online presence of small and medium-sized enterprises in Germany.

As part of this strategy, telegate has been focusing for several years on the expansion of its digital information platforms. This is being done to take advantage of the company's years of expertise in traditional voice-based directory assistance in order to deliver outstanding quality in the new media. telegate is thus adapting both to new market conditions and changing consumer behaviour, ensuring the company's excellent competitive position as an expert in the growth market "local search".

Directory Assistance segment
In the directory assistance business, the telegate AG expect the negative trend in caller volume in Germany to continue in 2015. For 2015, the group anticipate telegate's directory assistance call volume to decrease by the same amount it did in 2014. Caller volume downturn for the 2014 financial year just ended was 30 percent.

To partially offset the effects of this downturn in revenue, we continued to work on increasing revenue per call in 2014. In 2014, these efforts resulted in an increase of € 0.17 per call. For 2015, we expect to achieve a further increase in revenue per call.

As a result, we estimate that the Directory Assistance segment will earn revenues of € 19-21 million in 2015. In 2014, segment revenues were € 27.7 million.

In terms of the development of earnings, telegate plans to post EBITDA before non-recurring items in a range of € 2.5 million to € 3.0 million for the Directory Assistance segment in 2015. In 2014, EBITDA before non-recurring items amounted to € 7.7 million.

Digital segment

The break-even performance achieved for the first time in the fourth quarter of 2013 in the Digital segment was repeated. In 2015, the strategic focus will be on investments in products and brands with the aim of driving sustained revenue and customer growth.

In the area of new customer business, sales efficiency will continue to be improved in 2014. This increase is to be achieved by implementing various measures.

This includes the launch of new products, for example, as well as the further optimisation of sales processes and the continued implementation of measures to improve and ensure quality in all areas of the company.

In the existing customer business, the telegate intend to build on the successes of the 2014 financial year. Here, two key figures are of especial importance: the churn rate and the proportion of 24-month contracts in new contract business. In 2014, the average churn rate was 29 percent, which represented a year-on-year reduction of around 3 percent. In the second of 2015, a further reduction is planned. A range of measures are intended to achieve this result, including the optimisation of customer processes, which has already been initiated. The planned product launches will also help existing customers optimise their online presence. 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 72 percent. For 2015, the group plans to further increase this proportion slightly to just under 75 percent.

Overall, the plan for the Digital segment in 2015 is to generate revenues comparable to the previous year. In 2014, segment revenues were € 34.6 million. As far as non-accrued revenues are concerned, we expect noticeable growth.

Turning to the development of earnings in the Digital segment, telegate expect EBITDA before non-recurring items in 2015 of € -1.0 to 0.0 million due to the planned capital expenditure. By means of comparison, the figure for the last financial year was € 1.8 million.

telegate group

As a result of different trends prevailing in the two divisions, Directory Assistance and Digital, the group is essentially evolving into a digital company.

At the group level, we plan to post revenues of € 52.0-56.0 million in 2015. In comparison, revenues in 2014 were € 62.3 million. In terms of profitability, the group anticipate EBITDA before non-recurring items in 2015 to be in the range of € 2.0 to 3.0 million as a result of capital expenditure in the digital business. In comparison, earnings in 2014 were € 9.4 million.

In 2015 telegate expect a net cashflow in the range of € -6 million to -7 million because of the investments in the digital business.

Finance strategy

telegate's finance strategy aims to secure liquidity in the long term and to provide financial support for developing the digital business.

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

Composition of subscribed capital

As of 31 December 2014 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 2014, 19,111,091 of these shares were outstanding (previous year: 19,111,091 shares).

Restrictions affecting voting rights and the transfer of shares

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

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

As of the reporting date, there were the following holdings in the company's capital of more than 10 percent of the voting rights:

SEAT Pagine Gialle S.p.A.: 31 percent, directly and indirectly

GoldenTree Asset Management Lux. S.à. r.l / Steven A. Tananbaum: 16 percent, directly and indirectly

GL Europe Luxembourg S.à. r.l.: 11 percent directly

Shares with special rights conferring powers of control

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

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

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

Appointment and dismissal of members of the Management Board

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

Amendment of the Articles of Association

Pursuant to section 179 AktG, amendments to the Articles of Association shall be passed by resolutions of the Annual General Meeting. Pursuant to Art. 4.5 of the Articles of Association, the Supervisory Board is authorised to resolve amendments to the Articles of Association that only affect the wording.

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

There are no authorisations of the Management Board, in particular pertaining to the possibility to issue or buy back shares.

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

No significant agreements exist as of 31 December 2014.

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).

11. 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 the website at: www.telegate.com > Investor Relations > Corporate Governance > Corporate Governance Report.

12. Remuneration system

The remuneration report summarises the principles and methods used to determine the total remuneration of the members of the Management Board of telegate AG and explains the structure as well as the remuneration received by the Management Board members. The principles and the amount of remuneration received by the members of the Supervisory Board are also described.

Principles of Management Board remuneration

The Supervisory Board advises and regularly reviews the structure of the remuneration system for the Management Board and on the recommendation of the Supervisory Board Chairman determines the total remuneration of the individual Management Board members. The committee also regularly reviews the remuneration system for the Management Board. In doing so, it makes vertical and horizontal remuneration comparisons.

The remuneration model for the Management Board should be attractive and appropriate to compete for highly qualified management personnel. Criteria for the appropriateness of the remuneration 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.

Remuneration system

The German Corporate Governance Code recommends that the Chairman of the Supervisory Board inform the annual general meeting once about the principles of the remuneration system and subsequently of any changes thereto. Deviating from this, the Chairman of the Supervisory Board of telegate AG informs the annual general meeting about the principles of the remuneration system each year at the regular annual general meeting in order to take into account the information requirements of new shareholders attending their first annual general meeting.

General information on the components of Management Board remuneration

The total remuneration for the members of the Management Board of telegate AG consists basically of monetary remuneration components, which are divided into non-performance-related and performance-related components. The performance-related components consist of fixed remuneration components and fringe benefits (car and accident insurance) and pension commitments. Performance-related components include variable remuneration components.

Fixed remuneration components
As a basic remuneration 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 relevant pursuant to section 87 (1) AktG and the German Corporate Governance Code.

Variable remuneration components
Variable remuneration components have upper limits and consist of performance-related and qualitative components. The performance-related components have a multi-year orientation in order to take account of the sustainable development of the company.

Other components of remuneration, fringe benefits, obligations or benefits from third parties
Another component of the total remuneration of Management Board members are pension awards, other awards, especially in the event of termination of activity, fringe benefits of all kinds and benefits from third parties which were promised or granted in the financial year with regard to Management Board work.

Remuneration in 2014

Fixed and variable remuneration
In financial year 2014, telegate AG deviated from the recommendations in Art. 4.2.3 of the German Corporate Governance Code with regard to the extension agreement valid since 1 January 2014 for the Chairman of the Management Board, Mr. Ralf Grüßhaber, and the appointment of Mr. Franz-Peter Weber and Mr. Michael Geiger as new members of the Management Board. The deviation involves the establishment of remuneration without variable components for the brief period of the extension agreement or until 31 December 2014 for the new appointments to the Management Board on 24 June 2014 and 11 October 2014. From financial year 2015, variable remuneration components with multi-year objectives have been established; in some cases this remuneration will be invested in multi-year deferrals (phantom stocks) if the objectives are achieved.

Other components of remuneration, fringe benefits, obligations or benefits from third parties
In the Management Board contracts of departing Board members Elio Schiavo and Ralf Grüßhaber, the calculation of the severance payment cap is based on the fixed remuneration for the last financial year prior to termination of employment and the calculation of the variable remuneration is based on the average amount of variable remuneration paid in the last three financial years. The extension agreement for Mr. Ralf Grüßhaber valid from 1 January 2014 does not include a severance payment for early termination; for this reason, the regulation regarding a severance payment cap did not apply. For the existing Management Board contracts of Mr. Franz-Peter Weber from 24 June 2014 and Mr. Michael Geiger from 11 October 2014, the severance payment cap is equal to 18 times the average fixed monthly remuneration for the entire contract period and 18 times one-twelfth of the variable remuneration earned in the last financial year. If the remaining term of the contract is less than 18 months, the severance payment cap is limited to the number of months of the remaining term.

Members of the Management Board received pension benefits amounting to € 32 thousand (previous year: € 31 thousand) pursuant to the IASs/IFRSs. These are mainly determined based on the length of service and the remuneration of the individual members of the Management Board. The pension commitment is tied only to the fixed remuneration component. The new Management Board contracts from 24 June 2014 and 11 October 2014 include defined contribution pension plans. Details can be found in the notes accompanying the consolidated financial statements in the section entitled „Retirement benefit plans".

The payments in kind consist of accident insurance and 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 stock options were granted to members of the Management Board in the financial year under review.

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

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 remuneration was or is paid for intragroup Management Board and Supervisory Board positions.

Remuneration of the Management Board in €

In € thousand	2014 (IAS/IFRS)	2013 (IAS/IFRS)
Fixed remuneration	596.7	500.0
Bonus	50.0	459.9
Special bonus	0.0	0,0
Remuneration in kind	32.5	35.8
Pension commitment	51.0	31.0
Total	**730.2**	**1,026.7**

The disclosure of remuneration paid to members of the Management Board has been a legal requirement since financial year 2006. telegate discloses the Management Board's remuneration 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 remuneration paid to individual members of the Management Board for financial years 2011 to 2015, inclusive).

In financial year 2014 the remuneration paid to the members of the Management Board pursuant to IAS/IFRS amounted to € 730 thousand (previous year: € 1,027 thousand).

Fixed salaries accounted for € 597 thousand of this amount (previous year: € 500 thousand) and bonuses for € 50 thousand (previous year: € 460 thousand). Payments in kind totalled € 33 thousand (previous year: € 36 thousand).

Contract terms

As of the reporting date of 31 December 2014 the existing management contracts have a remaining term of 17 and 21 months, respectively.

Remuneration of the Supervisory Board

The remuneration 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 remuneration of € 10 thousand, in addition to reimbursement for any expenses. The remuneration 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 remuneration, 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 remuneration shall be reduced by 50 percent.

In addition to the basic remuneration, 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 remuneration totalling € 119 thousand in the 2014 financial year (previous year: € 146 thousand).

No members of the Supervisory Board received any additional remuneration 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, 27 February 2015

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 material opportunities and risks associated with the expected development of the group."

Planegg-Martinsried, 27 February 2015

Franz-Peter Weber
Spokesman of the Management Board

Michael Geiger
Member of the Management Board

Consolidated Financial Statements

Consolidated Statement of Financial Position (IFRS)

Assets in kEUR	Notes	31 December 2014	31 December 2013*	1 January 2013*
Current assets				
Cash and cash equivalents	21	4,262	9,950	93,250
Trade accounts receivable	22	11,915	13,158	16,266
Current tax assets	17	145	499	27
Available for sale financial assets	23	22,606	30,128	0
Other financial assets	24	413	24,570	1,162
Other current assets	25	1,697	2,274	8,217
Total current assets		**41,038**	**80,579**	**118,922**
Non-current assets				
Goodwill	26	6,789	6,773	6,746
Intangible assets	27	10,439	13,268	12,716
Property and equipment	28	3,693	5,729	5,952
Other financial assets	24	15	15	200
Other non-current assets		0	0	3
Deferred tax assets	29	0	0	266
Total non-current assets		**20,936**	**25,785**	**25,883**
Total assets		**61,974**	**106,364**	**144,805**

Liabilities and equity in kEUR	Notes	31 December 2014	31 December 2013*	1 January 2013*
Current liabilities				
Trade accounts payable	30	1,634	2,064	4,286
Accrued liabilities	31	7,973	9,502	16,171
Provisions	32	156	1,103	3,398
Current tax liabilities	17/33	19	1,265	12,094
Other financial liabilities	44	0	24,227	0
Other current liabilities	34	2,106	2,112	2,540
Total current liabilities		**11,888**	**40,273**	**38,489**
Non-current liabilities				
Provisions	32	653	374	262
Provisions for retirement benefits	35	88	18	0
Deferred tax liabilities	29	1,765	3,991	4,445
Total non-current liabilities		**2,506**	**4,383**	**4,707**
Total liabilities		**14,394**	**44,656**	**43,196**
Equity				
Share capital		19,111	19,111	19,111
Additional paid in capital		32,059	32,059	32,059
Other revenue reserves		0	0	4,236
Retained earnings		-3,656	10,437	46,202
Other components of equity		66	101	1
Equity attributable to owners of the parent		47,580	61,708	101,609
Total equity	36	**47,580**	**61,708**	**101,609**
Total liabilities and equity		**61,974**	**106,364**	**144,805**

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

Consolidated Income Statement (IFRS)

in kEUR	Notes	12-Months Report 1.1. - 31.12.2014	1.1. - 31.12.2013*
Continuing operations			
Revenues	7	62,262	72,333
Cost of revenues	8	-31,310	-32,793
Gross profit		**30,952**	**39,540**
Selling and distribution costs	9	-27,325	-30,001
General administrative expenses	10	-13,150	-12,271
Other operating income	14	140	317
Other operating expense	15	-103	-33
Operating income (loss)		**-9,486**	**-2,448**
Interest income		430	151
Interest expense		-82	-149
Gain (loss) from marketable securities		33	19
Gain (loss) on foreign currency translation		0	-1
Financial income (loss)	16	**381**	**20**
Income (loss) before income tax		**-9,105**	**-2,428**
Current income tax		146	305
Deferred income tax		2.188	478
Income tax	17	**2,334**	**783**
Net income (loss) from continuing operations		**-6,771**	**-1,645**
Discontinued operations			
Net income (loss) from discontinued operations	19	376	-111
Net income (loss)		**-6,395**	**-1,756**
Attributable to:			
Owners of the parent		-6,395	-1,756
Non-controlling interests		0	0
		-6,395	**-1,756**
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	20	-0.33	-0.09
Earnings per share for continuing operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	20	-0.35	-0.09
Earnings per share for discontinued operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in euro)	20	0.02	0.00

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

Consolidated Statement of Comprehensive Income (IFRS)

in kEUR		12-Months Report 1.1. - 31.12.2014	1.1. - 31.12.2013*
Net income (loss)		**-6,395**	**-1,756**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net		-54	-23
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets - Changes of the fair value, net		7	100
Available for sale financial assets - Reclassification to profit or loss, net		-41	0
Foreign currency translation differences		-1	0
Other comprehensive income (loss) after tax	36	**-89**	**77**
Total comprehensive income (loss)		**-6,484**	**-1,679**
Thereof from:			
Continuing operations		-6,860	-1,568
Discontinued operations		376	-111
		-6,484	**-1,679**
Attributable to:			
Owners of the parent		-6,484	-1,679
Non-controlling interests		0	0
		-6,484	**-1,679**

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

Consolidated Statement of Shareholders Equity (IFRS)

	Equity attributable to owners of the parent							
in kEUR	Share capital	Additional paid in capital	Other revenue reserves	Retained earnings	Other components of equity	Total	Non-controlling interests	Total equity
	(Note 36)	(Note 36)	(Note 36)	(Note 36)	(Note 36)			
Balance at January 1, 2014	**19,111**	**32,059**	**0**	**10,437**	**101**	**61,708**	**0**	**61,708**
Net income (loss)		-	-	-6,395	-	-6,395	-	-6,395
Actuarial gains (losses) from pensions and similar obligations	-	-	-	-54	-	-54	-	-54
Available for sale financial assets	-	-	-	-	*-34*	*-34*	-	*-34*
Foreign currency translation	-	-	-	-	*-1*	*-1*	-	*-1*
Other comprehensive income (loss)		-	-	**-54**	**-35**	**-89**	-	**-89**
Total comprehensive income (loss)	**0**	**0**	**0**	**-6,449**	**-35**	**-6,484**	**0**	**-6,484**
Dividends	-	-	-	-7,644	-	-7,644	-	-7,644
Balance at December 31, 2014	**19,111**	**32,059**	**0**	**-3,656**	**66**	**47,580**	**0**	**47,580**
Balance at January 1, 2013 (reported)	**19,111**	**32,059**	**4,236**	**45,670**	**1**	**101,077**	**0**	**101,077**
Adjustment according to IAS 8				532	532			532
Balance at January 1, 2013 (adjusted)	**19,111**	**32,059**	**4,236**	**46,202**	**1**	**101,609**	**0**	**101,609**
Net income (loss)				-1,756	-	-1,756	-	-1,756
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**	**-1,779**	**100**	**-1,679**	**0**	**-1,679**
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**	**10,437**	**101**	**61,708**	**0**	**61,708**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in kEUR	Notes	1.1. - 31.12.2014	1.1. - 31.12.2013*
Cash flow from operating activities			
Income (loss) before income tax from continuing operations		**-9,105**	**-2,428**
Income (loss) before income tax from discontinued operations		**376**	**-95**
Income (loss) before income tax		**-8,729**	**-2,523**
Adjustments for:			
Amortisation and impairment of intangible assets	27	7,469	5,857
Depreciation and impairment of property and equipment	28	2,095	2,215
Depreciation of current intangible assets	25	2,208	3,634
Gain (loss) on disposal of property and equipment		69	6
Gain (loss) from goverment grants		0	-11
Interest income		-430	-151
Interest expense		82	152
Gain (loss) from marketable securities	16	-33	-19
Gain (loss) on foreign currency translation		0	1
Valuation allowance for trade accounts receivable		-334	-653
Valuation allowance for current financial assets		0	638
Gain (loss) from the sale of subsidiaries		-376	625
Changes in non-current provisions		276	14
Changes in non-current other and financial assets		0	164
Operating profit (loss) before changes in operating assets and liabilities		**2,297**	**9,949**
Changes in operating assets and liabilities:			
Trade accounts receivable		1,519	2,464
Current intangible assets [1]		-1,952	-2,356
Miscellaneous current assets		270	4,242
Trade accounts payable		478	-339
Current provisions		-82	-2,026
Accrued expenses and other current liabilities		-1,876	-5,635
Income taxes paid		-745	-10,876
Cash used in operating activities		**-91**	**-4,577**

in kEUR	Notes	1.1. - 31.12.2014	1.1. - 31.12.2013*
Cash flow from investing activities			
Purchase of intangible assets excl. sales commissions		-2,247	-4,634
Purchase of sales commissions with contract period > 1 year		-3,272	-2,162
Purchase of property and equipment		-201	-3,961
Proceeds from sale of property and equipment		43	0
Paid subsequent purchase price adjustment	26	-16	-27
Paid subsequent purchase price adjustment	19	-164	1,009
Proceeds from government grants		0	11
Proceeds from investment grants		57	0
Purchase of other current financial assets	24/37	-5,914	-24,209
Disposal of other current financial assets	24/37	30,122	0
Purchase of available for sale financial assets	23	-4,499	-57,978
Disposal of available for sale financial assets	23	12,006	28,012
Interest received		394	125
Cash (used in) provided by investing activities		**26,309**	**-63,814**
Cash flow from financing activities			
Dividends paid to SEAT Pagine Gialle S.p.A. und Telegate Holding GmbH	37	-30,122	0
Dividends paid to free float	37	-1,730	-14,014
Interest paid		-53	-894
Cash used in financing activities		**-31,905**	**-14,908**
Effect of exchange rate changes on cash and cash equivalents		**-1**	**-1**
Change in cash and cash equivalents		**-5,688**	**-83,300**
Cash and cash equivalents at the beginning of reporting period		**9,950**	**93,250**
Cash and cash equivalents at the end of reporting period		**4,262**	**9,950**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period		*26,868*	*40,078*

[1] *Current intangible assets include exclusively purchases for capitalized sales commissions and websites for customer with a contract period up to one year and are shown separately within the operating activities.*

* *Amount adjusted according to IAS 8 (details see note 4).*

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements 2014

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 its subsidiaries were prepared in accordance with the International Financial Reporting Standards (IFRSs) – as applicable in the European Union – as of 31 December 2014.

All International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) as well as the interpretations of the IFRS Interpretations Committee (IFRIC) and the interpretations of the Standing Interpretations Committe (SIC) 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 2014 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

The consolidated financial statements of telegate for the 2014 financial year were released for publication by the Management Board on 27 February 2015.

Basis of consolidation

The consolidated financial statements include both the separate financial statements of telegate AG and the separate financial statements of all direct and indirect subsidiaries over which telegate AG exercises control according to IFRS 10.7. These financial statements are prepared as of the reporting date of the consolidated financial statements – i.e. 31 December 2014 – using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the telegate group as of 31 December 2014 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 did not change in the financial year under review compared with 31 December 2013 (see also note 6).

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 IFRS 10.B86.

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 (IFRS 10.22). Profit or loss and each component of other comprehensive income are attributed to the respective non-controlling interests in accordance with IFRS 10.B94.

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 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.

The telegate group shows its revenues in the income statement if services were rendered.

Revenues of the Directory Assistance division 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 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 are translated using the exchange rate at the date when the fair value was determined.

Assets and liabilities of foreign subsidiaries 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.

Retirement benefits

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 of former members of the Management Board and their survivors entitled to receive such payments.

The provision for defined benefit plans shown in the statement of financial position under the item "Provisions 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 assumptions (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.

In accounting for defined benefit plans, all income and expenses are reported in general administrative expenses with the exception of the net interest result, which is reported in net financial income.

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 expenses in the period in which they become due. These expenses are included in cost of revenues, general administrative expenses, and selling and distribution costs.

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; and
- 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 initially measured at fair value and subsequently 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 using the effective interest method.

Fair value measurement

The company measures financial instruments at their fair value at the respective reporting date in accordance with IFRS 13 Fair Value Measurement.

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. 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.

Based on the inputs used in the valuation techniques for measuring fair value, 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:

- Level 1: Inputs are quoted (unadjusted) prices in active markets accessible to the company for identical assets and liabilities.
- Level 2: Inputs are quoted market prices other than those in Level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3: Value of the asset or liability is based on unobservable inputs.

If inputs of different levels are used to determine the fair value, the classification is based on the lowest level input significant to the entire measurement.

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

Information from third parties such as pricing services and appraisers are analysed to determine whether the evidence used meets the requirements of IFRS.

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. A financial asset or group of financial assets is only impaired if, as a result of one or more events occurring after the initial recognition of the asset, objective evidence of impairment exists (such as major financial difficulties of a debtor; high probability of insolvency proceedings against a debtor; elimination of an active market for the financial asset; a significant change in the technological, economic or legal environment or the market environment of the issuer; a sustained decrease in the fair value of the financial asset to below amortised cost), and this event has an effect that can be reliably estimated on the expected future cash flows of the financial asset or group of financial assets.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, 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 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.

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 recognised directly in equity. 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 intangible 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 of an internal project, defined as research costs by IAS 38.56, 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.

According to SIC 32.7-8 in conjunction with IAS 38.8, the website is recognised as an internally generated intangible asset if, in addition to the general criteria for recognition of intangible assets pursuant to IAS 38.21, it also satisfies the special criteria for internally generated intangible assets in IAS 38.57. In accordance with SIC 32.9, website costs must be capitalised in the development stage. The useful life is determined pursuant to SIC 32.10 in conjunction with IAS 38.88 et seq., IAS 38.95 as the period during which an entity receives an inflow of economic benefits; in the case of customer websites, the useful life corresponds to the respective minimum contract period.

Internally generated intangible assets are regularly tested for signs of impairment up to the point of completion and carried at cost less accumulated amortisation and impairment losses 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.

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 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 determined to establish the extent of the impairment loss. If the recoverable amount cannot be determined for an individual asset, the recoverable amount of the cash generating item to which the asset belongs is determined 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 determined 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.

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.

Leases

Leases under which a substantial proportion of the risks and rewards incidental to ownership of the leased asset remain with the lessor are classified as operating leases in accordance with IAS 17. Lease payments made under operating leases (net) are recognised as an expense in the income statement on a straight-line basis over the term of the lease.

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.

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. The are 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).

The computation of diluted earnings per share is identical to that of basic earnings per share because telegate has issued no potentially dilutive ordinary shares.

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 net assets, financial position and results of operations. 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

The group 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 22 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 2014, the carrying amount of the goodwill was EUR 6,789 thousand (2013: EUR 6,773 thousand); see also note 26.

Intangible assets

Upon initial consolidation of telegate Media AG in 2008, customer bases in 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 (now: Digital 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 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 (today: Digital segment). The useful lives did not change.

As of 31 December 2014, the carrying amounts of these acquired customer bases amounted to EUR 1,704 thousand (2013: EUR 3,401 thousand).

Deferred taxes on tax loss carryforwards

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

The gross value of deferred tax assets on tax loss carryforwards (before impairment) amounts to EUR 2,444 thousand as of the reporting date (2013: EUR 462 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 40.

Retirement benefits

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The group determines the appropriate discount rate at the end of each year. The interest rate used at the reporting date is determined by reference to market yields achieved on high quality corporate bonds with similar terms and currency. Additional information is disclosed in note 35.

4. Changes in the application of accounting policies

In financial year 2014, telegate corrected an error with retroactive effect in accordance with IAS 8 with regard to accounting for internally developed intangible assets.

telegate creates websites for clients by offering various service packages which include everything from domain registration to hosting and designing the website. Websites are created individually for each customer, and telegate provides the service to the customer over the agreed minimum contract period of 12 or 24 months.

The minimum contract period indicates that the company will receive a future inflow of economic benefits from the websites. In addition, the associated production costs can be calculated reliably. Since both the general criteria for recognition of intangible assets pursuant to IAS 38.21 as well as the special criteria for recognition of internally generated intangible assets in IAS 38.57 are satisfied, the production costs must be capitalised during the development stage of the websites in compliance with SIC 32.9.

From financial year 2014 onward, the directly attributable production costs for customer websites will be capitalised as internally generated intangible assets and written down over their minimum contract period. The production costs incurred in previous periods were capitalised and subsequently remeasured after the fact as required.

The adjustment affects the group's net assets, financial position and results of operations.

In the following in accordance with 8.49 (b), effects are shown on the item concerned. According to IAS 1.39 the complete opening balance sheet as of January 1, 2013 is represented in the group consolidated statement of financial position.

Consolidated statement of financial position		**As of January 1, 2013**			**As of December 31, 2013**	
in EUR thousand	before adjustment	adjustment acc.to. IAS 8	after adjustment	before adjustment	adjustment acc.to. IAS 8	after adjustment
Assets						
Other current assets	7,926	291	8,217	2,035	239	2,274
Intangible assets	12,252	464	12,716	12,393	875	13,268
Liabilities						
Deferred tax liabilities	4,222	223	4,445	3,657	334	3,991
Retained earnings	45,670	532	46,202	9,657	780	10,437

Consolidated income statement		**January 1 – December 31, 2013**	
in EUR thousand	before adjustment	adjustment acc.to. IAS 8	after adjustment
Cost of revenues	-33,152	359	-32,793
Deferred income tax	589	-111	478
Net income (loss)	-2,004	248	-1,756

The effect to the earnings per share because of the adjustments in the fiscal year 2013 was 0.01 EUR.

The amount of capitalized websites is EUR 938 thousand as of 31 December 2014. Costs of production of EUR 1,136 thousand were capitalized in connection with the websites in the year 2014. Taking into account depreciation of EUR 1,312 thousand and a change in deferred taxes of EUR 49 thousand, this results in an effect on earnings of EUR -127 thousand for the financial year 2014.

5. Changes in accounting policies

New and revised standards and interpretations

The accounting policies applied in the financial year under review 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 2014 financial year.

IFRS 10 Consolidated Financial Statements

IFRS 10 establishes a uniform control concept that applies to all companies, including special purpose entities. The core principle that consolidated financial statements present the parent company and its subsidiaries as a single entity remains unaffected along with the consolidation procedure. According to the new concept, control is exercised if the potential parent has power over the potential subsidiary based on existing rights, is exposed to or has rights to variable returns from the subsidiary, and has the ability to use its power to materially affect these returns.

IFRS 10 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 1 January 2014 (retrospective application). The application of the new IFRS 10 does not affect the group’s basis of consolidation and thus has no effects on the group’s net assets, financial position and results of operations.

IFRS 12 – Disclosures of Interests in Other Entities

This standard governs uniform disclosure requirements for all interests in subsidiaries, joint ventures and associates as well as unconsolidated structured entities. The new standard requires the disclosure of quantitative and qualitative information that enables users of financial statements to evaluate the nature and risks associated with a company‘s interests in other entities and the effects of those interests on its net assets, financial position results of operations.

IFRS 12 was published in May 2011 and shall be applied for the first time for financial years beginning on or after 1 January 2014. The application of the new IFRS 12 results only in extended disclosure requirements and has no effects on the group’s net assets, financial position and results of operations.

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 1 January 2014. The application of revised IAS 27 does not affect the group‘s net assets, financial position or results of operations.

IAS 28 Investments in Associates and Joint Ventures (revised and renamed 2011)

The adoption of IFRS 11 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 1 January 2014. Since neither associates nor joint ventures are included in telegate's consolidated financial statements, the application of IAS 28 does not have any effect on the presentation of the group's net assets, financial position and results of operations.

Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities – Transition Guidance

This clarifies the transition guidance 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 1 January 2014 (corresponding to the first-time application of IFRS 10, IFRS 11, IFRS12). Application of the amendments has no effects on the group's net assets, financial position and results of operations because it does not affect the group's basis of consolidation.

Amendments to IAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

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 1 January 2014 (retrospective application). These amendments solely concern the presentation in the consolidated financial statements and thus do not affect the group's net assets, financial position and results of operations.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement – 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 IAS 39 were published in June 2013 and shall be applied for the first time for financial years beginning on or after 1 January 2014 (retrospective application). The application of this amendment does not affect the group's net assets, financial position or results of operations 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 public levies reported in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the public levy is known.

IFRIC 21 was published in May 2013 and enters into force for reporting periods beginning on or after 17 June 2014. Earlier application is permitted. As a result of adoption of the interpretation by the EU, the date of mandatory application was changed for companies within the EU, deviating from the original rule, which stipulated application for reporting periods beginning on or after 1 January 2014. The group began applying the interpretation voluntarily as at 1 January 2014. There are currently no public levies which would have to be taken into account in accordance with IFRIC 21. Application therefore does not affect the group's net assets, financial position and results of operations.

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 2014, the group has not taken advantage of this option.

IAS 19 Employee Benefits – Employee Contributions

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 1 July 2014. Voluntary earlier application is permitted.

Application of this rule is not expected to change the group's net assets, financial position and results of operations because these circumstances do not currently apply to the group.

Annual improvements to IFRS – 2010-2012 Cycle

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
- IAS 24 Related Party Disclosures

The amendments were published in December 2013 and must be applied for the first time in financial years beginning on or after 1 July 2014. Earlier application is permitted.

The application of these amendments currently is not expected to affect the group's net assets, financial position and results of operations because these amendments will only result in extended disclosures in the notes.

Annual improvements to IFRS – 2011-2013 cycle

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 were published in December 2013 and must be applied for the first time in financial years beginning on or after 1 July 2014. Earlier application is permitted.

The application of this amended standard is not expected to affect the group's net assets, financial position and results of operations.

IFRS 11 Joint Arrangements – Acquisitions of Interests in Joint Operations

The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. All of the principles on business combinations accounting must now be applied to the acquisition of interests in a joint operation of this nature.

The amendments were published in May 2014 and are applicable to reporting periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments have not yet been transposed into European law.

The group currently does not have any items that fall within the scope of the amendments of IFRS 11. Consequently, the amendments are not expected to affect the group's net assets, financial position and results of operations.

Amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets relate to the application of revenue-based methods of depreciation and amortisation. The application of these amendments is not expected to affect the group's net assets, financial position and results of operations because the group does not apply the revenue-based method of depreciation and amortisation.

Amendments to IAS 27 Separate Financial Statements (2011) – Equity Method in Separate Financial Statements

The amendments to IAS 27 regards Separate Financial Statements and its application is not affected the group's net assets, financial position and results of operations.

Amendments to IFRS 10 Consolidated Financial Statements and IAS 28 Investments in Associates and Joint Ventures (2011) – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Given that there are no investments in associates and joint ventures, these amendments are not expected to have any effect on the net assets, financial position and results of operations.

Annual Improvements to IFRSs – 2012-2014 Cycle

The IASB concluded and issued the Annual Improvements to IFRSs (2012-2014 Cycle), a series of amendments to IFRSs in response to issues raised during this cycle. The changes effect the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures (with subsequent amendment to IFRS 1)
- IAS 19 Employee Benefits
- IAS 34 Interim Financial Reporting

The amendments were published in September 2014 and are applicable to reporting periods beginning on or after 1 January 2016; earlier application is permitted. The amendments have not yet been transposed into European law.

Application of these amendments is expected to influence primarily the scope of disclosures in the notes and thus does not affect the group's net assets, financial position and results of operations.

Amendment to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures (2011) – Investment Entities: Applying the Consolidation Exception

Given that there are no investments in investment entities, these amendments are not expected to have any effect on the net assets, financial position and results of operations.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

The amended standard now published contains initial recommendations to be implemented in the short term on amendments to IAS 1 Presentation of Financial Statements stemming from discussions about the Disclosure Initiative. The following are the key changes or clarifications in the amendments:

- Materiality and aggregation
- Presentation of subtotals
- Structure of the notes
- Disclosures on accounting policies
- Equity method

The amendments were published in December 2014 and are applicable to reporting periods beginning on or after 1 January 2016; earlier application is permitted. The amendments have not yet been transposed into European law.

Application of these amendments is expected to influence primarily the presentation in the consolidated financial statements and the disclosures in the notes and thus does not affect the group's net assets, financial position and results of operations.

IFRS 15 Revenue from Contracts with Customers

The objective of the new standard is to create a common revenue recognition standard for IFRS and US GAAP so as to improve the transparency and comparability of financial information. According to IFRS 15, revenue must be recognised when the customer receives control over and can obtain benefits from the agreed goods and services. The transfer of material risks and rewards is no longer the deciding factor.

IFRS 15 was published in May 2014 and shall be applied for the first time for financial years beginning on or after 1 January 2017. The amendments have not yet been transposed into European law.

The company is currently reviewing which effects the application of IFRS 15 will have on the group's net assets, financial position and results of operations.

IFRS 9 Financial Instruments

The IASB published the final version of IFRS 9 after completing the various phases of its extensive project on financial instruments. As a result, the accounting for financial instruments to date under IAS 39 Financial Instruments: Recognition and Measurement can now be replaced entirely with the accounting rules under IFRS 9.

In particular, IFRS 9 Financial Instruments contains thoroughly reworked rules concerning the classification and measurement of financial instruments, accounting for impairment of financial assets and hedge accounting. In addition to the *fair value through profit or loss (FVPL)* and *amortised cost* categories, the standard stipulates a third classification in the future: *fair value through other comprehensive income (FVOCI)*.

The standard was published in July 2014. Initial mandatory application is stipulated for financial years beginning on or after 1 January 2018. Earlier voluntary application is permitted. The amendments have not yet been transposed into European law.

The company is currently reviewing which effects the application of IFRS 9 will have on its consolidated financial statements.

6. Changes in the basis of consolidation

The basis of consolidation did not change in financial year 2014.
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 7 June 2013; for more details see note 19 "Discontinued operations".

Notes to the consolidated income statement

7. Revenues

Consolidated revenue in the 2014 financial year amounted to EUR 62,262 thousand (2013: EUR 72,333 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 and operates 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, and also access to databases.

The year-on-year decrease in consolidated revenues resulted largely from the continuous market decline in the Directory Assistance operating segment that has been observed for many years now attributable to the shift in consumer usage behaviour towards digital media. Further explanations on the development of revenues can be found in the group management report and the presentation by operating segment is contained in note 38.

8. Cost of revenues

The cost of services rendered in order to generate revenues of EUR 31,310 thousand (2013: EUR 32,793 thousand) primarily consist of capacity and infrastructure costs of the Directory Assistance and Digital divisions. The decline in the cost of revenues, particularly in personnel costs for the operators and management, resulted mainly from the continuing optimisation of capacity costs due to the downward trend in the traditional directory assistance business.

9. Selling and distribution costs

The selling and distribution costs of EUR 27,325 thousand (2013: EUR 30,001 thousand) mainly include the costs of telegate's own sales staff of the digital business, the costs for advertising (television advertising, externally consulting advertising agencies and cooperation agreements) in the amount of EUR 643 thousand (2013: EUR 2,654 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 as well as the amortisation of customer bases of the media and software business and 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).

The decline in selling and distribution costs is primarily due to the reduced expenditure on advertising, alongside reduced sales personnel costs in the Digital division resulting from a reduction in sales employee numbers.

10. General administrative expenses

The general administrative expenses in the amount of EUR 13,150 thousand (2013: EUR 12,271 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.

The increase in general administrative expenses was mainly the result of special payments made in the course of capacity adjustments and data cost litigation.

11. Staff costs

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

in EUR thousand	2014	2013
Wages and salaries	28,305	29,198
Social security costs	5,243	6,216
Pensions costs	100	52
Total	**33,648**	**35,466**

The year-on-year reduction in staff costs was mainly attributable to the decline in the workforce as a result of the optimisation of structural costs in all divisions of the telegate group.

12. Depreciation and amortisation

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

in EUR thousand	2014	2013
Amortisation of intangible assets	7,469	5,796
Depreciation of plant and equipment	2,095	2,128
Depreciation of non-current assets	**9,564**	**7,924**
Amortisation of current intangible assets	**2,207**	**3,634**
Total depreciation and amortisation	**11,771**	**11,558**

See note 25, 27 and 28 for more information and explanation.

13. Rental and leasing expenses

Rental and leasing expenses of EUR 3,930 thousand (2013: EUR 3,971 thousand) were recognised in the income statement in the 2014 financial year. These expenses mostly stem from the rental and leasing of real estate and the vehicle fleet, and line costs.

For information on future rental and leasing obligations, see note 39.

14. Other operating income

Other operating income amounted to EUR 140 thousand (2013: EUR 317 thousand) and was primarily the result of data cost litigation; see additional information in note 18.

15. Other operating expenses

The other operating expenses amount to EUR 103 thousand (2013: EUR 33 thousand) and primarily include losses from the disposal of fixed assets.

16. Net financial income

Net interest income

in EUR thousand	2014	2013
Interest income from available-for-sale financial assets	331	0
Interest income from investments for outstanding dividend payments	20	19
Interest income from current deposits and fixed-term deposits	10	93
Interest income from loans and receivables past due	1	2
Other interest and similar income	68	37
Interest and similar income	**430**	**151**
Interest expense associated with related parties	-20	-19
Interest expense for bank overdrafts and guarantees	-14	-14
Other interest and similar expenses	-48	-116
Interest and similar expenses	**-82**	**-149**
Net interest income	**348**	**2**

Information on interest expense associated with related parties in note 44.

Net interest income includes net interest result from expenses for the unwinding of discounts on pension obligation and the expected income on the plan assets.

Net income from marketable securities

in EUR thousand	2014	2013
Gain on sale of marketable securities	33	19
Net income from marketable securities	**33**	**19**

The net income from the sale of marketable securities results from the sale of shares in money market and bond funds.

Net income/ loss from foreign currency translation

in EUR thousand	2014	2013
Gains on foreign currency translation	11	5
Loss on foreign currency translation	-11	-6
Net income/ loss from foreign currency translation	**0**	**-1**

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	2014	2013	2014	2013
Cash and cash equivalents	-4	79	0	0
Loans and receivables	21	21	-2,651	-2,297
Available-for-sale financial assets	331	0	33	19
Financial liabilities measured at amortised cost	-20	-19	0	-1

Interest income from available-for-sale financial assets is derived from the annual distributions of the fund income, see also note 23.

Interest income from loans and receivables past due includes interest income from investments for outstanding dividend payments up to the time of dividend distribution (see note 37). Interest expense associated with related parties is included in net interest income from financial liabilities measured at amortised cost, see also note 44.

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.

17. 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	2014	2013
Current income taxes	146	305
Deferred income taxes	2,188	478
Recognised income from income taxes	**2,334**	**783**

The following fiscal reconciliation shows why the tax income recognised for the current year does not correspond to the expected tax income when earnings before taxes are multiplied with the tax rate of 30.00% applicable for the full 2014 financial year (2013: 29.97%):

in EUR thousand	2014	2013
Net loss before taxes	**-9,105**	**-2,428**
Applicable tax rate	**30.00%**	**29.97%**
Expected income from income taxes	**2,732**	**728**
Increase / reduction by:		
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	-352	0
Tax effects on temporary differences for which no deferred tax assets were recognised in the past	8	0
Valuation allowances on deferred tax assets	37	0
Income tax rate differences	80	63
Tax effect on expenses / income (permanently) non-deductible for tax purposes	-114	-157
Taxes, previous years	0	140
Effects of the tax audit	0	35
Tax effect of other differences	-57	-26
Recognised income from income taxes for the financial year	**2,334**	**783**

Calculated as the ratio of income tax income shown to net loss for the period before taxes, the effective tax rate is 25.63% (2013: 32.24%).

The change in the effective tax rate is largely the result of the change in the valuation allowance on deferred tax assets, non-tax deductible expenses/income, the previous year's taxes, and the effects of the tax audit.

Income tax liabilities amount to EUR 19 thousand (2013: EUR 1,265 thousand), and the income tax receivables amount to EUR 145 thousand (2013: EUR 499 thousand).

The company shows deferred tax assets after netting in the amount of EUR 0 as of 31 December 2014 (2013: EUR 0 thousand). The recognition of deferred tax liabilities after netting decreased from EUR 3,991 thousand (as of 31 December 2013) by EUR 2,226 thousand to EUR 1,765 thousand; see also note 29.

18. Non-recurring items in the income statement

The total amount for non-recurring items included in the income before income tax amounts to an expense of EUR 7,149 thousand (2013: EUR 2,917 thousand) and is composed of the following:

in EUR thousand	2014	2013
Capacity adjustments	5,703	2,151
Restructuring measures	744	0
Other	361	971
Non-recurring items from the adjustment of structural costs	**6,808**	**3,122**
Non-recurring items from data costs	**341**	**-205**
Total non-recurring items, group	**7,149**	**2,917**

Adjustment of structural costs

Expenses for capacity adjustments in amount of EUR 5,703 thousand (2013: EUR 2,151 thousand) are included in the income statement under general administrative expenses, the cost of revenues and selling and distribution costs.

In the financial year under review, a detailed and formal restructuring plan for the purpose of consolidating two call centres was announced. With this plan, the group responds to the ongoing negative trend in demand for traditional directory assistance services. This measure is expected to be completed in the first quarter of 2015. The total amount of EUR 744 thousand (2013: EUR 0 thousand) incurred until the reporting date that is related directly to this restructuring measure is shown in the income statement under cost of revenues and general administrative expenses.

The other non-recurring items from the adjustment of structural costs in amount of EUR 361 thousand (2013: EUR 971 thousand) are chiefly attributable to contract termination. These expenses are included in general administrative expenses, and selling and distribution costs.

Data costs

Expenses (after the deduction of income) were incurred in the amount of EUR 341 thousand in financial year 2014 subsequent to the successful data cost litigation in the 2012 financial year with regard to improperly excessive costs for the use of subscriber data in the years 2000 to 2004 and 1997 to 2011 and from further legal disputes regarding data costs (2013: income of EUR 205 thousand after the deduction of expenses). This amount is included in the income statement, mostly in general administrative expenses and cost of revenues.

19. 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 7 June 2013. The purchase price received until 31 December 2013 totalled EUR 4,123 thousand and was paid in cash. Accordingly, the companies were deconsolidated from the telegate Group on 7 June 2013. The two subsidiaries had formed the group's Spain segment. This sale resulted in directly attributable subsequent expenses of EUR 144 thousand in the financial year 2014 under review (2013: EUR 711 thousand), which is reported in the gain/loss from the disposal of the discontinued Spanish operations.

telegate AG sold the wholly owned subsidiary Telegate Italia S.r.L. to SEAT Pagine Gialle S.p.A., which at the time was the majority shareholder of telegate AG, with effect from 1 June 2010. Accordingly, the companies were deconsolidated from the telegate Group on 1 June 2010. As an operating segment, Telegate Italia S.r.L. was formerly included in the Group's reportable "Italy/Spain" operating segment. This sale resulted in directly attributable subsequent income of EUR 520 thousand in the 2014 financial year (2013: EUR 85 thousand), which is reported in the gain/loss from the disposal of the discontinued Italian operations.

The items relating to the disposal of the Spanish and Italian subsidiaries in past financial years contributed as follows to the results of the telegate group:

in EUR thousand	2014	2013
Revenues	0	1,875
Expenses	0	-1,345
Income before income tax	**0**	**530**
Income taxes	0	-15
Net income	**0**	**515**
Gain/loss from the disposal of the discontinued *Spanish* operations	-144	-711
Gain/loss from the disposal of the discontinued *Italian* operations	520	85
Net income (loss) after taxes	**376**	**-111**

Assets and liabilities of the Spanish subsidiaries at the date of disposal (excluding cash)

in EUR thousand	as of 7 June 2013
Current assets	1,222
Non-current assets	787
Current liabilities	459

Cash outflow/inflow due to the sale of the Spanish subsidiaries

in EUR thousand	2014	2013
Purchase price received		4,123
Cash sold in connection with the discontinued operations		-3,072
Payment of directly attributable expenses	-164	-42
Cash outflow/inflow (net)	**-164**	**1,009**

Net cash flows of the discontinued Spanish operations

in EUR thousand	2013
Operating activities	668
Investing activities	-58
Financing activities	0
Net cash flows	**610**

20. Earnings per share

Financial year ended on 31 December, in EUR	2014	2013
Earnings per share *from continuing operations* based on the net income attributable to ordinary shareholders of the parent	-0.35	-0.09
Earnings per share *from discontinued operations* based on the net income attributable to ordinary shareholders of the parent	0.02	0.00
Earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.33	-0.09

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

Financial year ended on 31 December, in EUR thousand	2014	2013
Income *from continuing operations* attributable to ordinary shareholders of the parent	-6,771	-1,645
Income *from discontinued operations* attributable to ordinary shareholders of the parent	376	-111
Net income attributable to ordinary shareholders of the parent applicable for calculating earnings per share	-6,395	-1,756

Financial year ended on 31 December, in thousands	2014	2013
Weighted average number of ordinary shares for calculating earnings per share	19,111	19,111

Notes to the consolidated statement of financial position

21. 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	2014	2013
Short-term deposits	2,583	7,076
Bank balances and cash	1,679	2,874
Total	**4,262**	**9,950**

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 2014, 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 4,262 thousand (2013: EUR 9,950 thousand) and thus corresponds to their carrying amount.

The decrease in cash and cash equivalents in the financial year under review is principally due to payment of the dividends resolved in June 2014 (see note 37) and the special payments made in the course of capacity adjustments (see note 18).

The company has overdraft facilities of EUR 3,000 thousand (2013: EUR 3,000 thousand) with financial institutions at its disposal as of 31 December 2014; these facilities are used only to a small extent.

22. 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.

Financial year ended on 31 December, in EUR thousand	2014	2013
Trade accounts receivable, gross	15,220	16,796
less impairment losses	-3,305	-3,638
Trade accounts receivable, net	**11,915**	**13,158**

As a rule, trade receivables are due within 8 to 90 days.

The following table shows the age structure of the trade accounts receivable:

in EUR thousand	Carrying amount of trade accounts receivable before impairment	of which: neither impaired nor past due	of which: not impaired and past due within the following time bands		
			less than 90 days	between 91 and 180 days	more than 180 days
As of 31.12.2014	**15,220**	**6,937**	**1,914**	**611**	**2,453**
As of 31.12.2013	**16,796**	**8,039**	**2,416**	**846**	**1,857**

The following trade accounts receivable were impaired with an amount of EUR 3,305 thousand (2013: EUR 3,638 thousand) as of 31 December 2014. Changes in the allowance account are presented as follows:

in EUR thousand	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 1 January 2013	**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**
Additions	107	3,045	3,152
Utilisation	-63	-2,121	-2,184
Reversal	0	-1,301	-1,301
As of 31 December 2014	**252**	**3,053**	**3,305**

For additional information on counterparty credit risks, see note 43.

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

The decline in trade accounts receivable is attributable to the downturn experienced in the directory assistance business.

23. Available-for-sale financial assets

telegate AG invests in short-term, low-risk money market and bond funds. The assets of the bond funds are mainly invested in fixed- and variable-interest bonds by European issuers with investment-grade credit ratings as well as in time deposits and liquid money market instruments. The returns are derived from changes in price and annual distributions. The fair value of these investments is EUR 22,606 (2013: EUR 30,128 thousand). The investments denominated in euros are neither past due nor impaired.

The available-for-sale financial assets changed as follows:

in EUR thousand	Available-for-sale financial assets
As of 1 January 2013	0
Addition	57,978
Disposal	-27,993
Gains recognised in equity	143
As of 31 December 2013	**30,128**
Addition	4,499
Disposal	-11,973
Gains recognised in equity	9
Gains reclassified from equity to the income statement	-57
As of 31 December 2014	**22,606**

24. Other financial assets

Other financial assets consist of the following items:

Financial year ended on 31 December, in EUR thousand	2014	2013
Other financial assets, current	413	24,570
Other financial assets, non-current	15	15

As at 31 December 2013, investments for the purpose of settling dividend liabilities in respect of SEAT Pagine Gialle S.p.A. (formerly SEAT Pagine Gialle Italia S.p.A., see note 44) and Telegate Holding GmbH totalling EUR 24,222 thousand were reported under current other financial assets. The payment made in December 2014 is the reason for the decline in current other financial assets as at 31 December 2014. More information is provided in note 37.

Current and non-current other financial assets were neither impaired nor past due in the financial year under review. In financial year 2013, valuation allowances for current other financial assets were recognised in the amount of EUR 638 thousand.

25. Other assets

Other financial assets consist of the following items:

Financial year ended on 31 December, in EUR thousand	2014	2013
Prepayments made	910	848
Current intangible assets	737	992
Other current assets	50	434
Other current assets	**1,697**	**2,274**

Prepayments made relate primarily to deferred maintenance expenses.

Current intangible assets include capitalised direct selling expenses in amount of EUR 629 thousand (2013: EUR 753 thousand) as well as customer websites amounting to EUR 108 thousand (2013: EUR 239 thousand).

Capitalised direct selling expenses are associated directly with the customer order in the advertising sales business and amortised according to the straight-line method over the contract period of one year. Additions amounted to EUR 1,660 thousand (2013: EUR 1,803 thousand) and the amortisation amounts included in the selling expenses to EUR 1,784 thousand (2013: EUR 3,028 thousand).

In the case of customer websites, the directly attributable production costs of the websites with a contract period of up to one year are capitalised and written down accordingly over a one-year period (see also note 4). Additions amounted to EUR 292 thousand (2013: EUR 553 thousand) and the amortisation amounts included in the cost of revenues to EUR 423 thousand (2013: EUR 606 thousand).

The gross carrying amounts correspond to the figures in the table because in the relevant amortisation year, a simultaneous disposal is assumed. The decrease in additions compared with financial year 2013 resulted from the increased number of customer orders with a contract period of more than one year (see note 27).

The decline in other current assets is primarily related to the reimbursement of court costs and attorney fees incurred in connection with the data cost litigation.

26. Goodwill

Cost

in EUR thousand	Goodwill
As of 1 January 2013	**6,748**
Additions	27
As of 31 December 2013	**6,775**
Additions	16
As of 31 December 2014	**6,791**

Accumulated impairment

in EUR thousand	Goodwill
As of 31 December 2013	**2**
As of 31 December 2014	**2**

in EUR thousand	Goodwill
Carrying amounts as of 31 December 2013	**6,773**
Carrying amounts as of 31 December 2014	**6,789**

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 1 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, the purchase price was subsequently increased. Correspondingly, an increase of EUR 16 thousand in goodwill was recognised (in accordance with IFRS 3.33, old version) in the current financial year (2013: EUR 27 thousand).

Impairment test of goodwill

The carrying amounts of goodwill in the amount of EUR 6,789 thousand (2013: EUR 6,773 thousand) include EUR 416 thousand (2013: EUR 416 thousand) attributable to the directory assistance business of telegate Media AG. The majority of the goodwill is attributable to telegate Media AG's digital business. Goodwill acquired as part of business combinations is assigned to cash-generating units in accordance with IAS 36.80 for the purpose of impairment testing.

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

The recoverable amount of EUR 32.78 million of the cash-generating unit Digital Business is determined based on the calculation of value in use using management's cash flow prognoses for a period of three years. The discount rate before tax used for the cash flow prognoses was based on average weighted capital costs (2014: 7.93%; 2013: 7.9%). Cash flows after the period of three years are recognised as the terminal value. The determination of the value for the terminal value is based on a growth discount of 1.4% (2013: 1.5%) for the purpose of determining the value in use for the impairment test of goodwill of the digital business.

The recoverable amount of EUR 1.42 million of the cash-generating unit Directory Assistance Business is determined based on the calculation of value in use using management's cash flow prognoses for a period of five years. The longer time period was chosen to better reflect the decline in the directory assistance business within telegate Media AG. The discount rate before tax used for the cash flow prognoses was based on average weighted capital costs (2014: 14.58%; 2013: 17.6%). Cash flows after the period of five years are recognised as the terminal value. It is assumed that the business is sustainable on a low level. For this reason, no growth discount is assumed when calculating the value for the terminal value for the directory assistance business of telegate Media AG.

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 and known to the cash-generating units within telegate Media AG from past experience, and increased in reflection of expected efficiency improvements. For example, the company plans for the EBITDA of the cash-generating unit Digital Business to rise from EUR 0.3 million in 2015 to EUR 6.6 million in 2017. The EBITDA of the cash-generating unit Directory Assistance Business will decrease from EUR 0.73 million in 2015 to EUR 0.04 million in 2019 due to the downturn in business.

Nominal interest rate for debt instruments – German government bonds with a term of 20 years are used for the risk-free base rate. The interest rate on 20-year European corporate bonds is used for the interest rate on debt capital.

As a result, the projection assumes a steadily increasing free cash flow before tax of the cash generating unit Digital Business until 2017 to EUR 2.4 million. This in turn is the basis for calculating the terminal value and thus affects the valuation more than any other factor. The free cash flow before tax of the cash generating unit Directory Assistance Business will decline by 2019 to EUR 0.05 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 one percentage point higher reduces the fair value of the cash generating unit Digital Business by EUR 5.49 million and of the cash generating unit Directory Assistance Business by EUR 0.03 million.
- Changes of customer demand especially in the digital business as well as changes of market volume especially in the directory assistance business may have a significant effect on the future cash flows of cash generating units. A revenue decrease of five percentage points per annum with regards to the company's revenue plan adopted by the management reduces the fair value of the cash generating unit Digital Business by EUR 3.16 million and of the cash generating unit Directory Assistance Business by EUR 0.07 million.

With regards to the determination of the value in use of the cash-generating units, management believes that no possible change reasonably believed in connection with any one of the basic assumptions mentioned above could cause the carrying amounts of the cash-generating units to exceed their recoverable amount.

27. Intangible assets

Cost

in EUR thousand	As of 1 January 2013	Additions	Disposals	Reclassifictions	Decon-solidation	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**
Websites	**640**	982	0	0	0	**1,622**
Other intangible assets	**3,163**	66	-933	0	-2,290	**6**
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	**73,461**	**6,733**	**-933**	**0**	**-2,516**	**76,745**

in EUR thousand	As of 1 January 2014	Additions	Disposals	Reclassifictions	Decon-solidation	As of 31 December 2014
Software	**21,876**	351	-590	46	0	**21,683**
Licenses	**15,193**	21	0	0	0	**15,214**
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	**1,505**	753	0	870	0	**3,128**
Sales commission	**2,162**	2,428	0	0	0	**4,590**
Websites	**1,622**	844	0	0	0	**2,466**
Other intangible assets	**6**	0	0	0	0	**6**
Intangible assets being purchased/with prepayments	**142**	95	0	-46	0	**191**
Internally generated intangible assets in development	**868**	148	0	-870	0	**146**
Total	**76,745**	**4,640**	**-590**	**0**	**0**	**80,795**

Accumulated amortisation and impairment

in EUR thousand	As of 1 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**
Websites	**176**	571	0	0	0	**747**
Other intangible assets	**2,836**	63	0	-933	-1,966	**0**
Total	**60,745**	**5,857**	**0**	**-933**	**-2,192**	**63,477**

in EUR thousand	As of 1 January 2014	Amortisation	Impairment losses	Disposals	Decon-solidation	As of 31 December 2014
Software	**17,390**	1,978	0	-590	0	**18,778**
Licenses	**14,935**	139	0	0	0	**15,074**
Internally generated database	**2.073**	0	0	0	0	**2,073**
Acquired customer bases	**26,900**	1,697	0	0	0	**28,597**
Acquired klickTel brand	**573**	100	0	0	0	**673**
Internally generated intangible assets	**284**	855	0	0	0	**1,139**
Sales commission	**575**	1,811	0	0	0	**2,386**
Websites	**747**	889	0	0	0	**1,636**
Total	**63,477**	**7,469**	**0**	**-590**	**0**	**70,356**

in EUR thousand	Carrying amounts as of 31 December 2014	Carrying amounts as of 31 December 2013
Software	2,905	4,486
Licenses	140	258
Internally generated database	0	0
Acquired customer bases	1,704	3,401
Acquired klickTel brand	324	424
Internally generated intangible assets	1,989	1,221
Sales commission	2,204	1,587
Websites	830	875
Other intangible assets	6	6
Intangible assets being acquired/with prepayments	191	142
Internally generated intangible assets in development	146	868
Total	**10,439**	**13,268**

The useful life of intangible assets was determined in as follows in the 2014 financial year: There were no adjustments of the useful life compared with the previous year.

The useful life of intangible assets

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
Websites	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 costs of sales, selling and distribution costs and general administrative expenses proportionately based on use. As of 31 December 2013, amortisation comprises the amount of EUR 61 thousand attributable to discontinued operations.

Internally generated intangible assets in development are capitalised development costs for not completed, internal projects for preparation of software for the modernisation of applications in the Directory Assistance and Digital divisions. When the software is completed, the aforementioned development costs are capitalised as internally generated intangible assets.

As of 31 December 2014, there were no obligations outstanding from orders for intangible assets (2013: EUR 381 thousand).

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.

In the case of websites, the directly attributable production costs of customer websites are capitalised and written down over the contract period using the straight-line method. The detailed information see in note 4.

28. Property and equipment

Cost

in EUR thousand	As of 1 January 2013	Additions	Disposals	Currency translation	Reclassi-fications	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**

in EUR thousand	As of 1 January 2014	Additions	Disposals	Currency translation	Reclassi-fications	Decon-solidation	As of 31 December 2014
Technical equipment	**31,439**	88	-4,093	0	0	0	**27,434**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**5,704**	79	-295	-1	0	0	**5,487**
Total	**37,143**	**167**	**-4,388**	**-1**	**0**	**0**	**32,921**

Accumulated depreciation and impairment

in EUR thousand	As of 1 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	As of 1 January 2014	Depreciation	Impairment losses	Disposals	Currency translation	Decon-solidation	As of 31 December 2014
Technical equipment	**26,592**	1,835	0	-4,012	0	0	**24,415**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**4,822**	260	0	-268	-1	0	**4,813**
Total	**31,414**	**2,095**	**0**	**-4,280**	**-1**	**0**	**29,228**

in EUR thousand	Carrying amounts as of 31 December 2014	Carrying amounts as of 31 December 2013
Technical equipment	3,019	4,847
Other equipment, fixtures, furniture and office equipment	674	882
Total	**3,693**	**5,729**

The useful life of property and equipment was determined in as follows in the 2014 financial year: There were no adjustments of the useful life compared with the previous year.

The useful life of property and equipment	
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. As of 31 December 2013, it includes the depreciation in the amount of EUR 87 thousand attributable to discontinued operations.

The disposals in the 2014 financial year mainly result from the retirement and scrapping of technical equipment due to the modernisation of technology used in the traditional directory assistance business.

As of 31 December 2014, the telegate group had open obligations from orders for property and equipment in the amount of EUR 3 thousand (2013: EUR 41 thousand) which are expected to apply to financial year 2015.

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

29. 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 14.62% 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 417.63%. Due to the different trade tax multipliers, the trade tax rate differs from the subsidiaries based in Germany but not included in the group. Deferred taxes for foreign subsidiaries are determined based on the respective national tax rates.

Deferred tax assets and liabilities were recognised as a result of timing differences in the measurement of assets and liabilities in the IFRS and tax accounts at the tax rates for the years in which the differences are expected to reverse.

The deferred taxes consist of the following:

Financial year ended on 31 December, in EUR thousand	2014	2013
Gross value of deferred tax assets:		
Tax loss carryforwards	2,444	462
Other assets	30	28
Provisions	361	204
Other liabilities	11	4
Less impairment loss	-352	0
Deferred tax assets before netting	**2,494**	**698**
of which in other comprehensive income	45	11
Netting	-2,494	-698
Deferred tax assets after netting	**0**	**0**
Less deferred tax liabilities:		
property and equipment	0	-21
Financial assets	-29	0
Intangible assets	-1,581	-2,138
Other assets	-2,649	-2,529
Provisions	0	-1
Deferred tax liabilities before netting	**-4,259**	**-4,689**
of which in other comprehensive income	-41	-45
Netting	2,494	698
Deferred tax liabilities after netting	**-1,765**	**-3,991**
Net value of deferred taxes	**-1,765**	**-3,991**

As of 31 December 2014, the company's accumulated corporate income tax loss carryforwards amounted to EUR 7,906 thousand (2013: EUR 1,293 thousand). As of 31 December 2014, the company's cumulative trade tax loss carryforwards amounted to EUR 7,929 thousand (2013: EUR 1,825). The trade tax loss carryforwards were generated exclusively in Germany; The difference between the corporate income tax and trade tax loss carryforwards is the result of a corporate income tax loss carryback (EUR 0 thousand, 2013: EUR 1,000) and of trade tax add-backs.

Tax loss carryforwards that were not applied as a result of insufficient usability amount to EUR 1,172 thousand (2013: EUR 0 thousand) as of the reporting date.

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

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

Financial year ended on 31 December, in EUR thousand	2014	2013
Deferred tax assets		
Current	11	0
Non-current	2,483	698
Deferred tax liabilities		
Current	-360	-646
Non-current	-3,899	-4,043
Net value of deferred taxes	**-1,765**	**-3,991**

30. Trade accounts payable

The amount shown as of the reporting date was EUR 1,634 thousand (2013: EUR 2,064 thousand).

The trade accounts payable include current liabilities from transactions concerning deliveries and services. The average period of payment 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.

31. 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	2014	2013
Invoices outstanding	3,792	5,074
Obligations to employees	4,181	4,428
Total	**7,973**	**9,502**

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

As at 31 December 2014, the liabilities associated with ongoing restructuring measures reported under accrued liabilities totalled EUR 491 thousand (2013: EUR 0 thousand). These were mainly liabilities to employees arising from the social compensation plan. See also note 18.

The reduction in accrued current liabilities in financial year 2014 is mainly attributable to payments in connection with the obligations arising from data cost litigation and from lower obligations to employees as a result of the reduction in the workforce.

32. Provisions

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

in EUR thousand	2014	2013
Contingent losses	525	273
Contract risks	150	1,103
Other	134	101
Total	**809**	**1,477**
of which current	156	1,103
of which non-current	653	374

The changes in provisions for the 2014 financial year are as follows:

in EUR thousand	Contract risks	Contingent losses	**Total**	Contingent losses	Other	**Total**
	current	current	**current**	non-current	non-current	**non-current**
As of 1 January 2014	**1,103**	**0**	**1,103**	**273**	**101**	**374**
Reversal	-609	0	**-609**	-83	0	**-83**
Use	-444	0	**-444**	-92	0	**-92**
Addition	100	6	**106**	431	29	**460**
Time value of money	0	0	**0**	-10	4	**-6**
As of 31 December 2014	**150**	**6**	**156**	**519**	**134**	**653**

As of the 31 December 2014 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 most significant risks are described in the following.

Current provisions for contract risks primarily comprise the provision for risks arising from contractual obligations as part of the sale of subsidiaries.

In the current year, the company reversed current provisions for contractual obligations which it no longer expects to utilise.

As of 31 December 2014, provisions for restructuring totalled EUR 6 thousand (2013: EUR 0 thousand). The provisions were recognised for the purpose of consolidating two call centres. See also note 18.

Non-current provisions for contingent losses include both provisions for spatial capacity adjustments and provisions for lease obligations.

Other non-current provisions consist of liabilities for future tax audits.

The company expects most of the cash outflows from non-current provisions to occur in the years from 2016 to 2018.

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 40 in accordance with IAS 37.86.

33. Income tax liabilities

Current tax liabilities as at 31 December 2014 amount to EUR 19 thousand, which is attributable to tax payments still owed for 2013. The liabilities as at 31 December 2013 of EUR 1,265 thousand mainly comprise tax payments for the 2012 assessment period not yet settled.

34. Other current liabilities

Other current liabilities are comprised as follows:

Financial year ended on 31 December, in EUR thousand	2014	2013
Prepayments received	1,442	1,619
VAT liabilities	210	17
Other liabilities	454	476
Total	**2,106**	**2,112**

Prepayments received relate almost exclusively to payments received from customers prior to performance of services in the advertising sales business.

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

35. Retirement benefits

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

Defined benefit plans

Defined benefit retirement plans constitute individual commitments to pay retirement benefits (post-employment, disability and surviving dependent benefits) to former 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. In Germany, there is no legal or regulatory requirement regarding minimum funding contributions.

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 %	2014	2013
Actuarial interest rate	2.45	3.80
Development of salaries	-	2.00
Pension development	1.00	1.00
Fluctuation rate	-	3.40

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	2014	2013
Current service cost	-32	-31
Interest expense	-35	-33
Interest income	35	33
Expenses for defined benefit post-employment benefits recognised in net income	**-32**	**-31**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**-78**	**-31**

Service costs are reported under general administrative expenses. The interest expense and interest income items are part of net financial income/loss.

The present value of the defined benefit obligation is calculated with the projected unit credit method using the mortality tables "Heubeck Richttafel 2005 G", in accordance with IAS 19.67, and showed the following development:

in EUR thousand	2014	2013
Present value of the defined benefit obligations as of 1 January	**925**	**867**
Current service cost	32	31
Interest expense	35	33
Actuarial gains (-) or losses (+) from changes in financial assumptions	311	0
Actuarial gains (-) or losses (+) from experience adjustments	-158	-6
Present value of the defined benefit obligations as of 31 December	**1,145**	**925**

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the company totals EUR 1,145 thousand (2013: EUR 529 thousand).

Actuarial losses of EUR 311 thousand incurred in the financial year under review from the change in financial assumptions resulted mainly from the decrease in the assumed actuarial interest rate.

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

in EUR thousand	2014	2013
Fair value of plan assets as of 1 January	**1,000**	**928**
Interest income	38	35
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	-22	-7
Contributions by the employer	41	44
Fair value of plan assets as of 31 December	**1,057**	**1,000**

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 plan assets solely constitute pledged pension liability insurance policies in the form of life insurance not traded on an active market.

The effect of the asset ceiling developed as follows:

in EUR thousand	2014	2013
Effects of the asset ceiling, 1 January	**93**	**61**
Net interest income	3	3
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.	-96	29
Effects of the asset ceiling as of 31 December	**0**	**93**

As of the previous year's reporting date, the value of the plan assets exceeded the obligation. This amount was reduced to zero. The changes resulting from limitation of the defined benefit pension plan to the asset ceiling (excluding the amounts reported in net interest income/expense) are 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.

Financial year ended on 31 December in EUR thousand	2014	2013
Present value of the defined benefit obligation (DBO)	1,145	925
Fair value of plan assets	-1,057	-1,000
Net liabilities (net assets)	**88**	**-75**
Plan assets not recognised because of the ceiling in IAS 19.64(b)	0	93
Liability recognised in the statement of financial position	**88**	**18**

In telegate‘s opinion, it is exposed to risk from defined benefit pension plans. Changes in actuarial assumptions, mainly lowering of the actuarial interest rate, can lead to increased pension obligations. Material underfunding can necessitate payment of additional contributions by the company.

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 was as follows:

As of 31 December 2014		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0.50 %	Decrease by 11.31%	Increase by 13.13%
Development of salaries	-	-	-
Fluctuation rate	-	-	-

As of 31 December 2013		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. Worst- and bestcase-scenarios were not subject to sensitivity analysis.

The timeframe for possible changes to the premises in the sensitivity analysis includes the period up to 31 December 2015 (previous year: up to 31 December 2014).

During the sensitivity analysis the interest rate was identified as a material parameter influencing the present value of the defined benefit obligations.

The company expects no contributions to defined benefit pension plans in financial year 2015.

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

Defined contribution plans

telegate provides nearly all employees post-employment benefits in the form of defined contribution plans. In this context, telegate also offers its staff a contribution to an employer-financed pension plan. The amount of the contribution is oriented on the contributions paid by the employees themselves.

The contributions to defined contribution plans recognised in profit or loss including the current contribution payments total EUR 68 thousand (2013: EUR 21 thousand), EUR 19 thousand (2013: EUR 0 thousand) of which is attributable to contributions for Management Board members.

36. Equity

Subscribed capital

The share capital of telegate AG is divided into 19,111,091 (2013: 19,111,091) no-par value shares with a notional interest in the share capital of EUR 1.00 per share. All no-par value shares issued by the company have been fully paid-in. As of 31 December 2014, the number of shares outstanding amounts to 19,111,091 (2013: 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/ Authorised capital

As a result of the resolution of the annual general meeting on 12 May 2005, amended by the resolutions dated 15 May 2006 and 09 May 2007, the subscribed capital of telegate AG was conditionally increased by EUR 1,000 thousand (Contingent Capital 2005). After the issuance of subscription shares in the 2007 financial year, the contingent capital in accordance with Art. 2 (6) of the Articles of Association of telegate AG amounted to EUR 752,000. 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.

Pursuant to Art. 2 (7) of the Articles of Association, the Management Board was also authorised to increase the share capital of the company with the approval of the Supervisory Board one or more times until the end of the day 10 June 2010 by a total of up to EUR 500,000 by issuing up to 500,000 new, no-par value bearer shares with a notional interest in the share capital of EUR 1.00 against cash and/or contributions in kind (Authorised Capital 2008).

In its meeting on 12 March 2014, the Supervisory Board resolved to amend the Articles of Association by striking Art. 2 (6) (Contingent Capital) and Art. 2 (7) (Authorised Capital). The contingent capital and the authorised capital were thus eliminated.

Additional paid in capital

The additional paid in capital as of 31 December 2014 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 (2013: EUR 0 thousand).

A recommendation was made to the Supervisory Board by resolution of the Management Board on 4 March 2014 to withdraw EUR 4,236 thousand from the 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. The Supervisory Board approved this action.

Accumulated deficit/ Retained earnings

The accumulated deficit as of the reporting date amounts to EUR 3,656 thousand (2013: retained earnings of EUR 10,437 thousand).

The previous year‘s retained earnings were reduced in particular by the current year‘s negative net income for the period of EUR 6,395 thousand and the distribution of dividends for financial year 2013 totalling EUR 7,644 thousand.

In the financial year under review, the accumulated deficit increased due to factors including actuarial gains (losses) from pensions and similar obligations in the amount of EUR 78 thousand less deferred taxes totalling EUR 24 thousand. This increase was recognised in other comprehensive income (loss) after tax.

In the previous year, retained earnings decreased due to actuarial gains (losses) from pensions and similar obligations in the amount of EUR 31 thousand less deferred taxes totalling EUR 8 thousand. This decrease was recognised in other comprehensive income (loss) after tax.

Additional information about changes in retained earnings is provided in the consolidated statement of changes in equity.

Other components of equity

As of the reporting date, the other components of equity totalled EUR 66 thousand (2013: EUR 101 thousand).

The decrease in this item in the amount of EUR 35 thousand (2013: EUR 100 thousand increase) in the financial year under review was recognised in other comprehensive income (loss) after tax and is the result of net losses from the disposal of available for sale financial assets and the effects of foreign currency translation.

The net losses from the disposal of available for sale financial assets totalling EUR 34 thousand are due to the reclassification of unrealised profit from the disposal of available for sale financial assets in the income statement in the amount of EUR 57 thousand less deferred taxes of EUR 16 thousand and to unrealised profit from the disposal of available for sale financial assets recognised in the financial year totalling EUR 9 thousand less deferred taxes of EUR 2 thousand.

The decrease by EUR 1 thousand in the 2014 financial year due to foreign currency translation stemmed exclusively from a subsidiary doing business in a foreign currency.

37. Dividends resolved and paid

In accordance with the resolution of the annual general meeting dated 25 June 2014, the proposal by the Management and Supervisory Boards on the appropriation of profit was approved and EUR 7,644 thousand (2013: EUR 38,222 thousand) of the retained earnings for 2013 shown on telegate AG's single-entity HGB financial statements were used to distribute a dividend. This corresponds to a dividend of EUR 0.40 per no-par value share (2013: EUR 2.00).

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, a contractual 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 (Deferral Agreement). As a consequence, the dividend payment of EUR 5,914 thousand to SEAT that was resolved at the annual general meeting on 25 June 2014 was added to the outstanding dividend payment for fiscal year 2012 of EUR 24,208 thousand and invested as time deposits by telegate AG. As at 17 December 2014, the outstanding dividends for financial years 2012 and 2013 totalling EUR 30,122 thousand were paid to the shareholders of Telegate Holding GmbH and SEAT Pagine Gialle S.p.A. (formerly SEAT Pagine Gialle Italia S.p.A., see note 44).

Other notes and disclosures

38. Operating segments

The activities of the telegate group are assigned to two operating segments for the purpose of management control: Directory Assistance and Digital. In the financial year under review, the Media segment was renamed the Digital segment. The regional split into the Germany/Austria and Spain segments will no longer be applicable due to the sale of the Spain segment in financial year 2013.

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. The Digital segment generates revenue almost exclusively with commercial customers, i.e., it operates a B2B business. The Digital operating segment provides advertising services for small- and medium-sized enterprises mainly in Germany.

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.

The company manages the segments using revenues and earnings performance indicators up to EBITDA (earnings before interest, taxes, depreciation and amortisation) level. EBITDA before non-recurring items is an indicator that provides additional information on the company's profitability. Information on non-recurring items is provided in note 18 „Non-recurring items in the income statement".

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

Financial income and financial expenses are not components of earnings, since these are decided centrally and are not subject to the direct control of segment management.

Capital allocation (liabilities and assets) is not controlled at division level. Similarly, cash flows are not determined on a segment basis. The revenues and costs associated with these discontinued operations are eliminated in the reconciliation.

In the financial year under review, management decided for reasons of materiality not to eliminate the effects of data cost litigation in the reconciliation, but instead to allocate them to the EBITDA of the Directory Assistance or Digital segment. The segment presentation for 2013 was correspondingly adjusted for reasons of comparability.

Financial year ended on 31 December 2014, in EUR thousand	Directory Assistance	Digital	Group
Revenues			
Revenues from transactions with external customers	27,678	34,584	62,262
Total revenues	**27,678**	**34,584**	**62,262**
Earnings			
EBITDA	3,345	-1,060	2,285
Net financial income			381
Earnings before income taxes			-9,105
EBITDA before non-recurring items	7,659	1,775	9,434
Assets and liabilities			
Segment assets			61,974
Segment liabilities			14,394
Other segment information			
Capital expenditure for non-current fixed assets	313	4,494	4,807
Depreciation of plant and equipment	1,650	445	2,095
Amortisation of intangible assets	1,154	6,315	7,469
Amortisation of current intangible assets	0	2,207	2,207

Financial year ended on 31 December 2013, in EUR thousand	Directory Assistance	Digital	Total	Spain	Reconcilia-tion	Group
Revenues						
Revenues from transactions with external customers	37,032	35,301	72,333	1,875	-1,875	72,333
Total revenues	**37,032**	**35,301**	**72,333**	**1,875**	**-1,875**	**72,333**
Earnings						
EBITDA	9,927	-814	9,113	678	-681	9,110
Net financial income			-21	38	3	20
Earnings before income taxes			-2,466	568	-530	-2,428
EBITDA before non-recurring items	11,056	974	12,030	678	-681	12,027
Assets and liabilities						
Segment assets			106,364	0	0	106,364
Segment liabilities			44,656	0	0	44,656
Other segment information						
Capital expenditure for non-current fixed assets	3,528	5,327	8,855	68	0	8,923
Depreciation of plant and equipment	1,524	604	2,128	87	-87	2,128
Amortisation of intangible assets	2,388	3,408	5,796	61	-61	5,796
Amortisation of current intangible assets	0	3,634	3,634	0	0	3,634

39. Other financial obligations and claims

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

in EUR thousand	As of 31 December 2014			As of 31 December 2013		
	Obligations under			Obligations under		
Maturity	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements	Rental and lease contracts	Marketing and IT service agreements	Consulting and other service agreements
Up to 1 year	3,206	2,351	1,143	3,823	2,147	425
Between and 5 years	2,374	2,448	0	2,607	3,487	425
More than 5 years	0	0	0	0	73	0
Total	**5,580**	**4,799**	**1,143**	**6,430**	**5,707**	**850**

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

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 2014	As of 31 December 2013
Maturity	Claims under rental agreements	
Up to 1 year	196	90
Between 1 and 5 years	252	72
Total	**448**	**162**

40. Contingent liabilities and assets

As of 31 December 2014, the company has identified the following contingent liabilities and assets.

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.

Telegate AG and its subsidiary telegate Media AG filed actions for damages against Deutsche Telekom AG for lost profits of up to EUR 110 million. The appeal by telegate Media AG in this action was rejected by way of a final decision handed down by Düsseldorf Higher Regional Court (AZ VI U 50/12 dated 11 December 2013). Accordingly, the maximum compensation was reduced to the amount up to EUR 86 million. The situation and statement of claim of the action for damages by telegate AG differ significantly from those of telegate Media AG. Therefore, no conclusions about the success of the action of telegate AG can be drawn on the basis of the rejection of the action of telegate Media AG. No reliable projection can be made at this point of time regarding the duration of these legal disputes.

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 GmbH 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.

Guarantees

As of 31 December 2014, telegate AG shows guarantees totalling EUR 158 thousand (2013: EUR 0).

41. Number of employees

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

2014 financial year	As of 31 December 2014		Annual average	
	absolute	in full-time equivalents	absolute	in full-time equivalents
telegate group				
Total	901	770	961	814
of which operators and sales	629	502	674	533

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

42. Auditors' fees

In its income statement for the financial year, the company recognised expenses for financial statement audits (PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich) in the amount of EUR 205 thousand (2013: EUR 157 thousand).

43. 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 group's financial liabilities mainly comprise 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 2013 and 2014 financial years.

Due to its use of financial instruments, the telegate group is exposed to various financial risks – counterparty credit risks, liquidity risk and market risk (interest rate risk, foreign exchange risk and price risk) – which are explained in greater detail below.

Counterparty credit risk

Counterparty credit 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 operating activities (in particular with respect to trade accounts receivable). Counterparty credit risks also arises from cash and cash equivalents as well as from the disposal of available for sale financial assets. The counterparty credit risk is managed at the group level.

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

The company's *cash and cash equivalents* are denominated almost exclusively in euros and are held at highly regarded German financial institutions that are rated investment grade by international rating firms. The company continuously monitors its positions at financial institutions and the creditworthiness of the financial institutions and considers the risk of non-performance to be very low.

The group's *available-for-sale financial assets* are traded in euros and monitored continually. These investments should be classified as safe. The creditworthiness of the contractual partners for these financial instruments is reviewed regularly.

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

In its directory assistance business, the group enters into transactions with carriers with excellent creditworthiness and/or with customers that have distinguished themselves in the past through low defaults on receivables based on the diverse portfolio. By drawing on our many years of experience, the company is competent in forecasting this level of bad debt.

Customers in the digital business comprise in particular small and medium-sized enterprises. This business entails a considerably higher risk of default which is taken into account through a professional collection process that is reviewed and optimised in periodic intervals. Overdue trade accounts receivable are handed over to a collection company after completion of a dunning process. A portion of the overdue receivable has already been written down when it is handed over. The receivable is written down further after it has been in the collection process for more than one year. It is written off in full if the account has not been settled after the second year. There is a risk that the default rate in the Digital division will be higher than expected.

In the event the collection company were no longer unavailable, this could lead to a temporary loss of data, which in turn could result in the loss of the outstanding revenue. telegate would be forced to select a new service provider and integrate it into the collection processes; this start-up requires a certain amount of time. The likelihood of loss of the collection company is estimated at 5% and, were this to occur, would result in a negative effect on earnings of EUR 2.9 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.

The company transacts business with a large number of customers. telegate AG lets a big part of its revenues with customers in Germany be invoiced centrally by Deutsche Telekom AG („DTAG") (financial year 2014: 31%; financial year 2013: 34%).

Receivables from DTAG from this invoicing contract as of 31 December 2014 account for 20% (2013: 23%) 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 always makes sure to have sufficient liquid funds to meet its financial obligations. The main variables in this regard are short-term funds and available for sale financial assets which are invested or sold, depending on the group's cash requirements.

As of 31 December 2014, 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 30.

Financial year ended on 31 December 2014, in EUR thousand	Payable on demand	Up to 3 months	3 to 12 months	More than 1 year	**Total**
Trade accounts payable	-	1,634	-	-	**1,634**
Other financial liabilities	-	-	-	-	**0**

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**

Currency risk

The main business transactions of the company are settled in euros within Europe. Only a minor part of the procurement operations is conducted in other currencies in an amount considered insignificant; as a result, the company is not exposed to currency risk.

Interest rate risk

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

A 10 basis-point change in interest rates is assumed in the sensitivity analysis, which is justified by the generally low level of market interest rates for investments.

If interest rates had been 10 basis points higher or lower as at 31 December 2014, assuming all other variables remained constant, earnings before taxes would have been EUR 4 thousand (2013: EUR 43 thousand) higher or lower for the year as a whole.

Price risk

The group is exposed to price risk due to investments in short-term money market and bond funds, which were reported in the consolidated statement of financial position as available for sale financial assets.

The investments are denominated in euros and are monitored continually. These investments should be classified as safe, and they are subject to only minimal fluctuations in value. The returns are derived from changes in price and from distributions, if any. Changes in fair value are recognised in other comprehensive income.

If the price of the fund shares acquired were to change by 0.24 %, the effect on other comprehensive income/loss (equity) would amount to EUR 54 thousand (2013: EUR 72 thousand). Due to the portfolio structure, no loss of capital is anticipated in the medium term.

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.

As of 31 December 2014, the equity ratio was 76.77 % (2013: 58.02 %). The increase in the equity ratio compared with financial year 2013 mainly resulted from the payment totalling EUR 30,122 thousand for dividends to SEAT Pagine Gialle S.p.A. and Telegate Holding GmbH resolved in August 2013 and June 2014 (see the detailed information in note 37).

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

Fair value of financial instruments

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

Financial year ended on 31 December 2014, in EUR thousand	Carrying amounts pursuant to 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	-	22,606	-	22,606	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	4,262	-	-			
Trade accounts receivable	11,915	-	-			
Current other financial assets	413	-	-			
Non-current other financial assets	15	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	1,634			
Other financial liabilities	-	-	0			

Financial year ended on 31 December 2013, in EUR thousand	Carrying amounts pursuant to 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			

44. 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 an interest of 14.86 % in telegate AG as of 31 December 2014 (2013: 61.13 %). Die SEAT Pagine Gialle S.p.A., Turin, Italy, in turn holds a 100 % stake in Telegate Holding GmbH (2013: 100 %).

As of 31 December 2013, SEAT Pagine Gialle S.p.A. held a 100 % stake in SEAT Pagine Gialle Italia S.p.A., Turin/Italy. As of 01 November 2014, SEAT Pagine Gialle Italia S.p.A. was merged into SEAT Pagine Gialle S.p.A.. As of 31 December 2014, SEAT Pagine Gialle S.p.A. directly holds a 16.24 % stake (2013: a 16.24 % stake held indirectly via SEAT Pagine Gialle Italia S.p.A.) and a 14.86 % (2013: 61.13 %) stake via Telegate Holding GmbH in telegate AG.

Due to changes in the shareholder structure as of 31 December 2014, telegate AG no longer has a majority shareholder. Therefore, it is no longer included in consolidated financial statements as a fully consolidated company. As of 31 December 2013, SEAT Pagine Gialle S.p.A included telegate AG, the parent of the largest group of consolidated companies, as a fully consolidated company into its consolidated financial statements. The SEAT Group did not prepare consolidated financial statements for a smaller basis of consolidation including telegate AG as of this reporting date.

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

As of 31 December 2014 there are dividend distribution liabilities including interest expenses against Telegate Holding GmbH and SEAT Pagine Gialle S.p.A. in the amount of EUR 0 (2013: EUR 24,227 thousand). In financial year 2014, the dividend liability including interest based on the resolution on the appropriation of profit by the annual general meeting on 25 June 2014 has increased to EUR 30,162 thousand. The interest expenses add up to EUR 20 thousand in total (2013: EUR 19 thousand). The amount was placed by telegate AG as term deposit and was paid to the shareholders of Telegate Holding GmbH and SEAT Pagine Gialle S.p.A. as at 17 December 2014. The interest rate is corresponding to the rate of the described liability.

In order to settle the costs associated with performance of the deferral agreement, telegate AG billed SEAT Pagine Gialle S.p.A. EUR 15 thousand and set off this amount against the aforementioned dividend liability. The claim was thus settled as at 31 December 2014. For additional information, see note 37.

Transactions with related parties (persons)

As of 31 December 2014, employees of the SEAT Group were members of telegate AG's Supervisory Board. These persons were entitled to Supervisory Board remuneration for the 2014 financial year in the amount of EUR 34 thousand (2013: EUR 46 thousand), which accordingly was recognised as a current liability.

Remuneration of individuals in key management positions

Management comprises the Management Board and Supervisory Board. The remuneration system and other information is explained in the management report in section 12 "Remuneration system".

Management Board remuneration is presented as follows:

in EUR thousand	2014	2013
Salaries and other current benefits	679	996
Pension commitment	51	31
Total	**730**	**1,027**

The present value of the defined benefit pension obligations as at 31 December 2014 is attributable in the amount of EUR 1,145 thousand (2013: EUR 529 thousand) to former members of the Management Board.

In financial year 2014, the company recognised service costs of EUR 32 thousand for the active period of Management Board members who have since left the company (more details on pension commitments in note 35).

The Supervisory Board members received remuneration totalling EUR 119 thousand in the 2014 financial year (2013: EUR 146 thousand).

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

45. Events after the reporting period

The percentage of the shares of telegate AG carrying voting rights held by SEAT Pagine Gialle S.p.A., Turin, Italy, fell below the 20 % threshold after the reporting date of 31 December 2014 due to additional sales of shares. SEAT Pagine Gialle S.p.A. now directly holds a 16.24 % stake in telegate AG and indirectly holds a 2.30 % stake via Telegate Holding GmbH in telegate AG.

There are no further material events after the reporting period.

46. Disclosure regarding the corporate bodies of telegate AG

Supervisory Board of telegate AG

	Supervisory Board member since / Occupation	Additional positions in the financial year(*):
Dr. Michael Wiesbrock	Chairman of the Supervisory Board Since 25 June 2014, Lawyer/Partner Flick Gocke Schaumburg, Frankfurt/Main	--
Mr. Ralf Grüßhaber	Vice Chairman of the Supervisory Board since 25 June 2014, Managing Director of B2X Care Solutions GmbH, Munich	• telegate Media AG, Essen, Chairman of the Supervisory Board (Until 26 June 2014)
Mr. Vincenzo Santelia	Member of the Supervisory Board Since 11 November 2013, CEO, SEAT Pagine Gialle S.p.A., Turin, Italy	• ProntoSEAT S.r.L., Turin, Italy, Chairman • TDL Infomedia Ltd., Spinningfields (Manchester), UK (in administration), Director • TDL 2013 Realisations Ltd., Spinningfields (Manchester), UK, (in administration), Director • Europages S.A., Neuilly-sur-Seine, France, Director (Since 25 September 2014)
Mr. Andrea Servo	Member of the Supervisory Board Since 22 May 2012, CFO, SEAT Pagine Gialle S.p.A., Turin, Italy	• ProntoSEAT S.r.l., Turin, Italy, Director (since 28 July 2014) • Europages S.A., Neuilly-sur-Seine, France, Director • Consodata S.p.A., Rome, Italy, Director
Mr. Jens Sturm	Member of the Supervisory Board Since 25 June 2014, Head of IT and Voice Operations, telegate AG, Neubrandenburg	--
Ms. Ilona Rosenberg	Member of the Supervisory Board Since 30 January 2001, Vice Chairman of the Supervisory Board (from 15 May 2006 to 25 June 2014) Operator, telegate AG, Rostock	--
Mr. Ezio Cristetti	Member of the Supervisory Board From 29 June 2011 to 25 June 2014, Director of Operations, ProntoSEAT S.r.l., Turin, Italy (until 15 June 2014)	• Cipi S.p.A., Milan, Italy (until March 2014), Director
Mr. Massimo Cristofori	Member of the Supervisory Board From 19 September 2008 to 25 June 2014, Manager Special Projects, SEAT Pagine Gialle S.p.A., Turin, Italy (Until 30 June 2014)	• TDL Infomedia Ltd., Spinningfields (Manchester), UK (in administration), Director • TDL 2013 Realisations Ltd., Spinningfields (Manchester), UK, (in administration), Director • Cipi S.p.A., Milan, Italy (until March 2014), Director

Ms. Claudia Dollase	Member of the Supervisory Board From 8 November 2010 to 25 June 2014, HR Group Specialist/Recruting, telegate AG, Rostock	--
Mr. Jörn Hausmann	Member of the Supervisory Board From 29 June 2011 to 25 June 2014, General Manager Digital Sales, telegate AG, Rostock	--
Ms. Anett Kaczorak	Member of the Supervisory Board From 15 May 2006 to 25 June 2014, Operator, Chairperson of the Works Council (full-time) (Until 27 April 2014), telegate AG, Neubrandenburg	--
Mr. Leonard Kiedrowski	Member of the Supervisory Board From 29 June 2011 to 25 June 2014, Senior IT Expert, telegate Media AG, Essen	--
Mr. Jürgen von Kuczkowski	Member of the Supervisory Board From 15 May 2006 to 25 June 2014, (Chairman of the Supervisory Board from 1 October 2007 to 25 June 2014) Former Chairman of the Executive Management of Vodafone D2 GmbH, Gauting	• Vodafone GmbH, Supervisory Board
Ms. Silke Lichner	Member of the Supervisory Board From 15 May 2006 to 25 June 2014, Editorial Employee, telegate AG, Neubrandenburg	--
Mr. Gautam Giorgio Sahgal	Member of the Supervisory Board From 29 June 2011 to 25 June 2014, Managing Director Corporate Media Partners Ltd., Farnborough, Hampshire, UK	• Corporate Media Partners Ltd., Sutton Coldfield, West Midlands, UK, Director • Direct Research Company Ltd., Farnborough, Hampshire, UK, Director • Thomson Directories Ltd., Farnborough, Hampshire, UK, Director

(*) 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 is set up pursuant to the provisions of Sections 96 (1), 101 (1) AktG in conjunction with Sections 1 (1), 2 (1), 3 and 4 et seq. of the German One-Third Employee Participation Act (Drittelbeteiligungsgesetz) and, pursuant to Item 4.1 (1) of the Articles of Association of telegate AG, comprises four members elected by the annual general meeting and two elected by employees.

Management Board of telegate AG

		(Supervisory Board) positions in the financial year(*):
Mr. Franz-Peter Weber	Spokesman of the Management Board Since 11 October 2014, Member of the Management Board (Since 24 June 2014), Diplom-Kaufmann, Martinsried/Munich, responsible for Sales Digital, Directory Assistance division, Corporate Finance, Personnel, Legal Affairs, Regulation and Corporate Communications	--
Mr. Michael Geiger	Member of the Management Board Since 11 October 2014, Diplom-Informatiker, Martinsried/Munich, responsible for Technology, Production, Marketing/Product and Customer Development Digital	--
Mr. Elio Schiavo	Chairman of the Management Board Until 10 October 2014, CPA (certified public accountant), Martinsried/Munich, responsible for Sales Digital, Marketing/ Product & Customer Development Digital and Corporate Communications	• telegate Media AG, Essen, Chairman of the Supervisory Board (From 26 June 2014 to 8 October 2014)
Herr Ralf Grüßhaber	Member of the Management Board Until 25 June 2014, Diplom-Betriebswirt (FH), Martinsried/Munich, Responsible for Finance, Technology, Legal Affairs and Regulation, Personnel as well as Directory Assistance Solutions	• telegate AG, Planegg-Martinsried, Vice Chairman of the Supervisory Board (Since 25 June 2014) • telegate Media AG, Essen, Chairman of the Supervisory Board (until 26 June 2014)

(*) 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.

47. 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 24 June 2014. 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 4 December 2014. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, 27 February 2015

Franz-Peter Weber Michael Geiger

Auditor´s audit certificate

"We have audited the consolidated financial statements prepared by telegate AG, Planegg, Martinsried - comprising the balance sheet, profit and loss statement and statement of comprehensive income, statement of equity trend, funds statement and notes to the financial statements - together with the corporate management report for the annual year from 1 January to 31 December 2014. Preparation of the consolidated financial statements and corporate management report in accordance with IFRS as applicable within the EU and also the applicable provisions of commercial law according to section 315a (1) HGB is in the responsibility to the company´s Management Board. It is our duty to deliver an opinion on the consolidated financial statements and corporate management report based on our audit.

We have conducted our audit of the consolidated financial statements in accordance with section 317 HGB taking into account the German standards for a proper annual audit which were issued by the Institute of Public Auditors in Germany (IDW). Those standards require that an audit shall be planned and performed such that inaccuracies and violations materially affecting the presentation of net worth, financial position and result of operation in the consolidated financial statements in accordance with the applicable accounting provisions and corporate management report are identified with sufficient certainty. Knowledge of the business activities and economic and legal environment of the group as well as expectations as to possible errors are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system as well as evidence supporting disclosures in the consolidated financial statements and the corporate management report is examined primarily on a test basis within the scope of the audit. The audit includes an assessment of the annual financial statements of those companies included in the consolidated financial statements, a delimitation of the consolidated group, the accounting and consolidation principles applied and the main evaluations of the Management Board as well as the appreciation of the comprehensive presentation of the consolidated financial statement and the corporate management report. We believe that our audit provides a reasonable basis for our evaluation.

Our audit did not result in any objections.

In our opinion and based on the findings of our audit, the consolidated financial statements comply with IFRS, as applicable in the EU, and also the applicable provisions of commercial law according to section 315a (1) HGB and provide a true and fair view of the net assets, financial position and results of operations of the group taking into account these provisions. The corporate management report is consistent with the consolidated financial statements and as a whole provides an accurate view of the group´s position and presents the opportunities and risks of the future trend accurately."

Munich, 27 February 2015

PricewaterhouseCoopers
Stock corporation
Certified auditing firm

Stefano Mulas	ppa. Christoph Tuebbing
Certified public accountant	Certified public accountant

Corporate Information

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telegate on the Web

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

Information abour 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 recieve an investor package or request other information please contact our investor Relations department at

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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 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

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

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

Google AdWords
Internet advertising with individual keywords provided by 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

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

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

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)

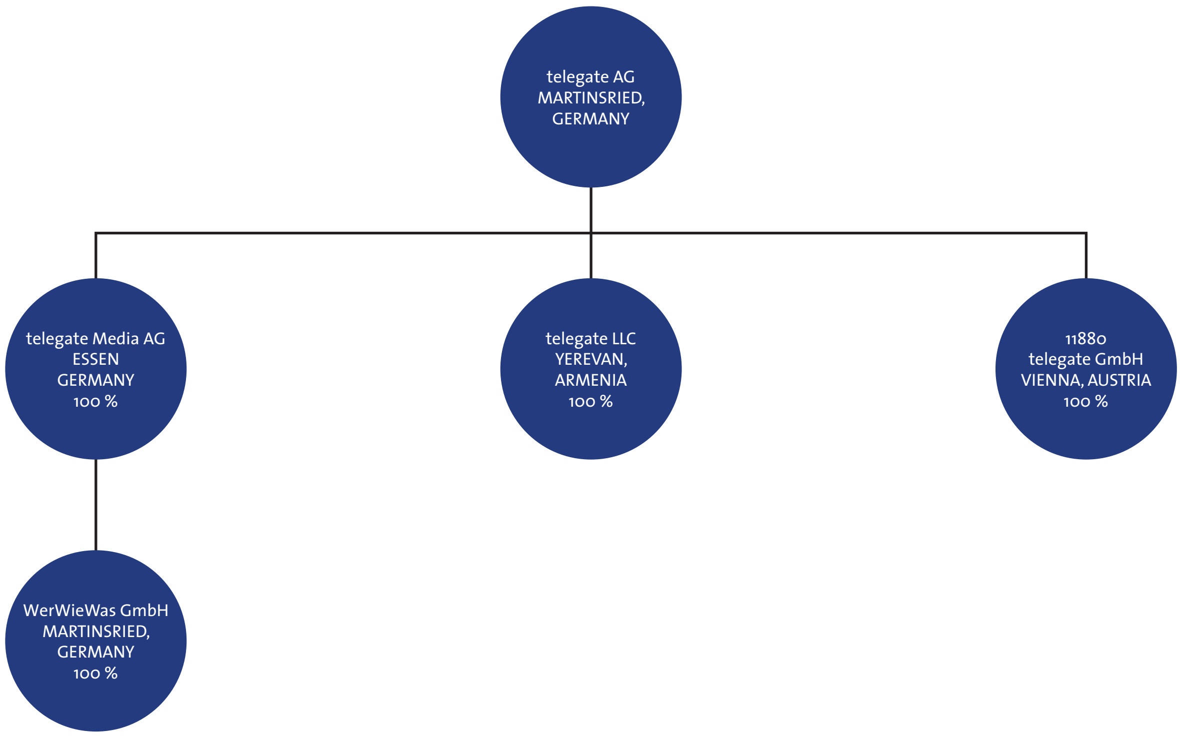
SEO
Seach Engine Optimization – measures to improve the visibility of a website in a search engine at a higher ranking when user enters certain search terms in the search engine

SMEs
Small and medium-sized enterprises

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

WpHG
German Securities Trading Law

Corporate Structure telegate Group



Financial Calender 2015

March 19, 2015	Annual results 2014
May 7, 2015	3-month results 2015
June 24, 2015	AGM 2015
August 6, 2015	6-months results 2015
November 12, 2015	9-month result 2015

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