Annual Report 2015

telegate

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klicktel

A company of telegate AG.

Results telegate Group

in EUR million	2015	2014	Variance absolute	Variance in Percent
Revenues and earnings telegate Group				
Revenues	53.5	62.3	-8.8	-14.2%
EBITDA[1]	-0.3	2.3	-2.6	-
EBITDA[1] before non-recurring items	4.3	9.4	-5.1	-54.3%
Non-recurring items from data cost litigation	-1.0	-0.3	-0.7	-
Non-recurring items from the adjustment of structural costs	-2.9	-6.8	3.9	-
Non-recurring items from Brand and product relaunches	-0.7	0.0	-0.7	-
Net loss	-9.3	-6.4	-2.9	-
Details Segments				
Revenues Digital	32.5	34.6	-2.1	-6.1%
EBITDA[1] before non-recurring items Digital	-0.3	1.8	-2.1	-
Revenues Directory Assistance	21.0	27.7	-6.7	-24.2%
EBITDA[1] before non-recurring items Directory Assistance	4.6	7.7	-3.1	-40.3%
Statement of financial position				
Total assets	49.6	62.0	-12.4	-20.0%
Cash and cash equivalents[2]	18.5	26.9	-8.4	-31.2%
Equity	38.2	47.6	-9.4	-19.7%
Equity ratio (in percent)	77%	76%	-	-
Cash flow				
Cash flow from operating activities	-3.7	-0.1	-3.6	-
Cash flow from investment activities	0.4	26.3	-25.9	-
Cash flow from financing activities	0.0	-31.9	31.9	-
Net cash flow[3]	-6.9	-3.3	-3.6	-
Key figures for the telegate share				
Earnings per share (in EUR)	-0.49	-0.33	-0.15	-
Share price at year-end (in EUR)[4]	1.15	3.31	-2.16	-65.3%
Market capitalisation at year-end	22.0	63.2	-41.2	-65.2%
Other KPIs				
Churn rate, Digital	29%	29%	-	-
Propotion of 24-month contracts, Digital	62%	72%	-	-
Revenue per call, directory Assistance (in EUR)	3.38	3.20	0.18	5.6%
Number of employees[5], group	801	901	-54	-11.1%

[1] *Earnings before interest, tax and depreciation*
[2] *Portfolio of cash and cash equivalents as well as financial assets available for sale*
[3] *Net cash flow is calculated on the basis of cash flow from operatons + cash flow from investing activities +/- interest income/expense, after adjusting for data cost effects and the acquisition and sale of fund shares. In the 2014 financial year, the cash flow was also adjusted for the purchase and sale of current cash investments as well as for amounts related to the SEAT Pagine Gialle S.p.A. dividend.*
[4] *XETRA-closing prices as of last trading day.*
[5] *Headcounts as of 31 December closing date*

Content

Letter from the Management Board

Dear Shareholders, Customers and Friends of telegate AG,

The 2015 financial year constitutes an important milestone in the history of our company. With the new Management Board team that we established mid-year, we have introduced a new strategy to ensure the company's long-term success. The primary goals for this strategy, whose elements will be successively implemented during the 2016 financial year, are a modified sales strategy, an entirely re-aligned product portfolio and the improved competitiveness that results from these changes. And, for the future, a supply and demand situation that is once again harmonised. In addition, the speed with which telegate's financial resources are consumed must be significantly reduced. At the same time, new sources of revenue need to be tapped to accommodate the steady decline of the phone-based directory assistance market.

We began putting initial measures into practice in the second half of 2015. One level of management was eliminated in each of three departments, for example, and the highly unprofitable field sales unit for the media business was closed on 31 December 2015. These initial cost-cutting measures were complemented by a reworking and/or expansion of the entire media business product portfolio and directory assistance activities. While we will continue to offer small businesses in Germany the products they need to ensure that they can be found quickly online, this portfolio will be intelligently expanded from early 2016 onwards by a range of verticals – i.e. a number of online services tailored to the various sectors. All verticals will offer consumers a wealth of useful information while directly procuring orders for business customers.

In the future, our entire service portfolio will be offered under the umbrella brand 11880, which is not only well-known to most consumers in Germany but has also enjoyed the reputation of being a reliable and rapid source of information for almost two decades.

In 2015, the telegate share price did not perform as well as we would have hoped and you, our valued shareholders, would have rightly expected. Our former majority shareholder Seat Pagine Gialle was required to divest nearly 60 percent of its shares due to financial restructuring. Since these shares ended up in the hands of a great many shareholders, the majority of whom then rapidly re-sold them, the share price stood little chance of performing well.

We would like to take this opportunity to thank all of our shareholders who have continued to stay loyal to our company. We are confident that the telegate share price will now start to perform well, thereby reflecting the establishment of our new corporate strategy.

Our heartfelt thanks for the trust you have placed in our company.

Munich, 16 March 2016

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

Report of the Supervisory Board

for the financial year from 1 January 2015 to 31 December 2015

Work in the 2015 financial year focused on the development of the digital 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 2015 financial year

In the reporting year, the Supervisory Board carried out its duties, as provided by law and the company's Articles of Association. Four regular meetings were held during the year. 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 Supervisory Board's discussions focused on the further development of the media business and on the strategic realignment of the company's product portfolio, sales strategy and brand. The Supervisory Board was also closely involved in the Management Board's decision to file an appeal with the Federal Court of Justice against the refusal of leave to appeal in connection with the unsuccessful action for damages. The Supervisory Board also dealt with the appointment of a new Management Board. The 2016 budget was approved by the Supervisory Board at its meeting on 17 December 2015.

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. Additional measures to improve compliance processes 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 performs its duties efficiently, the Supervisory Board established an Audit Committee. This committee prepares resolutions of the Supervisory Board and topics to be handled by the Supervisory Board as a whole and concerns itself with monitoring the accounting and the internal control system and with the audit of the financial statements. A Nomination Committee has also been set up. These committees already existed in previous financial years. The flow of information between the committees and the Supervisory Board is ensured through regular reports by the chairs of the committees.

Composition and personal details of the Supervisory Board

The 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), 4 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.

Vincenzo Santelia resigned from the Supervisory Board on 6 October 2015. According to section 104 (2) AktG, the Management Board can request a replacement member to be appointed by the registration court after 3 months. In a motion submitted on 19 January 2016, the Management Board requested the appointment of Mr. Antonio Converti as the new Supervisory Board member until the next annual general meeting. The Court approved the motion with its decision of 11 February 2016 and has appointed Mr. Converti as a shareholder representative on the Supervisory Board. There are no other changes to Supervisory Board appointments to report for 2015.

Serving members of the Audit Committee, chaired by Dr. Michael Wiesbrock, are Andrea Servo and Jens Sturm.

A successor to Vincenzo Santelia on the Nomination Committee remains to be appointed.

Meetings and attendance

The Supervisory Board held a meeting in each quarter of the 2015 financial year. Supervisory Board members Dr. Michael Wiesbrock, Ralf Grüßhaber, Ilona Rosenberg and Jens Sturm attended all four meetings. Andrea Servo and Vincenzo Santelia attended three meetings. The Audit Committee met four times during the reporting period. The Nomination Committee did not need to meet in 2015.

Changes in the Management Board

The Supervisory Board appointed Christian Maar to the Management Board with effect from 24 June 2015 and at the same time appointed him Chairman of the Management Board. Franz Peter Weber left the Management Board with effect from 30 September 2015.

Corporate governance and remuneration 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 2015 financial year.

The implementation of the German Corporate Governance Code at telegate AG was the subject of the meeting of 17 December 2015. 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 the company'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 2015 annual and consolidated financial statements

Based on a resolution adopted by the annual general meeting on 24 June 2015, the Supervisory Board commissioned 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 2015 financial year were audited by PricewaterhouseCoopers AG, Wirtschaftsprüfungsgesellschaft, Munich. The consolidated financial statements for the period from 01 January to 31 December 2015 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 2015.

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 16 March 2016. 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. It agreed with the auditor's findings. The Supervisory Board approves the management report presented by the Management Board and the 2015 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 2015 consolidated financial statements of telegate AG.

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 2016

Dr. Michael Wiesbrock
Chairman of the Supervisory Board

Investor relations

Capital market environment

The stock exchange experienced another eventful year in 2015, with negative factors on the financial and capital markets – the Ukrainian conflict, the crisis in Greece and oil price shocks – being balanced by persistently favourable interest rates.

In April, the DAX, Germany's leading index, broke the 12,300 mark for the first time. In late September, the stock market barometer then slid to 9,450, but recovered at the end of the year. With a gain of 10 percent, the DAX had a successful year.

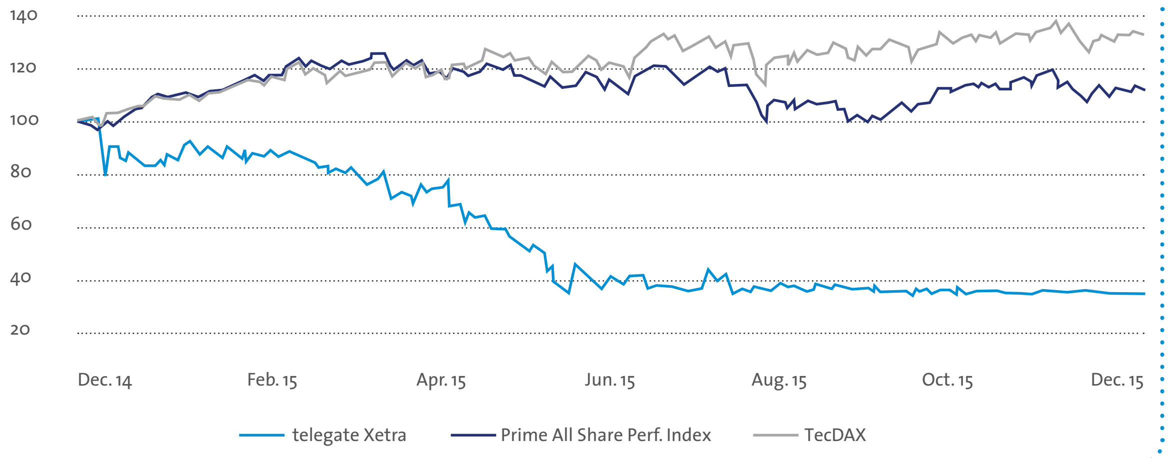
Performance of the telegate share in 2015

The telegate share exhibited a significantly downward trend in the first half of 2015. Primary contributors to weak share performance included the judgement given in the action for damages in the second quarter and the telegate stake held by former majority shareholder Seat Pagine Gialle. The share trajectory has been horizontal from late June, and now appears to have stabilised at its current price.

At the end of December, the telegate share stood at EUR 1.15, 65 percent below the previous year. In comparison, the Prime All Share Performance Index increased by 13 percent in the reporting period, while the TecDAX recorded an even more impressive gain of 33 percent.

In 2015, there were four analysts' calls again, one on the publication of the annual financial statements for 2014, and three more on the publication of the respective quarterly results. In addition, numerous discussions with investors took place around the June annual general meeting and one-to-ones at the Equity Forum on 25 November 2015 in Frankfurt. These activities were supported by regular research notes by Oddo Seydler.

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

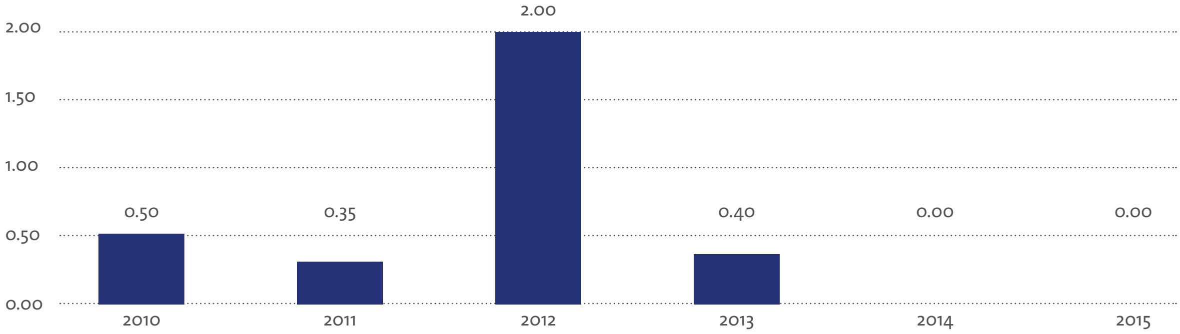


Key figures for the telegate share

		2010	2011	2012	2013	2014	2015
Number of shares		21,234,545	19,111,091	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	19,111,091
Share price at year-end[1]	EUR	7.07	5.31	7.27	6.28	3.31	1.15
Highest share price[1]	EUR	11.39	9.43	7.27	9.88	6.40	3.35
Lowest share price[1]	EUR	6.18	5.31	4.99	5.35	2.75	1.13
Market capitalisa-tion at year-end	EUR million	150.0	101.4	139.0	120.0	63.2	21.98
Earnings per share	EUR	0.21	0.18	2.46	-0.10	-0.33	-0.48
Dividend or proposed dividend per share	EUR	0.50	0.35	2.00	0.40	0.00	0.00
Dividend yield[2]	%	7.1	6.6	27.5	6.4	0.0	0.0

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

Development of the dividend in EUR



Shareholder structure

As of 31 December 2015 there were 19,111,091 telegate AG shares outstanding. The company does not hold any treasury shares. Due to changes in the shareholder structure in late 2014, telegate AG no longer has a majority shareholder.

Dividend

Since telegate AG reports an accumulated deficit for the current financial year, no decision has to be made on a proposal regarding the appropriation of profits and a dividend payment.

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 trans-formation from a directory assistance specialist to a favourite provider for the online presence of small and medium-sized enterprises in Germany.

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

Management Report

Management Report

1. Macroeconomic and sector-specific environment

Macroeconomic environment

In the 2015 financial year, the global economy was able to record moderate growth of about 3.0 percent. Lower prices for commodities and monetary policy decisions were key drivers for this development. That said, the global economy remains vulnerable to disruption by crises, turmoil in the financial markets and other factors. Global production is expected to increase by about 3.5 percent in 2016.

In the euro zone, GDP growth for 2015 was approximately 1.5 percent. Alongside global economic factors, this recovery was fuelled in particular by consumer demand. Beyond this, an increase in real economic activity also led to a moderate easing of the labour market situation. For 2016, the Ifo Institute has forecast GDP growth of about 1.9 percent.

German GDP increased by 1.7 percent in 2015: as in the previous year, this was mainly a result of a high level of employment and rising wages. Last but not least, falling oil prices also had a positive effect. As these favourable conditions continue to persist, GDP growth is therefore predicted to reach approx. 1.9 percent in 2016.

Market development in Germany/Austria

The market for local online marketing in Germany continues its positive development and records substantial growth. 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, these media will continue to increase in importance as advertising channels for telegate. 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. The group's products continue to be very popular, resulting in a high number of search queries across all telegate channels in the past financial year for contact information of 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 AG 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 2015 financial year

Basis of presentation

In its Directory Assistance and Digital operating segments, telegate uses a system to control 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. The key performance indicators for operations in the Digital segment are "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 figures "call volume" and "revenue per call". These key figures are 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 three products: "advertisement entry" (top listing on the telegate platforms), "Google" (search engine marketing / Google AdWords) and "websites".

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 as well as Internet research.

telegate uses the term "non-recurring items" for certain expenses and income. These are items associated with the adjustment of structural costs as well as costs incurred in connection with data cost litigation and the market and product relaunch carried out. Expenses associated with the adjustment of structural costs are mainly due to measures for capacity adjustments (mainly concerning personnel) 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).

The expenses due to non-recurring items consist of the following:

in EUR million	2015	2014
Capacity adjustments	2.1	5.7
Restructuring measures	1.0	0.7
Other	-0.2	0.4
Non-recurring items from the adjustment of structural costs	**2.9**	**6.8**
Non-recurring items from data costs	**1.0**	**0.3**
Brand and product relaunch	**0.7**	**0**
Total non-recurring items, group	**4.6**	**7.1**

Financial key figures

Revenue:
In both the Directory Assistance and Digital segments, one of the main key performance indicators 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 replacement of directory assistance by the Internet. 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 three product groups: "advertisement entry" (top listing on the telegate platforms), "Google" (search engine marketing / Google AdWords) and the creation and maintenance of individualised customer websites.

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 flow 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 also 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 and the acquisition and sale of fund shares.

In the 2014 financial year, the cash flow was also adjusted for the purchase and sale of current cash investments as well as for amounts related to the SEAT Pagine Gialle S.p.A. dividend.

Non-financial key figures

The contract termination rate, the development of the customer base 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 segment. 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, the number of 24-month rather than 12-month contracts and the change in the number of existing customers 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 just as important in planning staffing levels in the call centers.

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 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 achieved positive results in this area.

3. Course of business

In financial year 2015, we essentially managed to achieve our goals. The group continuously worked on procedural improvements in all divisions for quality assurance purposes. Alongside the implementation of the new product portfolio, the financial year was dominated by the preparations for and the implementation of the brand relaunch. In addition, customer segments were analysed with the aim of offering customised product concepts and optimising market coverage. In this connection, key partnerships (for example with Google) were renewed in the first quarter.

With the aim of concentrating the telegate group's digital business within klicktel AG, contracts with existing telegate AG digital business customers are now being transferred to klicktel AG ("telegate Media AG" until 30 June 2015) as part of the "brand relaunch" project and a number of other smaller projects. This transfer process, which will continue until mid-year 2016, has also seen digital and support units being pooled within klicktel as far as possible.

This has also meant that all employees working in Sales (telesales and telemarketing), Production, Accounting, Systems, Customer Care and HR at the Neubrandenburg and Rostock sites (where previously there were only telegate AG operating sites) have been transferred to klicktel AG.

In order to ensure telegate's future success, a comprehensive project plan entitled "Genesis" was developed and is now in the process of being implemented. This project is based largely on three pillars and aims to realign the company, especially in terms of its product portfolio, competitiveness and sales strategy. The objective is to establish a large number of attractive and informative specialised portals ("vertical" portals) that channel users towards the central digital industry portal while significantly boosting our product performance for customers in the respective sectors. This will be achieved by even greater visibility on the Internet and the procurement of orders for customers. Furthermore, the organisational structure of the group is being reviewed in detail to achieve more efficient results in all areas of the company. Comprehensive measures have already been taken in this context. As part of the new sales strategy, there is now a greater focus on telesales. One result of this was the announcement in October of the 2015 financial year of a detailed, formal restructuring plan aimed at the discontinuation and closure of the entire field sales unit effective 31 December 2015. In so doing, the group responded to the persistent downward trend in new business sales volume and the company's challenging economic situation. In terms of management, telegate also eliminated a level of the hierarchy in two divisions to ensure that it is doing business more cost effectively and efficiently going forward.

While EBITDA [1]before non-recurring items was significantly higher than the forecast range of EUR 2.0–3.0 million, a repeat of last year's performance proved to be unattainable.

As expected, consolidated revenues declined by 14 percent compared to the prior-year period. The share of the digital business continued to increase and is now at 61 percent compared with 56 percent the previous year. Signs of sustained profitability in the Digital segment have yet to be seen, however. Due to extensive capital spending in the Digital business segment, it was not possible to repeat positive EBITDA before non-recurring items in the Digital business segment. Compared with the prior-year period, the group's cost of revenues was reduced further in the current financial year, however.

The targets for the non-financial performance indicators were essentially achieved. Key indicators for determining customer satisfaction remained constant or exhibited moderate improvements. Contract cancellations held steady at the improved rate achieved last year. The proportion of new customer contracts with a 24-month term shows an encouraging development. In the current financial year, 62 percent of new customers signed a 24-month agreement. As regards developing existing customer business, a year-on-year decline of around 8 percent was recorded.

Consolidated EBITDA including non-recurring items declined by EUR 2.6 million compared to the prior year. Adjusted for non-recurring items, EBITDA amounts to EUR 4.3 million, corresponding to a decline of EUR 5.1 million compared with the previous year (previous year: EUR 9.4 million). The non-recurring items consist mainly of expenses for structural costs, costs of the brand and product relaunch carried out in financial year 2015 and expenses related to data cost litigation.

Cash and cash equivalents and available for sale financial assets declined by EUR 8.4 million to EUR 18.5 million in the last financial year (previous year: EUR 26.9). This was mainly due to the negative cash flow resulting from the operating business and the continued transformation of business.

For the 2015 financial year, the company forecast a net cash flow of between EUR -6 million and EUR -7 million. This target has been achieved. Adjusted for data cost effects, and the acquisition and sale of fund shares, net cash flow was EUR -6.9 million. In the 2014 financial year, additional adjustments were made for effects relating to the purchase and sale of short-term investments, and the circumstances applicable to the Seat Pagine Gialle S.p.A. dividends. Net cash flow for 2014 was therefore EUR -3.3 million.

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

In 2015, the strategic focus was on making investments in products and brands with the aim of driving sustained revenue and customer growth. A further point of focus consisted of comprehensive measures to drive improvements to quality in all areas. Important changes were also made to the overall sales strategy in order to increase efficiency in this area.

The downward trend in caller volume in the Directory Assistance segment continued as expected, resulting in a revenue decrease of 24 percent year-on-year, from EUR 27.7 million to EUR 21.0 million. Further improvements to customer service and capacity adjustments were therefore able to compensate only partially for the decline in revenue as reflected in earnings.

Effective 24 June 2015, Christian Maar, a specialist in digital transformation, marketing and sales, was appointed to the Management Board of telegate AG and took over as chairman.

Franz Peter Weber, Chief Financial Officer (CFO) of telegate AG, resigned from his post in agreement with the company effective 30 September 2015.

Effective 1 July 2015, telegate Media AG, a wholly owned subsidiary of telegate AG, changed its name to klicktel AG.

4. Financial situation

Results of operations

Business development in 2015 compared with the 2015 outlook (in the 2014 annual report)

The telegate group recorded an EBITDA before non-recurring items of EUR 4.3 million in the financial year just ended and therefore exceeded the expected range of EUR 2.0 to EUR 3.0 million. The forecast was met with a sales volume of EUR 53.5 million. This corresponded to a 14 percent decline in revenues from the previous year. The target announced for the financial year with respect to cash flows adjusted for special circumstances was met (EUR -7.0 million to EUR -6.0 million).

For the Digital segment, the group expected EBITDA before non-recurring items to come in within the range of EUR -1.0 million to EUR 0.0 million. This is an expression of the strategy of investing in products and the brand. As a result, EBITDA of EUR -0.3 million was in the expected range. The revenues of EUR 32.5 million in this segment could not keep pace with the previous year's level of EUR 34.6 million. telegate expected revenues on previous year's level. The slight decrease results from the sustained consolidation as well as the discontinuation of the field service sales channel.

In the Directory Assistance segment, a further decline in the call volume was expected. The decline rate for 2015 was 29 percent, which roughly corresponded to the previous year's figure of 30 percent. However, the projected sales volume of EUR 19.0 to EUR 21.0 million was achieved by increasing revenues per call by about 6 percent in the 11880 segment.

With respect to the non-financial performance indicators in the Digital segment, the focus was on a further slight decrease in the termination rate in the second half of the year. With an actual value averaging 29 percent in 2015, this key ratio was maintained but not optimised. No percentage improvement was achieved with respect to contracts with a term of 24 months. Given a value of 62 percent in 2015 compared to 72 percent in 2014, the planned increase was not achieved. This was due, among other things, to the new sales strategy as well as the new product portfolio.

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 segment. The aim of the strategy in the Digital segment 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 segment to remain the best provider of its kind in Germany.

The continued structural and comprehensive procedural and organisational changes in sales and existing customer management have been pursued further and will serve as the foundation for improving customer loyalty and more efficient operations in the coming years. In particular the multi-stage “Genesis” project to secure future earnings is already showing initial success in the group‘s segments.

Another important component of customers’ successful online presence is their visibility in search engines. telegate has introduced comprehensive measures in 2015 again as part of its ongoing response to these challenges.

At EUR 32.5 million, revenues in the Digital segment declined slightly. The cost-savings achieved at the group level in 2015 with respect to sales, distribution and administrative expenses were significant. However, positive EBITDA before non-recurring items could not be repeated and decreased from EUR 1.8 million in the previous year to EUR -0.3 million in the financial year just ended.

The directory assistance market has been on the decline for years, and 2015 was no different, with yet another significant drop in caller volume (minus 29 percent year-on-year). In the past financial year revenues amounted to EUR 21.0 million, which is down 24 percent compared with the previous year (previous year: EUR 27.7 million). In order to at least partly compensate for the decline in revenue, efforts in the past year were mainly focused on increasing revenue per call. Adjusted for non-recurring items, EBITDA decreased by 40 percent from EUR 7.7 million to EUR 4.6 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 2015 financial year were EUR 53.5 million, compared to EUR 62.3 million in the previous year. This represents a decline of 14 percent (previous year: 14 percent).

Cost of revenues at the reporting date totalled EUR 27.4 million (previous year: EUR 31.3 million). Adjusted for non-recurring items, the consolidated cost of revenues was EUR 26.6 million. This is a decrease of approx. 9 percent compared to the previous year’s figure of EUR 29.2 million. The most important factor here is lower personnel costs as a result of capacity adjustments.

Selling and distribution costs were reduced from EUR 27.3 million to EUR 25.2 million. Adjusted for non-recurring items, selling and distribution costs in the 2015 financial year were EUR 22.9 million, an improvement of approx. 12 percent or EUR 3.0 million (previous year: EUR 25.9 million). The primary reason for this welcome development is to be found mainly in lower sales personnel costs in the Digital segment and lower amortisation of intangible assets.

The general administrative expenses in the amount of EUR 11.9 million (previous year: EUR 13.2 million) primarily include the costs of corporate services such as finance, legal, human resources, IT, as well as the executive management and infrastructure costs of these units. Furthermore, this item includes consulting fees especially for data cost litigation and other company-wide consulting projects. The decrease in general administrative expenses was mainly the result of overhead capacity adjustments.

The consolidated earnings before interest, taxes, depreciation and amortisation (EBITDA) as of the reporting date amounted to EUR -0.3 million (previous year: EUR 2.3 million). They include non-recurring items amounting to EUR 4.6 million (previous year: EUR 7.1 million) from structural cost adjustments of EUR 2.9 million (previous year: EUR 6.8 million), items related to data cost litigation in the amount of EUR 1.0 million (previous year: income of EUR 0.3 million) and expenses for the brand and product relaunch in the amount of EUR 0.7 million (previous year: EUR 0.0 million). EBITDA adjusted for these non-recurring items decreased by EUR 5.1 million, from EUR 9.4 million in the previous year to EUR 4.3 million.

Net financial income was EUR 0.2 million in 2015, compared to EUR 0.4 million in the previous year.

Tax income in 2015 amounted to EUR 1.2 million (previous year: EUR 2.3 million). The major reasons for this in 2015 were the addition of deferred tax assets in the amount of EUR 0.8 million due to the transfer of existing customers and the associated elimination of intra-group results as well as the reversal of deferred tax liabilities in the amount of EUR 0.4 million. In the previous year, tax income was mainly due to the addition of deferred tax assets as a result of recognising loss carryforwards of EUR 1.6 million.

The net loss amounted to EUR -9.3 million – primarily as a result of the high level of non-recurring items. This compares to a net loss of EUR -6.4 million in the previous year. This figure includes items recognised in the wake of the disposal of the discontinued Spanish operation in the amount of EUR -0.2 million (previous year: EUR 0.4 million).

Net assets and financial position

Capital expenditure

Capital expenditure as of the reporting date totalled EUR 5.0 million (previous year: EUR 4.8 million). In the Directory Assistance segment, these capital expenditures comprised purchases for the modernisation of call centre workstations and investments in IT infrastructure. Capital expenditures in the Digital segment were undertaken primarily in product improvements and innovations as well as in the area of internal software development for the modernisation of applications. Other capital expenditures include the brand relaunch carried out in the 2015 financial year. This figure also includes capitalised customer contracts of EUR 1.6 million (previous year: EUR 2.4 million) and capitalised customer websites in the amount of EUR 1.1 million (previous year: EUR 0.8 million).

As in the previous year, the telegate group as of 31 December 2015 had no significant open obligations from capital expenditure which will be incurred in financial year 2016.

Statement of financial position

As of the reporting date, total assets amounted to EUR 49.6 million, down significantly by EUR 12.4 million compared to the 31 December 2014 figure of EUR 62.0 million.

Assets

Current assets decreased from EUR 41.0 million to EUR 32.2 million. This was due primarily to the decrease in cash and cash equivalents by EUR 3.3 million and the decrease in available-for-sale financial assets by EUR 5.1 million as a result of the negative cash flow. As of the 31 December 2015 reporting date, telegate had investments in short term money market funds that were classified as available-for-sale financial assets. The fair value of these investments was EUR 17.5 million (previous year: EUR 22.6 million). Other current assets remained stable at EUR 1.7 million and included prepaid expenses which mainly relates to accrued expenses for maintenance. They also include current customer contracts in the amount of EUR 0.7 million (previous year: EUR 0.6 million) as well as customer websites in the amount of EUR 0.1 million (previous year: EUR 0.1 million). Current customer contracts are capitalised direct selling expenses that are directly associated with the Digital segment. The slight decline in trade accounts receivable is attributable to the downturn experienced in the directory inquiries business and the correspondingly lower sales volume. The company had overdraft facilities of EUR 3.0 million (previous year: EUR 3.0 million) with financial institutions at its disposal as of 31 December 2015.

As of the reporting date, bank balances and short-term deposits were 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 EUR 17.5 million (previous year: EUR 20.9 million). The decline by EUR 3.4 million stemmed from the decrease in property and equipment and intangible assets as a result of depreciation and amortisation.

Equity and liabilities
On the liabilities side, current liabilities decreased significantly from EUR 2.1 million to EUR 9.8 million (previous year: EUR 11.9 million). This was mainly due to the reduction of accrued current liabilities by EUR 2.0 million to EUR 6.0 million (previous year: EUR 8.0 million). Accrued current liabilities mainly include amounts for outstanding invoices and obligations to employees.

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

Equity declined by EUR 9.4 million year-on-year to EUR 38.2 million (previous year: EUR 47.6 million) as a result of the total result of EUR -9.3 million (previous year: EUR -6.5 million). This is mainly due to the loss recorded for the year. As of 31 December 2015, the equity ratio was 77.0 percent (31 December 2014: 76.8 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.

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

The development of liquidity in the past financial year was mainly characterised by declining income from operations.

Cash flow from operations in the past financial year amounted to EUR -3.7 million, compared to EUR -0.1 million in the previous year. Adjusted for cash effects from data cost litigation and the market valuation of securities in the total amount of EUR 1.4 million (previous year: EUR 2.2 million), cash flow from operations was EUR -2.3 million, as against EUR 2.1 million in the previous year.

Cash inflows from investing activities at the 31 December 2015 reporting date amounted to EUR 0.4 million (previous year: EUR 26.3 million). Cash flows from investing activities include the purchase and sale of liquid money market funds and the sale of fund shares. Adjusted for these items, cash flows from investing activities amounted to EUR -4.6 million in 2015. In the 2014 financial year, the net cash flow from investing activities had also been adjusted for the acquisition and sale of short-term cash investments. This resulted in a cash flow from investing activities of EUR -5.4 million. The lower expenditures compared to the previous year were mainly due to lower capital expenditures in customer contracts with a contractual term of more than one year.

Cash flows from financing activities amounted to EUR0.0 million (previous year: EUR -31.9 million) at the reporting date. In the 2014 financial year, adjustments had been made for the circumstances applicable to the SEAT Pagine Gialle S.p.A dividend. After deducting these amounts, cash flows from financing activities in the previous year amounted to EUR 0.0 million.

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 and the acquisition and sale of fund shares and amounted to EUR -6.9 million as of the reporting date.

In the 2014 financial year, the cash flow had also been adjusted for the purchase and sale of short-term cash investments as well as for amounts related to the SEAT Pagine Gialle S.p.A dividend. This led to a net cash flow of EUR -3.3 million in the 2014 financial year.

The portfolio of cash and cash equivalents as well as financial assets available for sale amounted to EUR 18.5 million (previous year: EUR 26.9 million) as at December 31 2015. Cash and cash equivalents were not subject to restrictions. Available-for-sale financial assets can be terminated with two business days' notice and are available to the company with no restrictions.

5. Report on post-balance sheet date events

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

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 did 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 included 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 total amount recognised for internally generated intangible assets in relation to the service ranges described above was EUR 1.0 million in the past financial year (previous year: EUR 0.9 million).

7. Employees

telegate AG'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 2015. The results were promising again: The HEI (Happy Employee Index), a corporate indicator that measures the overall satisfaction of employees remains positive at 2.0 (previous year: 2.0). The results of the survey show that telegate employees continued 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 2015 telegate had 801 employees group-wide (headcount; excluding trainees, "mini-jobs" and dormant employment contracts) – 100 less than a year ago (previous year: 901). This decline in numbers was largely due to further personnel capacity adjustments reflecting the new sales structure. 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 a priority. For telegate, "risk" means both the danger of potential losses and of lost profits. Both can be triggered by both internal and external factors. telegate's risk management system contains the entirety of all organisational regulations and measures for identifying and dealing with risks associated with the company's business activities.

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

telegate's risk management system is used for the early recognition, assessment and control of internal and external risks and opportunities. The aim is to identify material risks for the group in good time in order to initiate the appropriate countermeasures. On the one hand, risks reflect potential internal and external developments that can have a negative impact on the achievement of the telegate group's strategic and operating goals, while on the other hand they represent existing market potential or the potential for increased profitability in value creation that cannot be improved upon.

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 focused particularly on sales processes and enhances further in 2015. These include operational and organisational measures. For example, telegate 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 in the previous year. 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 (ICS), both in respect of the financial reporting processes of the consolidated companies and in respect of the group's financial reporting 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. telegate AG understands the internal control and risk management system to be a comprehensive system and bases it on the definitions provided by the Institut der Wirtschaftsprüfer in Deutschland e. V. (Institute of Public Auditors in Germany, IDA), Düsseldorf, for the internal control system relevant to the financial reporting 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 financial reporting guidelines apply to the group's accounting processes. Accounting data that has been received or passed on is regularly reviewed for completeness and correctness. Dedicated software performs programmed plausibility checks. Information relevant to the financial reporting process 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 the company's business goals and 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 Deutsche Telekom AG concerning abusively over-priced data charges concluded with a ruling in telegate's favour in the 2012 financial year.

In a judgement delivered on 22 April 2015, the Düsseldorf Higher Regional Court dismissed an appeal by telegate AG in the actions for damages against Deutsche Telekom AG for lost earnings of up to EUR 86 million. The right to further appeals was not granted. In due time, telegate AG filed an appeal with the German Federal Court of Justice (BGH) on 21 May 2015 against the refusal of leave to appeal and stated the grounds for its appeal. After hearing the opposing party, the BGH will make a decision on allowing an appeal on questions of law only. No reliable projection can be made at this point of time regarding the duration of this legal dispute.

Market development in the Digital segment
The segment relevant to the group is expected to see continued market growth in the coming years and the current trends are expected to continue. Based on numerous publications, significant 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 a high number of commercial search queries in 2015, 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 the efficiency and/or productivity of sales in the Digital business perform 13 percent better than expected, this would produce an increase in EBITDA of approx. EUR 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.

New product releases and product innovations

telegate develop and upgrade the product portfolio ongoing to match the market and customer needs and to rise up the customer satisfaction.

In the second half of the financial year 2015 telegate starts to develop the new product “verticals”.

In the first quarter of the financial year 2016 the sale will start. The number of new contracts is the decisive point in this case. Because of missing experience, this value is not certain.

Because of the trailing sales and earnings development, there is no high risk for the result of the financial year 2016.

Churn rate development in the Digital segment

Due to structural process and organisational changes, customer base management in the Digital segment 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 the group make greater progress in customer satisfaction – and therefore in customer loyalty – than planned, this would translate into positive effects for its sales trends. If the churn rate trend were to show a 3 percentage-point improvement over the plan value, this would translate to an EBITDA improvement of EUR 0.5 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 segment
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 2015 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 3 percent less than expected, this would result in an increase in EBITDA of EUR 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 impact of this opportunity on earnings has decreased accordingly.

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

Group-wide risks

As previously indicated, the opportunities presented represent corresponding risks in the event of negative developments. Key risks, which can be influenced by countermeasures, 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 the company's goals and 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 collection 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 EUR 1.8 million.

There is a risk that despite the adoption of controls and measures by telegate, 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 the company's 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 EUR 2.0 million.

Market risks
telegate manages its sales activities respectively customer contacts in the Digital segment 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 its corporate processes and organisation. These include mandatory training for all employees, standards for correct internal and external communication (including external sales communications in the digital business), and technical security measures related to the company-wide communication channels.

The probability of occurrence is 15 percent and it would have a negative impact on EBITDA of EUR 4.1 million if the risk occurs.

In the Digital segment, products are also sold in outbound. This sales channel is in line with current legislation. There is a low risk 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.

The negative impact of further regulation on EBITDA would be EUR 2.6 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 telegate estimates 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, the impact on company earnings is estimated to be EUR 10.1 million.

Overall summary of the risk position

The greatest challenges for the group lie 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 compared to the previous year. For example, the net risk volume declined by 15 percent (or EUR -0.4 million) to EUR 2.2 million in 2015. This decline was due to 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 the company as a going concern. telegate is confident that it 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 2016 financial year, as adopted by the Management Board and Supervisory Board in December 2015. The planning is based on the objectives of the Directory Assistance and Digital segments. Planning for the 2016 financial year is based on a corporate structure that doesn’t change.

Corporate strategy

The corporate strategy for the 2016 financial year is characterised primarily by the Genesis project, which has already begun. This multi-stage project focuses on expediting comprehensive measures related to the intended reorientation of the company. This project is based largely on three pillars and aims to realign the company, especially in terms of its product portfolio, competitiveness and sales strategy. The goal is to use the digital business directory as a basis for creating attractive vertical products to bring new customers on board.

Directory Assistance segment
In the Directory Assistance segment, telegate AG expects that the negative trend with respect to call volumes in Germany will also persist in 2016. The group expects call volume in 2016 for directory assistance to decrease by the same amount as in 2015. Caller volume downturn for the 2015 financial year just ended was 29 percent.

To partially offset the effects of this downturn in revenue, the group continued to work on increasing revenue per call in 2015. In 2015, these efforts resulted in an increase of EUR 0.18 per call. The group assumes that it will only be able to achieve smaller increases in the future. New business models are being examined in order to ward off decreases in business volume and ensure long-term success.

telegate expects the Directory Assistance segment to generate revenues of EUR 15.3-16.2 million in 2016. In 2015, segment revenues were EUR 21.0 million.

In terms of the development of earnings, telegate plans posting EBITDA of around EUR 0.8 to 1.2 million for the Directory Assistance segment in 2016. In 2015, EBITDA amounted to EUR 2.9 million.

Digital segment
In the Digital segment, the group posted EBITDA of EUR -3.2 million. In 2016, the strategic focus will be on the implementation of the Genesis project. Comprehensive capital expenditures in new products and the brand as well as an optimised corporate structure, an improved product portfolio and the development of vertical markets will facilitate sustainable growth in revenues and customers.

In the area of new customer business, telegate is working on a noticeable increase in the 2016 financial year. This increase is to be achieved by implementing various measures, including the launch of new products, for example, as well as the improvement of sales processes and comprehensive measures to improve and ensure quality in all areas of the company.

telegate also intends to achieve success in its existing customer business with the help of a catalogue of measures in order to develop the loss of customers, which had already subsided considerably at the end of 2015, into a significant expansion of the customer portfolio in 2016 with a focus on the positive development of two central key ratios: the churn rate and the development of the net customer portfolio. In 2015, the churn rate averaged 29 percent and therefore confirmed the value achieved in the previous year. A further slight reduction is planned for the second half of 2016. A range of measures are intended to achieve this result, including the optimisations in connection with the Genesis project which have already been initiated. These measures will also help existing customers optimise their online presence. The second central goal is to increase the size of the customer portfolio as the basis for upselling and contract renewal revenue. Customer growth should, among other things, be ensured through the sale of low price entry-level products and the sustainable products in verticals. The group expects significant customer growth in particular due to the creation of new verticals. The performance of the products for new and existing customers will be considerably increased as a result of the relaunch of the portal with decisive improvements.

Overall, the group plans to generate revenues of EUR 32.5 to 29.3 million in the Digital segment in 2016. In 2015, segment revenues were EUR 32.5 million.

Turning to the development of earnings in the Digital segment, telegate AG expects EBITDA in 2016 of EUR -0.2 to -1.8 million. By means of comparison, the figure for the financial year just ended was EUR -3.2 million.

telegate group
As a result of different trends prevailing in the two segments, Directory Assistance and Digital, the group is essentially evolving into a digital company. This segment will also be fostered in 2016. However, the company is also working on long-term strategies in the segment for classic directory assistance.

At group level, telegate expects to post revenues of EUR 48.7 to 44.6 million in 2016. In comparison, revenues were generated in the amount of EUR 53.5 million in 2015. With respect to profitability, the group expects EBITDA in 2016 to be in the range of EUR 0.9 to EUR -1.2 million as a result of capital expenditures in the digital business. In comparison, the company generated EBITDA in the amount of EUR -0.2 million in 2015.

In 2016, the company expects a net cash flow of between EUR -6.3 and EUR -8.4 million due to the capital expenditures in the digital business and the further business transformation.

Finance strategy

The telegate group'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 2015 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 2015, 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 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.: 16 percent, directly and indirectly

GoldenTree Asset Management Lux S.à.r.l. / Steven A. Tananbaum: 13 percent, directly and indirectly

GL Europe Luxembourg S.à. r.l.: 14 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 2015.

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 the company's website at:
http://www.telegate.com/investor-relations/corporate-governance/erklaerung-zur-unternehmensfuehrung.html

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 company's website at:
http://www.telegate.com/investor-relations/corporate-governance/corporate-governance-bericht-2013.html

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 2015

Fixed and variable remuneration

In the 2015 financial year, telegate AG deviated from the recommendations cited in art. 4.2.3 of the German Corporate Governance Code in connection with the new appointment of Christian Maar to the Management Board. Only a fixed remuneration element was agreed for the period beginning with the commencement of his activities on the Board on 24 June 2015 until 31 December 2015. This was done because a short-term setting of targets for the current year would not have made sense and, most notably, in order to be able to set targets matching those of the other Management Board member, Michael Geiger, from 1 January 2016. Independent of this, Christian Maar has an LTI goal over 3.5 years. Beginning in January 2016, executive remuneration has also been agreed with Christian Maar that in addition to his LTI comprises fixed and variable remuneration elements that are in part invested in multi-year deferrals (phantom stocks) after has goals have been met.

Deferred amounts are converted into phantom stocks of the company (deferral) as variable remuneration invested for the long term. The relevant share price of the phantom stocks at the time of the conversion is the arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed. Following a vesting period of two years after the conversion into the respective deferrals, the value of the phantom stocks is determined and the deferral is paid out. The share price relevant for determining the value is the arithmetic mean of the closing price in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the respective next financial year but one. Any dividends distributed to shareholders during the vesting period are added to the value of the deferral thus determined. This results in the total value of the deferral to be paid out after the vesting period has expired. However, independent of the share price performance and/or any dividends, the total value of the deferral may not exceed 120 percent of the starting value of the virtual shares calculated based on the arithmetic mean upon conversion into the deferral. If the total value of the deferral after the vesting period has expired is less than 50 percent, the deferral is not paid out and the retained performance bonus thus reduced to zero.

Other components of remuneration, fringe benefits, obligations or benefits from third parties

In the Management Board contracts of Franz Peter Weber, who has meanwhile stepped down, and the sitting Management Board members Christian Maar and Michael Geiger, contrary to Art. 4.2.3 (4) GCGC, reference is made to the variable remuneration of only the financial year just ended and not also to that of the current financial year in addition to a reference value formed from the average fixed remuneration (i.e. average of the fixed monthly salary paid until the ending date) in order to calculate the severance payment cap.

The Supervisory Board is of the opinion that the recommendation contained in Art. 4.2.3 GCGC to also refer to the current financial year when measuring the severance payment cap has little practicality for the reference value related to the variable remuneration, because it is frequently difficult to determine whether an interim or proportionate goal has been met. In contrast, for fixed remuneration, the measurement is based not only on the average of the last financial year, but also on the entire previous contractual term in order to reflect typically lower fixed remuneration payments in previous years.

The exclusion of the current financial year can in individual cases theoretically result in a higher severance payment amount than the remuneration to be realised until the end of the contractual term, because any reduction in the variable remuneration in the current year will not be factored in. Considering the difficulty of determining the amount of variable remuneration for the current financial year during the course of the year and in light of the lower amount of fixed remuneration that flows into the severance payment, the company considers this theoretically possible deviation from Art. 4.2.3 (4) sentence 1 GCGC to be justified.

For the existing Management Board contracts, 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 defined contribution post-employment benefits amounting to EUR 50 thousand in 2015. There were no defined benefit pension obligations in accordance with IFRSs in 2015 (previous year: EUR 32 thousand). These are mainly determined based on the length of service and the remuneration of former members of the Management Board. The pension commitment is tied only to the fixed remuneration component. 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 – if made – 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 EUR

In EUR thousand	2015	2014
Fixed remuneration	569.1	596.7
Bonus	134.1	50.0
of which deferrals (phantom stocks)	12.4	0.0
Remuneration in kind	29.2	32.5
Pension commitment	50.0	51.0
Total	**782.4**	**730.2**

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 2015 the remuneration paid to the members of the Management Board amounted to EUR 782 thousand (previous year: EUR 730 thousand).

Fixed salaries accounted for EUR 569 thousand of this amount (previous year: EUR 597 thousand) and bonuses for EUR 134 thousand (previous year: EUR 50 thousand). Payments in kind totalled EUR 29 thousand (previous year: EUR 33 thousand).

Contract terms

As of the reporting date of 31 December 2015 the existing director's contracts had a remaining term of 9 and 36 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. The remuneration regulation was modified when the amendment of the Articles of Association adopted at the annual general meeting on 24 June 2015 became effective.

Each member of the Supervisory Board received a fixed annual remuneration of EUR 15 thousand (previous year: EUR 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 remuneration for the Chairman of the Supervisory Board increased to triple this amount (previous year: double) and that of the Deputy Chairman to 1.5 times this amount. Members of the Supervisory Board who only served on the Supervisory Board for part of the financial year received 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 was reduced by 50 percent.

In addition to the basic remuneration, members of a Supervisory Board committee were paid an annual lump sum of EUR 1 thousand. The remuneration of committee chairs increased to double this amount (previous year: no additional remuneration). This payment was 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 EUR 128 thousand in the 2015 financial year (previous year: EUR 119 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, 1 March 2016

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, 1 March 2016

Christian Maar	Michael Geiger
Chairman of the Management Board	Member of the Management Board

Consolidated Financial Statements

Consolidated Statement of Financial Position (IFRS)

Assets in EUR thousand	Notes	31 December 2015	31 December 2014
Current assets			
Cash and cash equivalents	19	940	4,262
Trade accounts receivable	20	11,092	11,915
Current tax assets	15	203	145
Available for sale financial assets	21	17,530	22,606
Other financial assets	22	690	413
Other current assets	23	1,734	1,697
Total current assets		**32,189**	**41,038**
Non-current assets			
Goodwill	24	6,789	6,789
Intangible assets	25	8,146	10,439
Property and equipment	26	2,507	3,693
Other financial assets	22	13	15
Total non-current assets		**17,455**	**20,936**
Total assets		**49,644**	**61,974**

Liabilities and equity in EUR thousand	Notes	31 December 2015	31 December 2014
Current liabilities			
Trade accounts payable	28	1,071	1,634
Accrued liabilities	29	6,047	7,973
Provisions	30	266	156
Current tax liabilities	15	0	19
Other current liabilities	31	2,410	2,106
Total current liabilities		**9,794**	**11,888**
Non-current liabilities			
Provisions	30	1,034	653
Provisions for retirement benefits	32	48	88
Deferred tax liabilities	27	564	1,765
Total non-current liabilities		**1,646**	**2,506**
Total liabilities		**11,440**	**14,394**
Equity			
Share capital		19,111	19,111
Additional paid in capital		32,059	32,059
Retained earnings		-12,972	-3,656
Other components of equity		6	66
Equity attributable to owners of the parent		38,204	47,580
Total equity	33	**38,204**	**47,580**
Total liabilities and equity		**49,644**	**61,974**

See accompanying notes to the consolidated financial statements.

Consolidated Income Statement (IFRS)

in EUR thousand	Notes	12-Months Report 1.1. - 31.12.2015	1.1. - 31.12.2014
Continuing operations			
Revenues	5	53,535	62,262
Cost of revenues	6	-27,416	-31,310
Gross profit		**26,119**	**30,952**
Selling and distribution costs	7	-25,170	-27,325
General administrative expenses	8	-11,946	-13,150
Other operating income	12	422	140
Other operating expense	13	-23	-103
Operating income (loss)		**-10,598**	**-9,486**
Interest income		256	430
Interest expense		-47	-82
Gain (loss) from marketable securities		-24	33
Gain (loss) on foreign currency translation		1	0
Financial income (loss)	14	**186**	**381**
Income (loss) before income tax		**-10,412**	**-9,105**
Current income tax		35	146
Deferred income tax		1,187	2,188
Income tax	15	**1,222**	**2,334**
Net income (loss) from continuing operations		**-9,190**	**-6,771**
Discontinued operations			
Net income (loss) from discontinued operations	17	-154	376
Net income (loss)		**-9,344**	**-6,395**
Attributable to:			
Owners of the parent		-9,344	-6,395
Non-controlling interests		0	0
		-9,344	**-6,395**
Earnings per share for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in EUR)	18	-0.49	-0.33
Earnings per share for continuing operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in EUR)	18	-0.48	-0.35
Earnings per share for discontinued operations for net income (loss) for the reporting period attributable to ordinary equity holders of the parent (in EUR)	18	-0.01	0.02

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Comprehensive Income (IFRS)

in EUR thousand	Notes	12-Months Report 1.1. - 31.12.2015	1.1. - 31.12.2014
Net income (loss)		**-9,344**	**-6,395**
Other comprehensive income (loss)			
Items that will not be reclassified to profit or loss			
Actuarial gains (losses) from pensions and similar obligations, net		28	-54
Items that can be reclassified subsequently to profit or loss			
Available for sale financial assets - Changes of the fair value, net		-59	7
Available for sale financial assets - Reclassification to profit or loss, net		0	-41
Foreign currency translation differences		-1	-1
Other comprehensive income (loss) after tax	33	**-32**	**-89**
Total comprehensive income (loss)		**-9,376**	**-6,484**
Thereof from:			
Continuing operations		-9,222	-6,860
Discontinued operations		-154	376
		-9,376	**-6,484**
Attributable to:			
Owners of the parent		-9,376	-6,484
Non-controlling interests		0	0
		-9,376	**-6,484**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Shareholders Equity (IFRS)

in EUR thousand	Equity attributable to owners of the parent						
	Share capital (Note 33)	Additional paid in capital (Note 33)	Retained earnings (Note 33)	Other components of equity (Note 33)	Total	Non-controlling interests	Total equity
Balance at January 1, 2015	**19,111**	**32,059**	**-3,656**	**66**	**47,580**	**0**	**47,580**
Net income (loss)	-	-	**-9,344**	-	**-9,344**	-	**-9,344**
Actuarial gains (losses) from pensions and similar obligations	-	-	28	-	28	-	28
Available for sale financial assets	-	-	-	*-59*	*-59*	-	*-59*
Foreign currency translation	-	-	-	*-1*	*-1*	-	*-1*
Other comprehensive income (loss)	-	-	**28**	**-60**	**-32**	-	**-32**
Total comprehensive income (loss)	**0**	**0**	**-9,316**	**-60**	**-9,376**	**0**	**-9,376**
Dividends	-	-	0	-	0	-	0
Balance at December 31, 2015	**19,111**	**32,059**	**-12,972**	**6**	**38,204**	**0**	**38,204**
Balance at January 1, 2014	**19,111**	**32,059**	**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**	**-6,449**	**-35**	**-6,484**	**0**	**-6,484**
Dividends	-	-	-7,644	-	-7,644	-	-7,644
Balance at December 31, 2014	**19,111**	**32,059**	**-3,656**	**66**	**47,580**	**0**	**47,580**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows (IFRS)

in EUR thousand	Notes	1.1. - 31.12.2015	1.1. - 31.12.2014
Cash flow from operating activities			
Income (loss) before income tax from continuing operations		**-10,412**	**-9,105**
Income (loss) before income tax from discontinued operations		**-154**	**376**
Income (loss) before income tax		**-10,566**	**-8,729**
Adjustments for:			
Amortisation and impairment of intangible assets	25	6,688	7,469
Depreciation and impairment of property and equipment	26	1,774	2,095
Depreciation of current intangible assets	23	1,805	2,208
Gain (loss) on disposal of property and equipment		20	69
Interest income		-256	-430
Interest expense		47	82
Gain (loss) from marketable securities	14	24	-33
Gain (loss) on foreign currency translation		-1	0
Valuation allowance for trade accounts receivable		212	-334
Gain (loss) from the sale of subsidiaries		154	-376
Changes in non-current provisions		384	276
Changes in non-current other and financial assets		2	0
Operating profit (loss) before changes in operating assets and liabilities		**287**	**2,297**
Changes in operating assets and liabilities:			
Trade accounts receivable		611	1,519
Current intangible assets [1]		-1,867	-1,952
Miscellaneous current assets		-251	270
Trade accounts payable		-641	478
Current provisions		10	-82
Accrued expenses and other current liabilities		-1,789	-1,876
Income taxes paid		-44	-745
Cash used in operating activities		**-3,684**	**-91**

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

in EUR thousand	Notes	1.1. - 31.12.2015	1.1. - 31.12.2014
Cash flow from investing activities			
Purchase of intangible assets excl. customer contracts		-2,626	-2,247
Purchase of customer contracts with contract period > 1 year		-1,603	-3,272
Purchase of property and equipment		-571	-201
Proceeds from sale of property and equipment		3	43
Paid subsequent purchase price adjustment	24	0	-16
Disbursement (proceeds) for the sale of subsidiaries	17	-21	-164
Proceeds from investment grants		0	57
Purchase of other current financial assets	34	0	-5,914
Disposal of other current financial assets	34	0	30,122
Purchase of available for sale financial assets	21	-6,986	-4,499
Disposal of available for sale financial assets	21	11,953	12,006
Interest received		231	394
Cash provided by investing activities		**380**	**26,309**
Cash flow from financing activities			
Dividends paid to SEAT Pagine Gialle S.p.A. und Telegate Holding GmbH	34	0	-30,122
Dividends paid to free float	34	0	-1,730
Interest paid		-22	-53
Cash used in financing activities		**-22**	**-31,905**
Effect of exchange rate changes on cash and cash equivalents		**4**	**-1**
Change in cash and cash equivalents		**-3,322**	**-5,688**
Cash and cash equivalents at the beginning of reporting period		**4,262**	**9,950**
Cash and cash equivalents at the end of reporting period		**940**	**4,262**
Cash and cash equivalents as well as short-term available for sale financial assets at the end of reporting period		*18,470*	*26,868*

See accompanying notes to the consolidated financial statements.

Notes to the 2015 Consolidated Financial Statements

General principles

1. Presentation of the consolidated financial statements

The business operations of telegate AG (hereinafter also referred to as the company) and its subsidiaries comprise the provision of telecommunications services of all kinds, the design and marketing of information databases and marketing advertisements, the provision of online marketing services, the provision of DA services (directory assistance services) about the subscribers of public telephone networks as well as other DA services in Germany and abroad.

Telegate AG is a listed stock corporation under German law domiciled in Martinsried near Munich, Germany; it is the parent company of the telegate group (hereinafter also referred to as the group/telegate/telegate group).

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 2015.

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 the telegate group 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".

The consolidated financial statements and the group management report prepared as of 31 December 2015 were submitted with the publisher of the Federal Gazette and published electronically in the Federal Gazette.

The consolidated financial statements of telegate for the 2015 financial were released for publication by the Management Board on 1 March 2016.

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 2015 - using uniform accounting principles in accordance with IFRS.

Below is a statement of the shareholdings of the telegate group as of 31 December 2015 in accordance with section 313 (2) HGB (German Commercial Code):

Name	Domicile	Share in capital
klicktel AG [1]	Essen, Germany	100 %
WerWieWas GmbH [2]	Martinsried, municipality of Planegg, Germany	100 %
11880 telegate GmbH	Vienna, Austria	100 %
telegate LLC [3]	Yerevan, Armenia	100 %

[1] *Effective 01 July 2015, the former telegate Media AG changed its name to klicktel AG.*
[2] *The shares in this company are held indirectly.*
[3] *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 2014.

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.

Consolidated statement of cash flows

The telegate group 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 in the Digital 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 (see explanations under “Contracts with customers”). 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.

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 group 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 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, and this event has an effect on the expected future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence of impairment include aspects 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.

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 in other comprehensive income. 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

Goodwill results from the acquisition of subsidiaries and, in accordance with IFRS 3.32, represents the difference resulting from the sum total of consideration transferred, the amount of all non-controlling interests in the acquiree, and the fair value of the previously held equity interest in the acquiree less the fair value of the acquired net assets.

Goodwill is tested for impairment as specified in IAS 36 at least once every year. For this purpose, goodwill is assigned to a cash generating unit or a group of cash generating units, and the carrying amount of a cash-generating unit or group of cash-generating units is compared to its recoverable amount, i.e. the higher of fair value less costs to sell and value in use. If the carrying amount of the cash-generating unit or group of cash-generating units exceeds its recoverable amount, the difference is recognised as an impairment loss directly in profit or loss.

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 for an internal project, which are defined as research costs in accordance with 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.

From the date of completion, internally generated intangible assets are carried at cost less accumulated amortisation and impairment losses.

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.

The useful life of an intangible asset with an indefinite useful life is reviewed once a year in accordance with IAS 38.109 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.

Contracts with customers

The costs to acquire a contract can be recognised as an intangible asset, if the definition and recognition criteria of IAS 38 are met. The costs for the commission fees incurred upon acquisition of a customer contract can be recognised as an intangible asset, since the company hereby acquires an identifiable benefit in the form of the customer's payments under the contract as well as a legally enforceable right to receive the payments. Furthermore, it can be regarded as probable that this payment also flows to the company. This also applies for internal fees if the costs can be directly attributed to the contract that has been entered into and would not have been incurred if the contract had not been entered into. Accordingly, they would also constitute an intangible asset as defined under IAS 38 and can be capitalised (IAS 19.11b).

On this basis, sales commissions that can be directly attributed to the customer contracts are capitalised as intangible assets as defined under IAS 38 and amortised over the contractual term.

Property 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, items of property and equipment are measured at depreciated cost in accordance with IAS 16.30.

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

Intangible assets with an indefinite useful life and intangible assets that are not yet ready to be used are not amortised, but instead tested annually for impairment. Assets subject to depreciation or amortization are tested for impairment if there is an indication that the carrying amount of the asset can no longer be recovered.

An impairment loss is recognised in the amount by which the carrying amount of the asset exceeds its recoverable amount. 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. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. 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).

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 group shows liabilities under this item which result from supplier invoices not yet received and from obligations towards employees.

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.

Pension obligations

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 Management Board members and their surviving dependants.

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, with the exception of net interest income, are recognised in general administrative expenses. Net interest income is shown under net financial income.

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

The contribution payments incurred are recognised as an expense under cost of revenues, selling and distribution costs and general administrative expenses in the period in which they become due.

Share-based payment

From the 2015 financial year onwards, a portion of the annual performance-based variable remuneration of the Management Board is converted as variable remuneration invested for the long term into phantom stocks of telegate AG (deferrals). The phantom stocks are recognised in accordance with IFRS 2 as cash-settled share-based payment transactions.

Cash-settled share-based payment transactions are to be recorded as non-current provisions in the amount of the expense (IFRS 2.30). The expense is recognised in full in the financial year for which the phantom stocks are granted. The amount of the provision is to be adjusted through profit or loss to the respective fair value of the obligation for the period until the respective phantom stocks are paid out.

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 of resources as defined in IAS 37.86, the individual risks and their potential financial effects are disclosed 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.

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 (before offsetting any losses) differs from the net profit or loss 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 and their 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 IFRS financial statements and tax accounts. 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 group 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. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill.

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 are 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. However, if they relate to items not recognised in profit or loss, they are not shown in profit or loss. Instead, the taxes 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 telegate group 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 calculation diluted earnings per share corresponds to the calculation of basic earnings per share because the group did not issue any ordinary shares that have a potentially dilutive effect.

3. Estimates and discretionary decisions

Determining the carrying amounts of some assets and liabilities requires estimation of the effects of uncertain future events. The preparation of the consolidated financial statements therefore requires management to make discretionary decisions, estimates and assumptions that affect the group's 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 20 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 2015, the carrying amount of the goodwill was EUR 6,789 thousand (2014: EUR 6,789 thousand); see also note 24.

Intangible assets

Upon initial consolidation of klicktel AG (until 30 June 2015: 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 of the customer base in the Media business (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, the group recognised an impairment loss totalling EUR 3,289 thousand on both customer bases 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 2015, the carrying amounts of these acquired customer bases amounted to EUR 878 thousand (2014: EUR 1,704 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 4,534 thousand before the reporting date (2014: EUR 2,444 thousand); see also note 27.

Litigation

The group 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 38.

Pension obligations

The present value of the pension obligations depends on multiple factors that are based on actuarial assumptions. The assumptions applied in the determination of net expenses (or income) for pensions include the discount rate. Every change to these assumptions will have an impact on the carrying amount of the pension obligations.

The group determines the appropriate discount rate at the end of each financial year. The discount rates applied are determined on the basis of yields that are realised on the reporting date for senior, fixed-interest corporate bonds with a corresponding term and currency. Please refer to note 32 for further information on this.

4. 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 for the first time in the 2015 financial year.

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 January 2015. As a result of adoption of the amendments 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 July 2014.

The application of these amendments do 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 or their amendments may be applied early. As of 31 December 2015, the group has not taken advantage of this option.

IAS 19 Employee Benefits - Employee Contributions

The amendment to IAS 19 entitled "Defined Benefit Plans: Employee Contributions" clarifies the accounting of contributions from employees or third parties set out in the formal terms of a pension plan if they are linked to periods of service.

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 February 2015. As a result of adoption of the amendments 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 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 February 2015. As a result of adoption of the amendments 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 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.

Amendments to 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 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 revenue-based methods of depreciation and amortisation, which are not applied within the telegate group. The group's net assets, financial position and results of operations therefore remain unaffected.

Annual Improvements to IFRSs - 2012-2014 Cycle

The IASB published 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.

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.

Amendments to IAS 1 Presentation of Financial Statements: Disclosure Initiative

This amended standard 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.

Application of these amendments will 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.

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

The application of the amendments to IAS 27 will not affect the group's net assets, financial position and results of operations because they only concern the separate financial statements.

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.

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.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires an entity to recognise revenue in the amount in which it expects to receive consideration for the assumed performance obligations, i.e. the transfer of goods and provision of services. Revenue must be recognised when the customer receives control over and can obtain benefits from the agreed goods and services.

On 11 September 2015, the IASB published the standard amendment "Effective Date of IFRS 15", confirming the postponement of the effective date of IFRS 15 by one year to 1 January 2018. Voluntary early application - subject to EU endorsement of the standard - remains possible.

telegate is currently reviewing which effects the application of IFRS 15 has 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 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 group is currently analysing the effects on the consolidated financial statements.

Notes to the Consolidated Income Statement

5. Revenues

Consolidated revenues in the 2015 financial year amounted to EUR 53,535 thousand (2014: EUR 62,262 thousand).

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

Furthermore, telegate renders online marketing services for small and medium-sized enterprises. The extensive complete service packages include the marketing and regional advertising of small and medium-sized enterprises online. telegate raises the profile of companies online with products such as corporate websites, Google AdWords (search engine marketing), landing pages, Google Business View, and Facebook company pages and supports them in the planning and implementation of their digital advertising efforts. In addition, telegate offers advertisements (product advertising) in its own online industry directories klicktel.de and 11880.com as well as the associated mobile apps.

The software solutions 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 in the presentation by operating segment in note 35.

6. Cost of revenues

The cost of services rendered in order to generate revenues of EUR 27,416 thousand (2014: EUR 31,310 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.

7. Selling and distribution costs

The selling and distribution costs of EUR 25,170 thousand (2014: EUR 27,325 thousand) mainly include the costs of telegate's own sales staff in the digital business, the costs of receivables management, including losses on receivables as well as the vehicle fleet costs. In addition, selling and distribution costs include the amortisation of capitalised contracts with customers as well as the amortisation of customer bases of the digital and software business and the klickTel brand, which was recognised in connection with the acquisition of klickTel AG.

The decline in selling and distribution costs is primarily due to reduced amortisation as a result of the fully amortised customer base in the digital business, alongside reduced sales personnel costs in the Digital division resulting from a reduction in sales employee numbers.

8. General administrative expenses

The general administrative expenses in the amount of EUR 11,946 thousand (2014: EUR 13,150 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 decrease in general administrative expenses was mainly due to lower staff costs in the corporate functions as a result of the reduction of headcount.

9. Staff costs

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

in EUR thousand	2015	2014
Wages and salaries	23,958	28,305
Social security costs	4,282	5,243
Pension expenses	88	100
Multi-year variable remuneration	12	0
Total	**28,340**	**33,648**

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.

10. Depreciation and amortisation

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

in EUR thousand	2015	2014
Amortisation of intangible assets	6,688	7,469
Depreciation of plant and equipment	1,774	2,095
Depreciation of non-current assets	**8,462**	**9,564**
Amortisation of current intangible assets	**1,805**	**2,207**
Total depreciation and amortisation	**10,267**	**11,771**

See note 23, 25 and 26 for more information and explanation.

11. Rental and leasing expenses

Rental and leasing expenses of EUR 3,679 thousand (2014: EUR 3,930 thousand) were recognised in the income statement in the 2015 financial year. These expenses mostly stem from the rental and leasing agreements for real estate, the vehicle fleet, and line costs.

For information on future obligations from rental and leasing agreements, see note 37.

12. Other operating income

Other operating income amounts to EUR 422 thousand (2014: EUR 140 thousand) and results mainly from a settlement agreement related to arbitration proceedings due to the implementation of a project to renew the call centre technology. In the previous year, other operating income was primarily the result of data cost litigation; see additional information in note 16.

13. Other operating expenses

The other operating expenses amount to EUR 23 thousand (2014: EUR 103 thousand) and primarily include losses from the disposal of fixed assets.

14. Net financial income

Net interest income

in EUR thousand	2015	2014
Interest income from available-for-sale financial assets	216	331
Interest income from investments for outstanding dividend payments	0	20
Interest income from current deposits and fixed-term deposits	1	10
Interest income from loans and receivables past due	0	1
Other interest and similar income	39	68
Interest and similar income	**256**	**430**
Interest expense associated with related parties	0	-20
Interest expense for bank overdrafts and guarantees	-15	-14
Other interest and similar expenses	-32	-48
Interest and similar expenses	**-47**	**-82**
Net interest income	**209**	**348**

Information on interest expense associated with related parties in note 42.

The net interest income includes the net interest result from interest expense for pension provisions and interest income from plan assets.

Net income from marketable securities

in EUR thousand	2015	2014
Gain on sale of marketable securities	40	33
Loss on sale of marketable securities	-64	0
Net income from marketable securities	**-24**	**33**

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

Net income from foreign currency translation

in EUR thousand	2015	2014
Gains on foreign currency translation	15	11
Loss on foreign currency translation	-14	-11
Net income from foreign currency translation	**1**	**0**

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	2015	2014	2015	2014
Cash and cash equivalents	-14	-4	1	0
Loans and receivables	0	21	-2,329	-2,651
Available-for-sale financial assets	216	331	-24	33
Financial liabilities measured at amortised cost	0	-20	0	0

The net interest income from available-for-sale financial assets results from annual distributions of fund profits, see also note 21.

In the previous year, net interest income from loans and receivables included interest income from investments for outstanding dividend payments up to the time of dividend distribution (see note 34). Interest expense associated with related parties in the previous year was included in net interest income from financial liabilities measured at amortised cost, see also note 42.

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

15. Income taxes

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

in EUR thousand	2015	2014
Current income taxes	35	146
Deferred income taxes	1,187	2,188
Recognised income from income taxes	**1,222**	**2,334**

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 30.47% applicable for the full 2015 financial year (2014: 30.00%):

in EUR thousand	2015	2014
Net loss before taxes	**-10,412**	**-9,105**
Applicable tax rate	**30,47 %**	**30,00 %**
Expected income from income taxes	**3,172**	**2,732**
Increase / reduction by:		
Tax effects on temporary differences / loss carryforwards for which no deferred tax assets were recognised in the current period	-2,236	-352
Tax effects on temporary differences for which no deferred tax assets were recognised in the past	115	8
Valuation allowances on deferred tax assets	0	37
Income tax rate differences	241	80
Tax effect on expenses / income (permanently) non-deductible for tax purposes	-140	-114
Tax effect of other differences	70	-57
Recognised income from income taxes for the financial year	**1,222**	**2,334**

Calculated as the ratio of income tax income shown to net loss for the period before taxes, the effective tax rate is 11.74% (2014: 25.63%).

The change in the effective tax rate is largely the result of the change in the valuation allowance on deferred tax assets.

As of 31 December 2015, the current taxassets total EUR 203 thousand (2014: EUR 145 thousand) and mainly comprise receivables from the tax authorities related to withholding tax on investment and the solidarity surcharge on withholding tax on investment.

Current tax liabilities amount to EUR 0 thousand (2014: EUR 19 thousand).

The telegate group shows deferred tax assets after offsetting in the amount of EUR 0 thousand as of 31 December 2015 (2014: EUR 0 thousand). The recognition of deferred tax liabilities after offsetting decreased from EUR 1,765 thousand (as of 31 December 2014) by EUR 1,201 thousand to EUR 564 thousand; see also note 27.

16. 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 4,618 thousand (2014: EUR 7,149 thousand) and is composed of the following:

in EUR thousand	2015	2014
Capacity adjustments	2,137	5,703
Restructuring measures	1,035	744
Other	-267	361
Non-recurring items from the adjustment of structural costs	**2,905**	**6,808**
Non-recurring items from data costs	**997**	**341**
Non-recurring item from brand and product relaunch	**716**	**0**
Total non-recurring items, group	**4,618**	**7,149**

Adjustment of structural costs

Expenses for capacity adjustment measures in the amount of EUR 2,137 thousand (2014: EUR 5,703 thousand) are included in the income statement under general administrative expenses, cost of revenues and selling and distribution costs.

In October of this financial year, a detailed and formal restructuring plan was announced for the purpose of discontinuing field service and discontinuing the entire sales force operations as of 31 December 2015. In so doing, the group responded to the company's challenging economic situation. As part of a new sales strategy, the group will be focusing more on telesales. Products will be sold over the so-called "solution selling" pipeline. The restructuring expenses incurred up to the reporting date in connection with discontinuing field service amount to EUR 1,035 thousand (2014: EUR 0 thousand) and are reported under selling and distribution costs.

The restructuring plan initiated in the 2014 financial year for the purpose of consolidating two call centres was completed in mid May 2015. No costs were incurred in this context in the current financial (2014: EUR 744 thousand).

The other items resulting from structural adjustments are chiefly attributable to contract termination. The income in the current financial year after deducting expenses amounts to EUR 267 thousand (2014: expenses in the amount of EUR 361 thousand), which is reported under Other operating income; see note 12 regarding this.

Data costs

The group incurred EUR 997 thousand in expenses (2014: EUR 341 thousand in expenses after deducting income) in the current financial year from legal disputes regarding data costs, in particular from the ongoing action for damages filed by telegate AG against Deutsche Telekom AG for lost earnings in the amount of up to EUR 86 million. These expenses are included in the income statement under general administrative expenses.

Brand and product relaunch

Starting in the middle of 2015, the group is offering its entire digital business for corporate and private customers under the "klicktel" brand. The digital business was concentrated in one company as part of the brand relaunch project in order to ensure the sale of all digital products under a uniform name and under standard General Terms and Conditions. For this purpose, all digital and support units were bundled in telegate Media AG, which was subsequently renamed klicktel AG on 1 July 2015.

Parallel to this, the digital business‘ service offering was revised as part of the product relaunch project. The service offering is now based on two pillars that form the structure of the digital business‘ product portfolio: Online presence and online advertising.

Expenses were incurred in the amount of EUR 716 thousand (2014: EUR 0 thousand) in the current financial year in connection with the brand and product relaunch that are included in the income statement in particular under selling and distribution costs as well as general administrative expenses.

17. 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. Accordingly, the companies were deconsolidated from the telegate group on 7 June 2013. The two subsidiaries had formed the group‘s Spain segment. In the 2015 financial year, this resulted in directly attributable subsequent expenses of EUR 154 thousand (2014: EUR 144 thousand), which are 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., at that time 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 had no effect on the consolidated net income or loss of the financial year just ended (2014: subsequent income of EUR 520 thousand).

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	2015	2014
Gain/loss from the disposal of the discontinued Spanish operations	-154	-144
Gain/loss from the disposal of the discontinued Italian operations	0	520
Net income/loss after taxes from discontinued operations	**-154**	**376**

In connection with the sale of the Spanish subsidiaries, payments of EUR 21 thousand were made in the 2015 financial year (2014: EUR 164 thousand).

18. Earnings per share

Financial year ended on 31 December, in EUR	2015	2014
Earnings per share from continuing operations based on the net income attributable to ordinary shareholders of the parent	-0.48	-0.35
Earnings per share from discontinued operations based on the net income attributable to ordinary shareholders of the parent	-0.01	0.02
Earnings per share based on the net income attributable to ordinary shareholders of the parent	-0.49	-0.33

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	2015	2014
Income from continuing operations attributable to ordinary shareholders of the parent	-9,190	-6,771
Income from discontinued operations attributable to ordinary shareholders of the parent	-154	376
Net income attributable to ordinary shareholders of the parent applicable for calculating earnings per share	-9,344	-6,395

Financial year ended on 31 December, in thousands	2015	2014
Weighted average number of ordinary shares for calculating earnings per share	19,111	19,111

Notes to the consolidated statement of financial position

19. 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	2015	2014
Short-term deposits	4	2,583
Bank balances and cash	936	1,679
Total	**940**	**4,262**

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.

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 concerned 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 940 thousand (2014: EUR 4,262 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 the lower inflow from operating activities.

The telegate group has overdraft facilities of EUR 3,000 thousand (2014: EUR 3,000 thousand) with financial institutions at its disposal as of 31 December 2015; these facilities are used only to a small extent.

20. 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	2015	2014
Trade accounts receivable, gross	14,609	15,220
less impairment losses	-3,517	-3,305
Trade accounts receivable, net	**11,092**	**11,915**

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 December 2015	**14,609**	**6,687**	**1,341**	**536**	**2,528**
As of 31 December 2014	**15,220**	**6,937**	**1,914**	**611**	**2,453**

The following trade accounts receivable were impaired with an amount of EUR 3,517 thousand (2014: EUR 3,305 thousand) as of 31 December 2015. Changes in the allowance account are presented as follows:

in EUR thousand	Specific valuation allowance	Portfolio-based valuation allowance	Total
As of 1 January 2014	**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**
Additions	71	2,464	2,535
Utilisation	-51	-1,531	-1,582
Reversal	0	-741	-741
As of 31 December 2015	**272**	**3,245**	**3,517**

For additional information on counterparty credit risks, see note 41.

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

The decline in trade accounts receivable is primarily attributable to lower revenues as a result of the downturn experienced in the directory assistance business.

21. 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 17,530 (2014: EUR 22,606 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 2014	**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**
Addition	6,986
Disposal	-11,977
Losses recognised in equity	-85
As of 31 December 2015	**17,530**

22. Other financial assets

Other financial assets consist of the following items:

Financial year ended on 31 December, in EUR thousand	2015	2014
Other financial assets, current	690	413
Other financial assets, non-current	13	15

As of 31 December 2015, current other financial assets mainly include receivables claims from a settlement agreement related to arbitration proceedings due to the project implementation to renew the call centre technology in the amount of EUR 500 thousand (2014: EUR 0 thousand). In the previous year, current other financial assets included primarily receivables from non-recourse factoring.

Current and non-current other financial assets were neither impaired nor past due in the financial year under review.

23. Other assets

Other current financial assets consist of the following items:

Financial year ended on 31 December, in EUR thousand	2015	2014
Prepayments made	852	910
Current intangible assets	799	737
Other current assets	83	50
Other current assets	**1,734**	**1,697**

Prepayments made relate primarily to deferred maintenance expenses.

Current intangible assets include current customer contracts in the amount of EUR 687 thousand (2014: EUR 629 thousand) as well as customer websites in the amount of EUR 112 thousand (2014: EUR 108 thousand).

Current customer contracts are capitalised direct selling expenses that are directly associated with the Digital division. They are amortised on a straight-line basis over the one-year term of the customer contract. Additions amounted to EUR 1,613 thousand (2014: EUR 1,660 thousand) and the amortisation amounts included in the selling and distribution costs to EUR 1,555 thousand (2014: EUR 1,784 thousand).

Current customer websites are recognised in the amount of the website's directly attributable production costs with a contractual term of up to one year and amortised correspondingly over the course of one year on a straight-line basis. Additions amounted to EUR 254 thousand (2014: EUR 292 thousand) and the amortisation amounts included in the cost of cost of revenues to EUR 250 thousand (2014: EUR 423 thousand).

24. Goodwill

Cost

in EUR thousand	Goodwill
As of 1 January 2014	**6,775**
Additions	16
As of 31 December 2014	**6,791**
Additions	0
As of 31 December 2015	**6,791**

Accumulated impairment

in EUR thousand	Goodwill
As of 31 December 2014	**2**
As of 31 December 2015	**2**

in EUR thousand	Goodwill
Carrying amounts as of 31 December 2014	**6,789**
Carrying amounts as of 31 December 2015	**6,789**

As a result of the earn-out clauses related to the acquisition of klicktel AG in 2008, the purchase price increased subsequently in the 2014 financial year, which led to an increase in goodwill (in accordance with IFRS 3.33 o.v.) of EUR 16 thousand.

Impairment test of goodwill

The carrying amounts of goodwill in the amount of EUR 6,789 thousand (2014: EUR 6,789 thousand) include EUR 416 thousand (2014: EUR 416 thousand) attributable to the directory assistance business of klicktel AG (until 30 June 2015: telegate Media AG). The majority of the goodwill is attributable to klicktel 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 klicktel AG found no indication of impairment.

The recoverable amount of EUR 92.56 million of the cash-generating unit Digital Business is determined based on the calculation of value in use using management's cash flow forecasts for a period of three years. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2015: 7.89%; 2014: 7.93%). 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 1.0% (2014: 1.4%) for the purpose of determining the value in use for the impairment test of goodwill of the digital business.

The recoverable amount of EUR 1.48 million of the cash-generating unit Directory Assistance Business is determined based on the calculation of value in use using management's cash flow forecasts for a period of six years. The longer time period was chosen to better reflect the decline in the directory assistance business within klicktel AG. The discount rate before tax used for the cash flow forecasts was based on average weighted capital costs (2015: 11.52%; 2014: 14.58%). Cash flows after the period of six 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 klicktel AG.

Basic assumptions

The basic assumptions used by management in preparing its cash flow forecasts 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 klicktel 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 -0.7 million in 2016 to EUR 11.2 million in 2018. The EBITDA of the cash-generating unit Directory Assistance Business will decrease from EUR 0.54 million in 2016 to EUR 0.03 million in 2021 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 2018 to EUR 4.5 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 2021 to EUR 0.04 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, separately for the digital and the directory assistance business. 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 13.92 million and of the cash generating unit Directory Assistance Business by EUR 0.04 million.
- Changes of customer demand, especially in the digital business, and of the market volume, particularly 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 year compared with the revenue planning adopted by the company's management reduces the fair value of the cash generating unit Digital Business by EUR 7.33 million and of the cash generating unit Directory Assistance Business by EUR 0.16 million.

As regards the determination of the value in use of the cash generating units listed above, the management is of the opinion that no change reasonably believed possible in connection with any one of the basic assumptions listed above could cause the carrying amounts of the cash-generating units to significantly fall below their recoverable amount.

25. Intangible assets

Cost

in EUR thousand	As of 1 January 2015	Additions	Disposals	Reclassifications	As of 31 December 2015
Software	**21,683**	145	-1,303	189	**20,714**
Licenses	**15,214**	589	-7	0	**15,796**
Internally generated database	**2,073**	0	0	0	**2,073**
Acquired customer bases	**30,301**	0	0	0	**30,301**
Acquired klickTel brand	**997**	0	0	0	**997**
Internally generated intangible assets	**3,128**	539	0	148	**3,815**
Customer contracts	**4,590**	1,602	0	0	**6,192**
Customer websites	**2,466**	1,086	0	0	**3,552**
Other intangible assets	**6**	0	0	0	**6**
Intangible assets being developed/with prepayments	**337**	434	0	-337	**434**
Total	**80,795**	**4,395**	**-1,310**	**0**	**83,880**

in EUR thousand	As of 1 January 2014	Additions	Disposals	Reclassifications	As of 31 December 2014
Software	**21,876**	351	-590	46	**21,683**
Licenses	**15,193**	21	0	0	**15,214**
Internally generated database	**2,073**	0	0	0	**2,073**
Acquired customer bases	**30,301**	0	0	0	**30,301**
Acquired klickTel brand	**997**	0	0	0	**997**
Internally generated intangible assets	**1,505**	753	0	870	**3,128**
Customer contracts	**2,162**	2,428	0	0	**4,590**
Customer websites	**1,622**	844	0	0	**2,466**
Other intangible assets	**6**	0	0	0	**6**
Intangible assets being developed/with prepayments	**1,010**	243	0	-916	**337**
Total	**76,745**	**4,640**	**-590**	**0**	**80,795**

Accumulated amortisation and impairment

in EUR thousand	As of 1 January 2015	Amortisation	Impairment losses	Disposals	As of 31 December 2015
Software	**18,778**	1,442	0	-1,303	**18,917**
Licenses	**15,074**	100	0	-7	**15,167**
Internally generated database	**2,073**	0	0	0	**2,073**
Acquired customer bases	**28,597**	826	0	0	**29,423**
Acquired klickTel brand	**673**	100	0	0	**773**
Internally generated intangible assets	**1,139**	1,046	36	0	**2,221**
Customer contracts	**2,386**	2,202	0	0	**4,588**
Customer websites	**1,636**	936	0	0	**2,572**
Total	**70,356**	**6,652**	**36**	**-1,310**	**75,734**

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

in EUR thousand	Carrying amount as of 31 December 2015	Carrying amount as of 31 December 2014
Software	1,797	2,905
Licenses	629	140
Internally generated database	0	0
Acquired customer bases	878	1,704
Acquired klickTel brand	224	324
Internally generated intangible assets	1,594	1,989
Customer contracts	1,604	2,204
Customer websites	980	830
Other intangible assets	6	6
Intangible assets being developed/with prepayments	434	337
Total	**8,146**	**10,439**

The useful life of intangible assets was determined in as follows in the 2015 financial year: There were no adjustments of the useful life compared with the previous year.

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
Customer contracts	2 years
Customer 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.

Internally generated intangible assets are capitalised development costs of completed internal projects for creating or enhancing software for the modernisation of applications in the Directory Assistance and Digital divisions.

Customer contracts are capitalised in the amount of directly attributable sales commissions and amortised on a straight-line basis over the term of the customer contract.

In the case of customer websites, the directly attributable production costs of customer websites are capitalised and amortised over the contract period using the straight-line method.

The disposals in the 2015 financial year mainly result from the retirement of software due to the modernisation of technology used in the traditional directory assistance business.

As of 31 December 2015, the group had open obligations from orders for intangible assets in the amount of EUR 184 thousand (2014: EUR 0 thousand), which are expected to apply to financial year 2016.

26. Property and equipment

Cost

in EUR thousand	As of 1 January 2015	Additions	Disposals	Currency translation	Reclassifi-cations	As of 31 December 2015
Technical equipment	**27,434**	231	-7,561	0	0	**20,104**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**5,487**	359	-90	2	0	**5,758**
Equipment being purchased/with prepayments	**0**	21	0	0	0	**21**
Total	**32,921**	**611**	**-7,651**	**2**	**0**	**25,883**

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

Accumulated depreciation and impairment

in EUR thousand	As of 1 January 2015	Depreciation	Impairment losses	Disposals	Currency translation	As of 31 December 2015
Technical equipment	**24,415**	1,537	0	-7,559	0	**18,393**
Other equipment, fixtures, furniture and office equipment, and low-value assets	**4,813**	237	0	-69	2	**4,983**
Total	**29,228**	**1,774**	**0**	**-7,628**	**2**	**23,376**

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

in EUR thousand	Carrying amount as of 31 December 2015	Carrying amount as of 31 December 2014
Technical equipment	1,711	3,019
Other equipment, fixtures, furniture and office equipment	775	674
Equipment being purchased/with prepayments	21	0
Total	**2,507**	**3,693**

The useful life of property and equipment was determined in as follows in the 2015 financial year: There were no adjustments of the useful life compared with the previous year.

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.

The disposals in the 2015 financial year mainly result from the scrapping of technical and other equipment due to the modernisation of technology used in the traditional directory assistance business.

As of 31 December 2015, the telegate group had open obligations from orders for property and equipment in the amount of EUR 3 thousand (2014: EUR 3 thousand) which are expected to apply to financial year 2016.

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

27. 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 14.96% 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 427.36%. 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	2015	2014
Gross value of deferred tax assets:		
Tax loss carryforwards	4,534	2,444
Intangible assets	723	0
Other assets	45	30
Provisions	350	361
Other liabilities	132	11
Less impairment loss	-2,473	-352
Deferred tax assets before netting	**3,311**	**2,494**
of which in other comprehensive income	33	45
Netting	-3,311	-2,494
Deferred tax assets after netting	**0**	**0**
Less deferred tax liabilities:		
property and equipment	-58	0
Financial assets	-3	-29
Intangible assets	-2,048	-1,581
Other assets	-1,765	-2,649
Provisions	-1	0
Deferred tax liabilities before netting	**-3,875**	**-4,259**
of which in other comprehensive income	-15	-41
Netting	3,311	2,494
Deferred tax liabilities after netting	**-564**	**-1,765**
Net value of deferred taxes	**-564**	**-1.765**

As of 31 December 2015, the group companies' accumulated corporate income tax loss carryforwards amounted to EUR 14,493 thousand (2014: EUR 7,906 thousand). As of 31 December 2015, the group companies' accumulated trade tax loss carryforwards amounted to EUR 13,990 thousand (2014: EUR 7,929). 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 used in previous years and of trade tax add-backs.

Tax loss carryforwards that were not applied as a result of insufficient usability amount to EUR 7,651 thousand (2014: EUR 1,172 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	2015	2014
Deferred tax assets		
Current	258	11
Non-current	3,053	2,483
Deferred tax liabilities		
Current	-226	-360
Non-current	-3,649	-3,899
Net value of deferred taxes	**-564**	**-1,765**

28. Trade accounts payable

The trade accounts payable shown as of the reporting date amounted to EUR 1,071 thousand (2014: EUR 1,634 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.

29. Accrued current liabilities

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

Financial year ended on 31 December, in EUR thousand	2015	2014
Invoices outstanding	3,168	3,792
Obligations to employees	2,879	4,181
Total	**6,047**	**7,973**

Obligations to employees include in particular wage and salary payments that are not due until the 2016 financial year.

As at 31 December 2015, the liabilities associated with ongoing restructuring measures reported under accrued liabilities totalled EUR 104 thousand (2014: EUR 491 thousand). These were mainly liabilities to employees. See also note 16.

The reduction in accrued current liabilities in financial year 2015 is mainly attributable to lower obligations to employees as a result of the reduction in the workforce.

30. Provisions

As of the 31 December 2015 reporting date, the group 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.

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

Financial year ended on 31 December, in EUR thousand	2015	2014
Contingent losses	700	525
Contract risks	444	150
Other	156	134
Total	**1,300**	**809**
of which current	266	156
of which non-current	1,034	653

The changes in provisions for the 2015 financial year are as follows:

in EUR thousand	Contract risks	Contingent losses	**Total**	Contract risks	Contingent losses	Other	**Total**
	Current	Current	**Current**	Non-current	Non-current	Non-current	**Non-current**
As of 1 January 2015	**150**	**6**	**156**	**0**	**519**	**134**	**653**
Reversal	0	0	**0**	0	-32	0	**-33**
Use	0	-6	**-6**	0	-192	0	**-194**
Addition	100	16	**116**	194	390	24	**606**
Time value of money	0	0	**0**	0	-1	-2	**2**
As of 31 December 2015	**250**	**16**	**266**	**194**	**684**	**156**	**1,034**

The significant risks include the facts and circumstances presented below.

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

Non-current provisions for contract risks represent an obligation to dismantle installed fixtures at the end of a lease.

As of 31 December 2015, provisions for restructuring totalled EUR 384 thousand (2014: EUR 6 thousand), EUR 368 thousand (2014: EUR 0 thousand) of which is shown under non-current provisions for anticipated losses. Restructuring provisions were recognised in the current financial year in connection with the discontinuance of the field service for obligations arising under vehicle leases (previous year: call centre consolidation). See also note 16.

Furthermore, 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 and obligations from long-term variable Management Board remuneration; see also note 36.

The company expects most of the cash outflows from non-current provisions to occur in the years from 2017 to 2018.

31. Other current liabilities

Other current liabilities are comprised as follows:

Financial year ended on 31 December, in EUR thousand	2015	2014
Prepayments received	1,520	1,442
VAT liabilities	121	210
Other liabilities	769	454
Total	**2,410**	**2,106**

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

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

32. Pension obligations

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

Defined benefit plans

The defined benefit plans concern individual commitments to pay retirement benefits (post-employment, disability and surviving dependant benefits) made 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 %	2015	2014
Actuarial interest rate	2.68	2.45
Pension development	1.00	1.00

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 group recognised the following expenses and income in the net income/loss and comprehensive income for the financial year:

in EUR thousand	2015	2014
Current service cost	-	-32
Interest expense	-28	-35
Interest income	26	35
Expenses for defined benefit post-employment benefits recognised in net income	**-2**	**-32**
Revaluations of defined benefit post-employment benefits recognised in other comprehensive income	**41**	**-78**

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	2015	2014
Present value of the defined benefit obligations as of 1 January	**1,145**	**925**
Current service cost	-	32
Interest expense	28	35
Actuarial gains (-) or losses (+) from changes in financial assumptions	-63	311
Actuarial gains (-) or losses (+) from experience adjustments	23	-158
Present value of the defined benefit obligations as of 31 December	**1,133**	**1,145**

The share of the present value of the defined benefit obligations attributable to beneficiaries no longer with the company totals EUR 1,133 thousand (2014: EUR 1,145 thousand).

Actuarial losses of EUR 311 thousand incurred in the 2014 financial year 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	2015	2014
Fair value of plan assets as of 1 January	**1,057**	**1,000**
Interest income	26	38
Actuarial gains (+) or losses (-) from experience adjustments excluding the amounts shown in interest income	1	-22
Contributions by the employer	-	41
Fair value of plan assets as of 31 December	**1,085**	**1,057**

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	2015	2014
Effects of the asset ceiling as of 1 January	**-**	**93**
Net interest income	-	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
Effects of the asset ceiling as of 31 December	**-**	**0**

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	2015	2014
Present value of the defined benefit obligation (DBO)	1,133	1,145
Fair value of plan assets	-1,085	-1,057
Liability recognised in the statement of financial position	**48**	**88**

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 telegate group did not change its 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 2015		Effect on the obligation	
Assumptions	**Change in the assumption**	**Increase in the assumption**	**Decrease in the assumption**
Actuarial interest rate	0,50 %	Decrease by 10,98 %	Increase by 12,72 %

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 %

The projected unit credit method was used to calculate sensitivities. Changes were made where the group considered these possible or they enabled an assessment of the effects on the present value of the defined benefit obligations. The sensitivity analysis did not include worst- or best-case scenarios.

The timeframe for possible changes to the premises in the sensitivity analysis includes the period up to 31 December 2016 (previous year: up to 31 December 2015).

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

The group expects no contributions to defined benefit pension plans in financial year 2016.

The weighted average term of the defined benefit plans is 24 years.

Defined contribution plans

The group 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 88 thousand (2014: EUR 68 thousand), EUR 50 thousand (2014: EUR 19 thousand) of which is attributable to contributions for Management Board members.

33. Equity

Subscribed capital

The share capital of telegate AG is divided into 19,111,091 (2014: 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 2015, the number of shares outstanding amounts to 19,111,091 (2014: 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

By resolution of the Supervisory Board on the amendment of the Articles of Association adopted on 12 March 2014, the contingent capital and authorised capital of telegate AG were eliminated.

Additional paid in capital

The additional paid in capital as of 31 December 2015 amounted to EUR 32,059 thousand - the same as in the previous year.

Accumulated deficit

Changes in the group's accumulated deficit are presented as follows:

in EUR thousand	
Retained earnings as of 1 January 2014	**10,437**
Net income (loss) for the 2014 financial year	-6,395
Actuarial losses from pensions and similar obligations in the amount of EUR 78 thousand less deferred taxes totalling EUR 24 thousand	-54
Dividends	-7,644
Accumulated deficit as of 31 December 2014	**-3,656**
Net income (loss) for the 2015 financial year	-9,344
Actuarial gains from pensions and similar obligations in the amount of EUR 41 thousand less deferred taxes totalling EUR 13 thousand	28
Accumulated deficit as of 31 December 2015	**-12,972**

Other components of equity

As of the reporting date, the other components of equity totalled EUR 6 thousand (2014: EUR 66 thousand).

The decrease in this item in the amount of EUR 60 thousand (2014: EUR 35 thousand) 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 in the amount of EUR 59 thousand (2014: EUR 34 thousand) and the losses from foreign currency translation amounting to EUR 1 thousand (2014: EUR 1 thousand).

The net losses reported in the 2015 financial year from available-for-sale financial assets in the amount of EUR 59 thousand result from unrealised losses recorded in the financial year due to the change in fair value in the amount of EUR 85 thousand less deferred taxes in the amount of EUR 26 thousand.

The net losses recognised in financial year 2014 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 loss from foreign currency translation stemmed exclusively from a subsidiary doing business in a foreign currency.

34. Dividends resolved and paid

As a result of the accumulated deficit on the part of telegate AG reported in the single-entity German GAAP (HGB) financial statements for the 2014 financial year, no dividends were resolved in the 2015 financial year for the preceding 2014 financial year.

The annual general meeting held on 25 June 2014 resolved to distribute a dividend of EUR 0.40 per no-par value share for the 2013 financial year.

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 (deferral agreement) was made with the previous principal shareholder of telegate AG 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. 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 of EUR 24,208 thousand for financial year 2012 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.).

Other notes and disclosures

35. Operating segments

For the purpose of management control, the telegate group divides its activities into two operating segments, Directory Assistance and Digital.

Directory Assistance generates revenue mainly with end customers or retail customers. 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. The Digital segment provides online marketing services (Internet marketing and regional advertisement) for small- and medium-sized enterprises mainly in Germany.

under the heading risk. The prevailing measurement standards of the Management Board correspond to those in the consolidated financial statements of the group and are presented in this report on the same basis.

The two segments‘ main key performance indicators for operations are revenues and EBITDA (earnings before interest, taxes, depreciation and amortisation). 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 16 “Non-recurring items in the income statement”.

Any intersegment sales are recognised at amounts comparable with sales to third party customers and have been 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 segment level. Furthermore, cash flow is not calculated by segment.

Financial year ended on 31 December 2015 in EUR thousand	Directory Assistance	Digital	Group
Revenues			
Revenues from transactions with external customers	21,014	32,521	53,535
Total revenues	**21,014**	**32,521**	**53,535**
Earnings			
EBITDA	2,898	-3,229	-331
Net financial income			186
Earnings before income taxes			-10,412
EBITDA before non-recurring items	4,572	-285	4,287
Assets and liabilities			
Segment assets			49,644
Segment liabilities			11,440
Other segment information			
Capital expenditure for non-current fixed assets	729	4,277	5,006
Depreciation of plant and equipment	1,428	346	1,774
Amortisation of intangible assets	1,159	5,529	6,688
Amortisation of current intangible assets	0	1,805	1,805

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**

36. Share-based payment

Beginning with the 2015 financial year, the members of the Management Board are entitled to receive variable remuneration, the value of which depends on the achievement of goals based on personally agreed targets. The amount of variable remuneration is determined individually. The variable remuneration comprises performance-based and qualitative components. A portion of the annual performance-based variable remuneration is converted as variable remuneration invested for the long term into phantom stocks of telegate AG (deferrals) that are paid out after a vesting period of two years.

The phantom stocks are converted in connection with the determination of the achievement of goals immediately after the annual financial statements are adopted for the respective financial year for which the targets were agreed. The relevant share price of the phantom stocks at the time of the conversion is the arithmetic mean of the closing price of shares of telegate AG in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed. Thus, the number of phantom stocks granted for a financial year is not determined until the following year. This means that if phantom stocks are granted as part of the agreement of goals for 2015, the number of phantom stocks will not be determined until the 2016 financial year.

The payout value of the phantom stocks will be determined after the expiration of a vesting period of two years following the conversion into phantom stocks. The amount paid out is determined based on the arithmetic mean of the closing price of shares of telegate AG in Xetra trading on the Frankfurt Stock Exchange on stock exchange trading days in the three months preceding the adoption of the annual financial statements for the financial year for which the targets were agreed. Any dividends distributed to shareholders during the vesting period are added to the value thus determined. The amount to be paid out accordingly is limited on the one hand to 120% of the starting value upon conversion and reduced to zero on the other hand if the phantom stocks only show 50% of the original value.

In the 2015 financial year, a personnel expense in the amount of EUR 12 thousand (2014: EUR 0 thousand) was recognised for the long-term variable Management Board remuneration element (deferrals). As of 31 December 2015, the commitment amounts to EUR 12 thousand (2014: EUR 0 thousand) and is shown under other non-current provisions.

37. 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 2015			As of 31 December 2014		
	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	3,163	1,559	753	3,206	2,351	1,143
between 1 and 5 years	2,484	1,724	0	2,374	2,448	0
Total	**5,647**	**3,283**	**753**	**5,580**	**4,799**	**1,143**

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:

Financial year ended on 31 December, in EUR thousand	2015	2014
Maturity	Claims under rental agreements	Claims under rental agreements
up to 1 year	156	196
between 1 and 5 years	243	252
Total	**399**	**448**

38. Contingent liabilities and assets

As of the reporting date, the group identified the following contingent liabilities and assets.

Litigation

As of the reporting date, the group companies are 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 group‘s legal adviser. Therefore, contingent liabilities have not been recognised.

In a judgement delivered on 22 April 2015, the Düsseldorf Higher Regional Court dismissed an appeal by telegate AG in the actions for damages against Deutsche Telekom AG for lost earnings of up to EUR 86 million. The right to further appeals was not granted. In due time, telegate AG filed an appeal with the German Federal Court of Justice (BGH) on 21 May 2015 against the refusal of leave to appeal and stated the grounds for its appeal. After hearing the opposing party, the BGH will make a decision on allowing an appeal on questions of law only. No reliable projection can be made at this point of time regarding the duration of this legal dispute.

Tax risks

Provisions are recognized for potential risks on the basis of the best estimate of the liability. 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 (klicktel AG) and 2009 (telegate AG, Datagate GmbH, WerWieWas GmbH). Datagate GmbH has been merged into klicktel AG in the meantime. Based on past experience, tax risks cannot be ruled out for periods that have not yet been audited. A tax audit is currently being conducted at telegate AG, (audit period: 2010 to 2013), klicktel AG (audit period: 2011 to 2013) and Datagate GmbH (audit period: 2010 to 2011). The initial findings, which however have been assessed as unsubstantiated, have been presented to us.

Guarantees

As of 31 December 2015, telegate AG reported guarantees in the amount of EUR 158 thousand (2014: EUR 158 thousand).

39. Number of employees

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

2015 financial year	As of 31 December 2015		Annual average	
	absolute	in full-time equivalents	absolute	in full-time equivalents
telegate group				
Total	801	698	848	737
of which operators and sales	561	465	609	491

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

40. Auditors' fees

In its income statement for the financial year, the telegate group recognised expenses for financial statement audits (PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich) in the amount of EUR 135 thousand (2014: EUR 205 thousand).

41. 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 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 2014 and 2015 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 risk also exists in connection with cash and cash equivalents and 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 telegate group'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. telegate 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 *financial assets available for sale* 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.

The default of the debt collection service could bring about a temporary loss of data that results in a loss of the pending receivable. telegate would be forced to select a new service provider and integrate it into the dunning 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 1.8 million (2014: 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 telegate group transacts business with a large number of customers. telegate AG lets a large portion of its revenues with customers in Germany be invoiced centrally by Deutsche Telekom AG ("DTAG") (financial year 2015: 30%; financial year 2014: 31%).

Receivables from DTAG from this invoicing contract as of 31 December 2015 account for 19% (2014: 20%) 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.

In both the financial year under review and the previous financial year, the only financial liabilities reported by the group are trade accounts payable. These amounted to EUR 1,071 thousand as of 31 December 2015 (2014: EUR 1,634 thousand) and are due in full within a period of up to three months. Fore more information on trade accounts payable, see note 28.

Currency risk

The main business transactions of the telegate group 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 group's risk from changes in interest rates resulted in previous financial years from the investment of the money and capital market products (overnight money and fixed term deposits) at fixed interest rates, since a change in the general interest rate level can lead to a change in interest income.

The risk of changing interest rates for the group was immaterial, because the investments made in money and capital market products were insignificant over the course of the 2015 financial year.

Price risk

The group is exposed to price risk due to investments in short-term money market and bond funds, which are 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 0.29%, the effect on other comprehensive income/loss (equity) would amount to EUR 51 thousand (2014: EUR 65 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 2015, the equity ratio was 76.96% (2014: 76.77%).

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 2015 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	-	17,530	-	17,530	-	-
Financial assets not measured at fair value						
Cash and cash equivalents	940	-	-			
Trade accounts receivable	11,092	-	-			
Current other financial assets	690	-	-			
Non-current other financial assets	13	-	-			
Financial liabilities not measured at fair value						
Trade accounts payable	-	-	1,071			

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			

42. 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.

No other companies that were related parties existed as of 31 December 2015.

As of 31 December 2014, Seat Pagine Gialle S.p.A. therefore held a 16.24% stake in telegate AG and held a 14.86% stake via Telegate Holding GmbH in telegate AG.

Due to changes in the shareholder structure in late 2014, telegate AG no longer has a majority shareholder. Therefore, it is no longer included in consolidated financial statements as a fully consolidated company.

Transactions with related parties (companies)

Services were rendered or purchased at arm‘s length in the 2014 financial year.

In financial year 2014, there was a temporary dividend liability including interest of EUR 30,162 thousand due to the resolution on the appropriation of profit by the annual general meeting on 25 June 2014 (see note 34). Interest expense totalled EUR 20 thousand in the 2014 financial year. This amount was invested as time deposits by telegate AG and paid to the shareholders of Telegate Holding GmbH and Seat Pagine Gialle S.p.A. on 17 December 2014. The interest rate was commensurate with the rate of the liabilities described. In order to settle the costs associated with performance of the deferral agreement in financial year 2014, telegate AG billed SEAT Pagine Gialle S.p.A. EUR 15 thousand and set off this amount against the aforementioned dividend liability.

Transactions with related parties (persons)

Related parties here primarily comprise the members of the Management Board and the Supervisory Board. In the current financial year, there were no transactions between the telegate group and members of the Management Board or the Supervisory Board extending beyond the existing employment, service or appointment relationship or the contractual remuneration for this relationship.

In financial year 2015, members of the management of Seat Pagine Gialle S.p.A. (former parent company), Turin, Italy, were Supervisory Board members of telegate AG. These persons are entitled to Supervisory Board remuneration for the 2015 financial year in the amount of EUR 27 thousand (2014: EUR 34 thousand), which accordingly was recognised as a current liability.

Remuneration of individuals in key management positions

The management comprises members of the Management Board and of the Supervisory Board of telegate AG. The remuneration system for the management and other information is explained in the management report in section 12 “Remuneration system”.

Management Board remuneration is presented as follows:

in EUR thousand	2015	2014
Salaries and other current benefits	720	679
Multi-year variable remuneration (deferrals)	12	0
Pension commitment	50	51
Total	**782**	**730**

The salaries and other current benefits include the basic remuneration, the bonus and non-cash benefits.

A total of EUR 1,133 thousand has been recognised as of 31 December 2015 (2014: EUR 1,145 thousand) as a provision for pension obligations to former members of the Management Board and their surviving dependants. No staff costs were recognised in this context in the financial year under review (2014: EUR 32 thousand). For more information on pension commitments, see note 32.

The Supervisory Board members received remuneration totalling EUR 128 thousand in the 2015 financial year (2014: EUR 119 thousand).

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

43. 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	none
Mr. Ralf Grüßhaber	Vice Chairman of the Supervisory Board Since 25 June 2014, Managing Director of B2X Care Solutions GmbH, Munich	none
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 • 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, klicktel AG, Neubrandenburg	none
Ms. Ilona Rosenberg	Member of the Supervisory Board Since 30 January 2001, Producer Website, klicktel AG, Rostock	none
Mr. Vincenzo Santelia	Member of the Supervisory Board From 11 November 2013 to 6 October 2015, CEO, Seat Pagine Gialle S.p.A., Turin, Italy (until 31 August 2015)	• 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

** 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. Christian Maar	Chairman of the Management Board Since 24 June 2015, Business manager, Martinsried/Munich, since 1 October 2015 responsible for Digital Sales, Personnel, Corporate Finance, Marketing/Product, Digital Customer Development, Production and Corporate Communications	none
Mr. Michael Geiger	Member of the Management Board Since 11 October 2014, Diplom-Informatiker, Martinsried/Munich, since 1 October 2015 responsible for Technology, Legal Affairs/Regulation and the Directory Assistance division, from 1 January to 30 September 2015 responsible for Technology, Production, Marketing/Product and Digital Customer Development	none
Mr. Franz-Peter Weber	Spokesman of the Management Board From 11 October 2014 to 23 June 2015, Member of the Management Board From 25 June 2014 to 30 September 2015, Diplom-Kaufmann, Martinsried/Munich, responsible for Digital Sales, Directory Assistance division, Corporate Finance, Personnel, Legal Affairs, Regulation and Corporate Communications	none

44. 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 5 May 2015. 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 17 December 2015. The exact wording of the declaration can be retrieved under www.telegate.com.

Planegg-Martinsried, 1 March 2016

Christian Maar
Chairman of the Management Board

Michael Geiger
Member of the Management Board

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 2015. 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, 1 March 2016

PricewaterhouseCoopers
Stock corporation
Certified auditing firm

Stefano Mulas
Certified public accountant

ppa. Christoph Tuebbing
Certified public accountant

Corporate Information

Place if Business

telegate AG
Fraunhoferstr. 12a
82152 Martinsried / München
Germany
Tel.: +49 (0)89 8954 - 0
Fax.: +49 (0)89 8954 - 1010

Legal Form:	Aktiengesellschaft (AG)
Register Office:	Amtsgericht München HRB 114518
UST-ID-Nr.:	DE 182 755 407
Tax Number:	143 / 101 / 70225

Locations of telegate AG

Armenien
telegate LLC
9 Alex Manukyan St.
0070, Yerevan
Tel.: +374 10 512 117

Austria
11880 telegate GmbH
Siebensterngasse 21
1070 Wien
Tel.: +43 (1)40 90 648
Fax.: +43 (1)40 90 853

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.klicktel.com**
- **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

Tel.: +49 (0)89 8954 - 0
Fax.: +49 (0)89 8954 - 1010
Mail: Investor.Relations@telegate.com

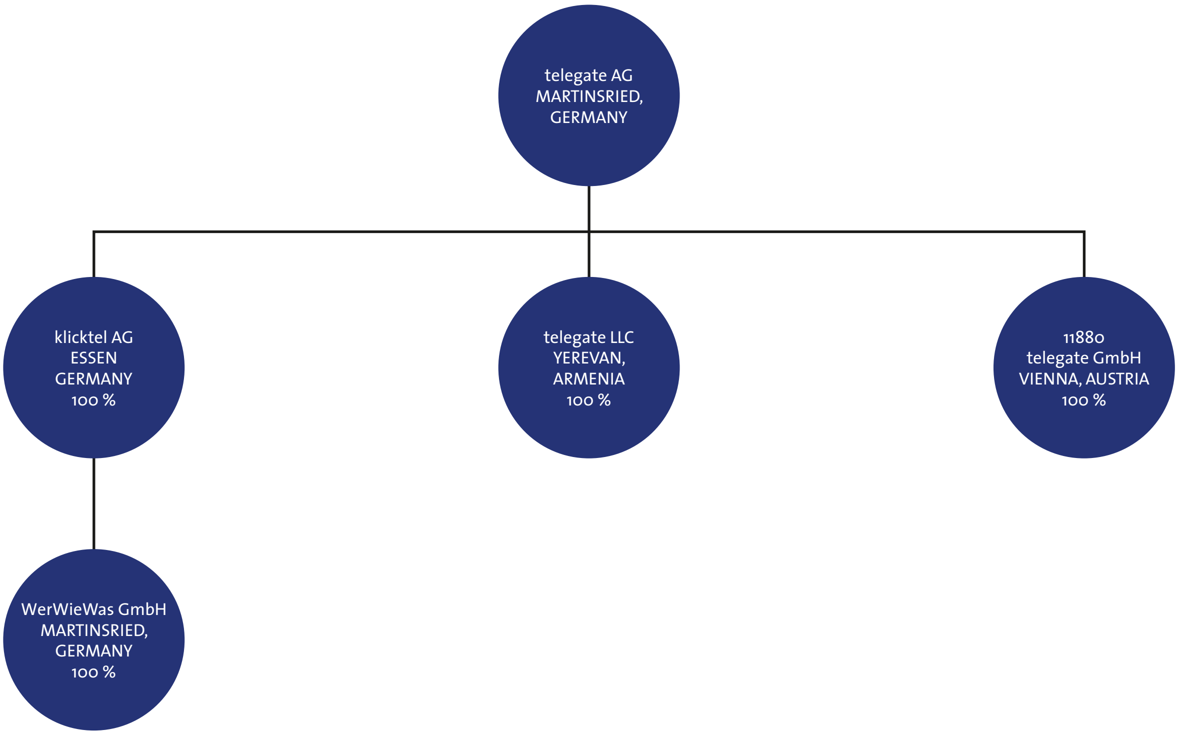
Auditor

PWC
Wirtschaftsprüfungsgesellschaft
München

Forward-looking statements

This document contains forward-looking statements that reflect the management's current views with respect to future events. Such statements are subject to risks and uncertainties that are beyond telegate's ability to control or estimate precisely, such as future market and economic conditions, the behaviour of other market participants 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.

Corporate Structure telegate Group



Financial Calender 2016

March 17, 2016	Annual results 2015
May 11, 2016	3-months results 2016
June 08, 2016	AGM 2016
August 04, 2016	6-months results 2016
November 10, 2016	9-months results 2016

Contact

Investor Relations
• Telephone: +49 (89) 89 54 - 0, E-Mail: investor.relations@telegate.com

Imprint

In charge of telegate AG, Fraunhoferstraße 12a, D - 82152 Martinsried
• www.telegate.com

Artwork

rief media design GmbH, Nymphenburger Straße 12, D - 80335 München
• www.rief-mediadesign.de

www.telegate.com
telegate AG • Fraunhoferstraße 12a • 82152 Martinsried