DRILLISCH AG
REPORT ON FIRST QUARTER 2013

Key Indicators of the Drillisch-Group	Q1/2013	Q1/2012	Q1/2011
Turnover in €m	74.7	84.2	80.3
Turnover, adjusted in €m*	76.4	77.7	74.4
Service Revenues in €m	69.9	75.3	72.4
Service Revenues, adjusted in €m*	71.6	68.8	66.5
Other Revenues in €m**	4.8	8.9	7.9
Gross Profit in €m	26.6	27.7	22.7
Gross margin in % of turnover	35.5	32.9	28.3
EBITDA in €m	16.2	14.8	12.5
EBITDA, adjusted in €m	16.2	14.8	12.5
EBIT in €m	13.7	14.0	11.3
EBT in €m	126.9	6.1	14.6
Consolidated profits in €m	121.8	2.8	10.9
Profit/loss per share in €	2.53	0.05	0.21
Consolidated profits, excluding equity participation, in €m	9.8	9.9	8.0
Profit/loss per share excluding for equity participation in €	0.20	0.19	0.15
EBITDA margin in % of turnover	21.7	17.6	15.5
EBITDA margin adjusted in % of turnover	21.7	17.6	15.5
EBIT margin in % of turnover	18.4	16.6	14.1
EBT margin in % of turnover	169.8	7.2	18.2
Consolidated profit margin in % of turnover	162.9	3.4	13.6
Consolidated profit marge, excluding equity participation, in % of turnover	13.1	11.8	10.0
Equity in €m	236	166	152
Balance Sheet total in €m	534	398	307
Equity return (equity % of balance sheet total)	44.2	41.7	49.5
Return of equity (ROE) (ratio Group result to equity in %)	73.3	1.7	7.2
Return of equity (ROE) (ratio Group result to equity in % excluding for equity partizipation)	5.9	6.5	5.3
Cash in €m	89.4	3.3	20.4
Cash flow from current business operations in €m	-5.7	-22.6	3.2
Depreciation excluding goodwill in €m	2.4	0.8	1.2
Investments (in tangible and intangible fixed assets), adjusted, in €m	8.3	0.9	0.6
Staff as annual average (incl. Management Board)	350	336	350
Wireless services customers as per 31/03 (approx. in thousands)	1,851	2,427	2,473
Wireless services customers Debit	173	865	1,220
Wireless services customers Credit	1,678	1,562	1,253
therof MVNO customers	1,531	1,211	228

*Turnover and Service Revenues adjusted for already sold prepaid sub and impact from the reduction of the termination rates
**Other revenues, includes sales of devices and other sales

Letter from the Management Board

Management Board **Vlasios Choulidis** Director of Sales, Marketing, Customer Care

Paschalis Choulidis Executive-Board Spokesman, Director of Finances, Financial Communication, Controlling and IT

Dear Shareholders,

The start of the new year has been a productive one for Drillisch, and, after completing the transformation to an MVNO (mobile virtual network operator) last year, the Company has now opened a new chapter in the ongoing success story of the corporation.

Drillisch Group sees itself as a price leader offering excellent service and innovative products in both the voice and data segments. As of the announcement of our new portfolio of rate plans during the annual accounts press conference on 22 March 2013, we have aligned our brand lines even more closely to the most important needs of our customers. The success of our efforts has once again been confirmed by the many awards and honours given to us by consumer magazines and rate comparison portals. Similarly, the distinctions awarded to the online shops (for secure purchasing on the internet) and for the quality of the products have been reconfirmed.

During Q1 2013, the MVNO subscriber base continued to rise and reached the figure of 1.531 million subscribers (Q1 2012: 1.211 million) per 31 March 2013. This is an increase of 26.4% (320,000 subscribers) over the number at this time last year. The share of MVNO subscribers in the total customer base amounts to 82.7% (31/12/2012: 77.0%). The Company was able to generate service revenues of €69.9 million (Q1 2012: €75.3 million) thanks to this qualitative improvement in the clientele and the growth in the MVNO subscriber base. If the effect of the prepaid accounts sold last year and the impact from the reduction of the termination rates (MTR) totalling €8.2 million are eliminated, there was an increase in service revenues by €2.8 million (4.1%). The "Other sales", which are characterised by low margins, were reduced by €4.1 million to €4.8 million (Q1 2012: €8.9 million) and are consequently now of only marginal significance. Total turnover in Q1 2013 amounted to €74.7 million (Q1 2012: €84.2 million). In response to the continued rise in advertising pressure from our competitors, we shifted our advertising budget from Other operating expenditures to Cost of materials, also in Q1 2013, and have concentrated even more strongly on attractive products and services with immediate benefits for end customers such as low-price mobile phones or rate reductions for limited time periods. This shift from Other operating expenditures to Cost of materials led to a slight decline in gross profit in Q1 2013 by €1.1 million to €26.6 million (Q1 2012: €27.7 million). The gross profit margin rose by 2.6 percentage points to 35.5% (Q1 2012: 32.9%) and exceeded the mark of 35% for the first time in Company history.

Letter from the Management Board

The consolidated EBITDA — our most important performance indicator which includes all of the above-mentioned shifts and changes — rose by €1.4 million (9.5%) to €16.2 million (Q1 2012: €14.8 million). The EBITDA margin improved by 4.1 percentage points to 21.7% (Q1 2012: 17.6%).

The reduction of the freenet stock holding on 20 March was accompanied by a change in accounting methods leading overall to earnings before taxes in the amount of €152.3 million. Besides the realisation of hidden reserves in the amount of €115.9 million from the revaluation of the remaining stock holding at fair value, the final equity result up to 20 March of €10.3 million and the termination of hedging transactions, balanced against the final adjustment of the transactions recognised as profit or loss, had a positive impact totalling €26.1 million. Since 20 March 2013, the freenet holding has been disclosed in the balance sheet as “available for sale” (AFS). Detailed information on this change can be found on pages 20/21 of the management report.

Liabilities due to banks also declined by €95.4 million to €47.2 million as a consequence of the reduction of the freenet holding. Just as in the past, these liabilities comprise exclusively loan obligations of MSP which are secured by the freenet shares. There are no liability risks for Drillisch AG in this respect. Our total liabilities of €241.0 million from the debenture bond, the long-term liabilities due to banks and the liabilities from derivatives per 31/03/2013 were in contrast to fixed assets disclosed in the balance sheet of €253.4 million.

Owing to the rise in cash to €89.4 million (31/12/2012: €77.3 million) and the credit line of €50 million which has not been utilized, we have adequate flexibility to continue active investments in our business and to promote further its positive development. Our products put us in an excellent position to face the future because, according to analysts from ABI Research, data volume will continue to grow at a rapid pace (source: Computer Reseller News, 14/2013). During the CeBIT at the beginning of March, BITKOM announced that turnover from information technology, telecommunications and entertainment electronics will grow by 1.4% to €153 billion this year, once again undergoing stronger development than the German economy as a whole.

Thanks to this successful start to fiscal year 2013, we can confirm our corporate forecast for an increase in the EBITDA of between €67 million and €70 million (2012: €61.9 million). Furthermore, we intend to ensure that shareholders benefit appropriately from the success of their Company in the future as well.

Faithfully yours,

Vlasios Choulidis and Paschalis Choulidis

Investor Relations Report

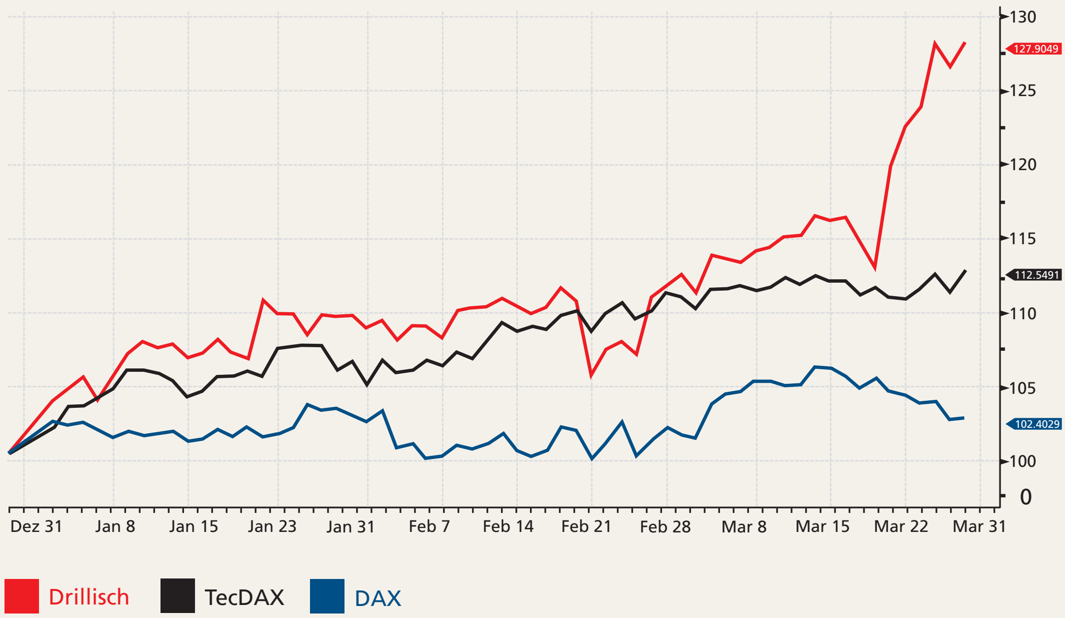
The Capital Market – 01 January 2013 to 31 March 2013

There were no significant changes in the general economic situation during Q1 2013. Capital markets focused their attention on stocks of companies characterised by reliable dividend projections and forecasts of long-term profitability. During the period, the premiums stocks in the index families below the DAX developed more satisfactorily than the shares in the DAX itself. In Q1, the German stock index DAX gained 2.35%, rising to 7,795.31 points. The TecDAX improved by 12.5% to 932.03 points.

The Drillisch Stock Price with Solid Performance in Q1 2013

	Close-out 2012	31 March 2013	% change
Drillisch	€11.145	€14.255	+27.9
TecDAX	828.11	932.03	+12.5

The highest price for the Drillisch stock in Q1 2013 was noted at €14.465 on 27 March. The lowest price, noted at the beginning of the year, was €11.26 on 2 January 2013. Overall, the Drillisch stock performed significantly better than the market.



Sustainable Dividend Policy

Our corporate policy is based on the objective of sustained development because we want to offer shareholders an attractive return on their investment. Supervisory Board and Management Board will be submitting a proposal for the payment of a dividend for the past fiscal year in the amount of €1.30 per voting share to the Annual General Meeting on 16 May 2013. This dividend increase of about 85% is our way of enabling our shareholders to profit from the positive development of the Company. Our target for fiscal years 2013 and 2014 will be to distribute a dividend of the same amount as a minimum.

Investor Relations Report

Current Analyst Assessments (per 31 March 2013)

Thanks to the targeted increase in the EBITDA to between €67 million and €70 million in the current fiscal year and to between €77 million and €80 million in fiscal year 2014 (fiscal year 2012: €61.9 million, following €51.4 million in 2011) as well as the good strategic positioning on the German wireless services market, the capital market rates the Drillisch stock as promising.

Current Analyst Assessments (as per 31 March 2013)

Analysis	Rating	Price Target	Date
Warburg Research	„Hold“	€ 14.60	4 April 2013
Commerzbank	„Hold“	€ 13.50	3 April 2013
Berenberg	„Buy“	€ 15.00	28 March 2013
LBBW	„Hold“	€ 14.00	27 March 2013
Hauck & Aufhäuser	„Buy“	€ 15.50	25 March 2013

A constantly updated overview of the analysts' recommendations can be found on the Drillisch AG IR home page.

Agenda of the First Quarter – DGAP Ad-Hoc Reports

22 January 2013	Increase of dividend to €1; stock repurchasing programme ends
1 March 2013	Profit forecast for 2012 exceeded – confirmation of outlook 2013 – new outlook 2014
19 March 2013	Reduction of holdings in freenet stock and realisation of hidden reserves
21 March 2013	Significant increase in current dividend proposal to €1.30

Investor Relations Events

During Q1 2013, meetings were held with private and institutional investors in addition to the annual accounts press conference, which traditionally takes place in Frankfurt. Communications are conducted in conformity with the fair disclosure principle, i.e. all shareholders and interested parties are simultaneously provided with the same type of information about all important developments.

The ongoing work can be followed and tracked equally by all investor groups on our investor relations home page. In addition to a detailed financial calendar, all of the relevant reports can be viewed in the sense of fair disclosure. Many investors also take advantage of the opportunity for personal contact via e-mail and/or telephone.

Investor Relations Report

Directors' Dealings 2013

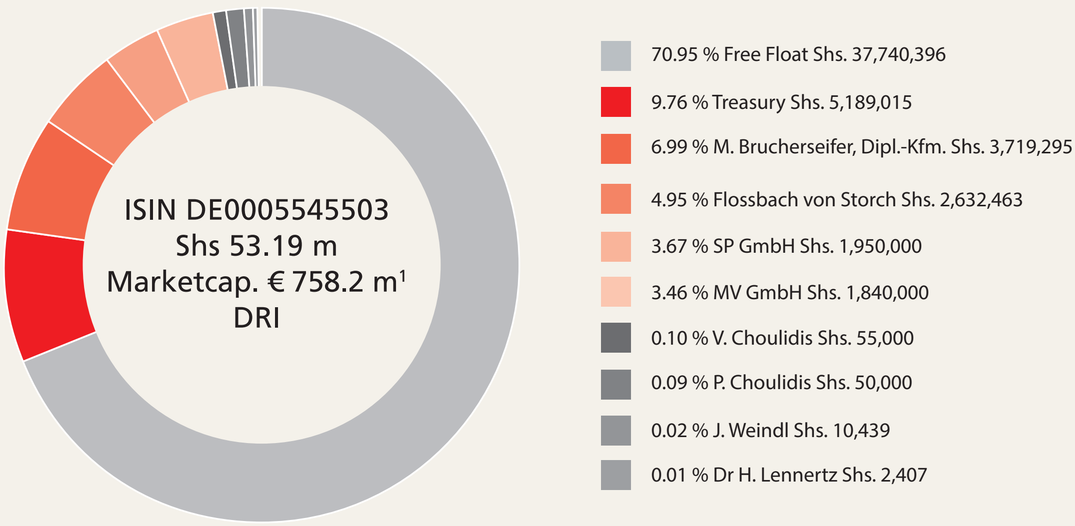
During Q1 2013, no security transactions (directors' dealings) pursuant to Section 15 a WpHG (German Securities Trading Act) were reported to Drillisch AG.

Directors' Holdings per 31 March 2013

Name	No-par shares
MV GmbH	1,840,000 ➡ 3.46%
Vlasios Choulidis	55,000 ➡ 0.10%
SP GmbH	1,950,000 ➡ 3.67%
Pascal Choulidis	50,000 ➡ 0.09%

Supervisory Board	No-par shares
Marc Brucherseifer, Dipl.-Kfm. (Chair)	3,719,295 ➡ 6.99%
Johann Weindl, Dipl.-Kfm. (Deputy Chair)	10,439 ➡ 0.02%
Horst Lennertz, Dr.-Ing.	2,407 ➡ 0.01%
Dr Susanne Rückert	0
Dr Bernd Schmidt	0

Shareholder structure of Drillisch AG (Last revised 31 March 2013)



Source: Disclosures by the corporations pursuant to sections 21 ff German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and unless the company was not informed of a more recent figure.

1) On the basis of the XETRA closing price €14.225 on 31 March 2013. Free Float acc. to the rule of Dt. Boerse AG: 83.25%.

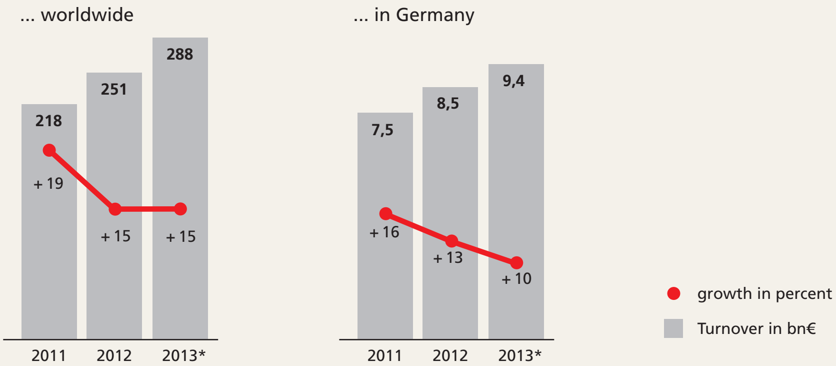
MARKET ENVIRONMENT

The Wireless Services Market

Germany on its way to the digital society – wireless services become wireless data services

Business with wireless data services has been posting double-digit growth rates since 2009. A forecast by BITKOM, the industry association, indicates that this year will be no different, predicting that revenues from wireless data services will increase by another 10% to €9.4 billion. Revenues from voice services, on the other hand, will decline by 7% to €11.9 billion in 2013 if the forecast proves accurate.

Turnover with mobile data services ...



Source: BITKOM, EITO, IDC * forecast

More and more people in Germany are accessing the internet while on the go. In 2013, 40% of the population will be surfing on mobile devices. This is an increase of 13 percentage points over the previous year as noted by the Initiative D21 during the presentation of the study, "Mobile Internet Use: Development Impetus for the Digital Society!", in the middle of February. As the dynamic rise in the prevalence of state-of-the-art smartphones and tablet computers continues unabated, the interest in the mobile surfing experience grows as well. According to data from Initiative D21, 37% of the German populace now owns a smartphone – just a year ago, the figure was only 24%. And: More than three-fourths of all of the mobile devices now purchased in Germany are smartphones (source: Comscore, study "Digital Germany", March 2013). BITKOM expects yet another increase in the sale of smartphones by 29% to about 28 million units in this year. Revenues will increase by one-fourth to €8.8 billion. As a total of 34.6 million mobile phones will be sold, four out of five of the devices will be smartphones.

According to this study by Initiative D21, the situation is not much different with respect to computer usage: in 2013, only one out of two people will still have a desktop PC. While the share of notebook users among the respondents remained stable in comparison with the previous year, the tablet users increased from 5% to 13% – translating into growth of 160%. According to an analysis of the market observers at

The Wireless Services Market

Context, IT merchants in Europe sold 350% more tablets in January and February of this year than during the corresponding period in 2012.

The digital life style: smartphones, tablets – and smart wristwatches

A look ahead to the end devices that can be expected to appear during this year was provided at the trade fairs *Consumer Electronics Show (CES)* in Las Vegas in the middle of January and the *Mobile World Congress (MWC)* in Barcelona at the end of February. Several trends became clearly evident:

- Smartphones are becoming larger: the first devices featuring full HD resolution are available.
- Smartphones are becoming more and more powerful: peripheral devices and apps offer new functions.
- More and providers in the CE industry are turning to smartphones, broad range of devices in every price and performance class.
- Various operating systems (e.g. iOS, Android, Windows, BlackBerry, Firefox, Tizen[Linux], Ubuntu) are generating competition on the smartphone and tablet market.

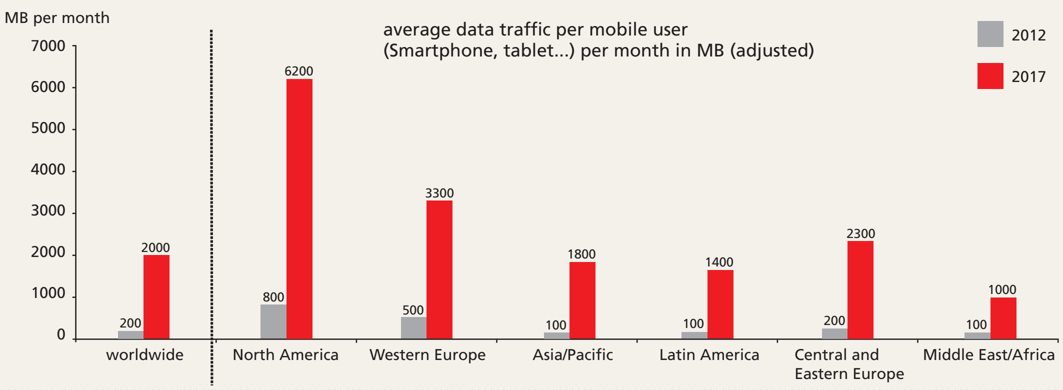
This look into the future reveals that the next generation of smartphones will be characterised by the factor of special design and not only the addition of more new functions. Transparent displays are just as imaginable as curved front surfaces which the flexible display literally clings to. Industry experts have discerned the so-called "smart watches" – wristwatches with smartphone function – as the "trend of the year".

LTE will take off this year

These new end devices are growth drivers for the mobile internet and support the latest transmission technologies, creating potential for further growth. Network operators are ceaselessly at work on the installation of the wireless standard LTE (Long-term Evolution). At this time, nationwide coverage with 3G (UMTS) is about 80%. The steady expansion of the LTE networks (4G) has already resulted in coverage of about 50%. In the meantime, fast data transmission at speeds of up to 100 Mbit/s is available in many cities with a population of more than 50,000 as well as in the most important German metropolises. The analysts at ABI Research predict that data traffic in LTE networks will grow worldwide by 200% in this year, and growth in UMTS traffic is projected to reach 99% (Source: Computer Reseller News, 14/2013). In total, says ABI Research, worldwide data traffic in 2012 grew by 69% to 13,412 petabytes (1 petabyte = 1 million gigabytes). The introduction of more smartphone models with LTE capability will also cause the demand for rate plans including the new data supercharger to rise even faster.

The Wireless Services Market

Data traffic to increase tenfold in next years



Source: BITKOM

Attractive smartphone packages with data supercharger

Drillisch was already compiling highly attractive complete packages for smartphones featuring the especially interesting and popular high-end devices from Samsung and Apple in January. At McSIM, customers could order the iPhone 5 at an especially low one-off price and choose from two different rate plans. Since not all iPhone users are automatically heavy phone users or constantly surfing the internet, McSIM offered an all-round rate plan for the latest Apple device which was optimal for many wireless service customers, the All-in M smart. McSIM really lived up to its name with a one-off payment of only €39.00 and a monthly package price of €34.95, making a low-price offer to its customers which even a Scotsman could not refuse. Regular surfers, alternatively, could order the iPhone 5 with the lowest-priced all-net flat rate (Stiftung Warentest, results per 03/01/2013) Yourflat smart for €44.75 a month. McSIM also became the first provider in the discount segment to offer a Speed-up option featuring a data supercharger to raise the maximum surfing speed to 14.4 Mbit/s for €4.95.

Drillisch is the first independent provider to offer LTE rates

Drillisch prioritises even greater performance. In addition to the *Speed-up* option and download speeds of up to 14.4 Mbit/s, Drillisch has a special rate offer which makes it possible for its subscribers to enjoy a special surfing experience: high speeds up to 50 Mbit/s. By including the new Vodafone *Red M* rate at McSIM and, in addition, the *Red L* rate at PHONEX.de in January, Drillisch became the first independent provider to include the new LTE rate plans in its portfolio.

The Wireless Services Market

Drillisch: top rankings for wireless services leading the market

Drillisch resolutely aligns its brands and products with the most important needs of its customers: optimal performance at the best price along with highly qualified and certified service. At the beginning of 2013, Drillisch products were once again the recipients of numerous honours from leading consumer magazines and rate comparison portals, further verification of the validity of the Company's strategy.

The 6-eurocent low rate at helloMobil introduced in March of last year remains in first place on the list of the lowest-price mobile phone rate plans maintained by the magazine Computerbild. The industry portal inside-handy.de honoured helloMobil yet again as the "lowest-price discount rate plan", and helloMobil has consistently received a rating of "Excellent" from tariftipp.de for a year. But industry experts are also convinced of the value of the Drillisch package and all-net rate plans. The all-net flat rate Yourflat smart from McSIM and smartmobil.de scored in four ways during the comparison by Stiftung Warentest: the rate plans of both brands were recommended by the critical testers as the "lowest rate" for both heavy phone users and heavy surfers in each of the two variations (with or without fixed contract terms). The products *best4me*, *friends4free evo* and *All-in S* received additional awards and rate plan recommendations from telecommunications portals.

All-round rate plans with network selection and price advantage for all smartphone users

By introducing additional attractive package rate plans for the established brands simply and maXXim in January, Drillisch can now offer its customers an additional option. The popular all-round rate plans maXXim *MaxxFree 100* and *MaxxFree 200* and simply All-in S and *All-in M* are now available as "plus" rate plans with O_2 network quality or as "smart" variations with D-Network quality. At the same time, subscribers profited from a special action offer: for only €6.95 a month, customers received 100 free minutes, 100 free text messages and an internet flat rate – savings of about 30%, month for month, in comparison with the regular price of €9.95. In the meantime, Drillisch has restructured its portfolio and now offers package and all-net flat rates at market-leading terms without a binding contract term.

In the middle of March, McDonald's launched its popular Monopoly contest. For the first time, a wireless services provider is taking part as a price partner: DeutschlandSIM, a brand of the b2c.de GmbH of the Drillisch subsidiary eteleon. Within the framework of the cooperation, customers of the leading chain restaurant have the opportunity to use the DeutschlandSIM SMART rate plan for phoning, texting and surfing at a low price for an entire year.

The Wireless Services Market

Drillisch puts an end to binding contract terms – new attractive price levels for smartphone rate plans

On 22 March 2013, during the presentation of the annual accounts for fiscal year 2012, Drillisch introduced a rate plan campaign featuring a revolutionary new concept. From April 2013 on, all of the brands at Drillisch Group, the price leader on the German market, will introduce uniform package and all-net rate plans with the best conditions and without a binding contract term.

No Contract Maturity – Best Net – D-Net / O_2

All-in XS 4,95 Euro monthly
... for first time user
- ✓ 50 free minutes per month
- ✓ 50 free-SMS per month
- ✓ Internet-Flatrate (100 MB) (7.2 MBit/s)
- ✓ Upgrade to 500 MB possible

All-in XM 7,95 Euro monthly
... the Allround tarif
- ✓ 100 free minutes per month
- ✓ 100 free-SMS per month
- ✓ Internet-Flatrate (300 MB) (7.2 MBit/s)
- ✓ Upgrade to 500 MB / 1 GB possible

All-in XL 14,95 Euro monthly
... the new Top-Tarif
- ✓ 250 free minutes per month
- ✓ 250 freei-SMS per month
- ✓ Internet-Flat (500 MB) (7.2 MBit/s)
- ✓ Upgrade to 1 GB possible

Flat XS from 16,95 Euro monthly
... cheapest Allnet-Flat
- ✓ Flatrate in all mobile networks
- ✓ Flatrate to landline
- ✓ Internet-Flatrate (500 MB) (up to 14.4 MBit/s)

Price and innovative leadership in attractive German market

Flat XM from 24,95 Euro monthly
... Full-Flat at the best price
- ✓ Voice-Flat
- ✓ SMS-Flat
- ✓ Internet-Flat (1GB) (up to 14.4 MBits)

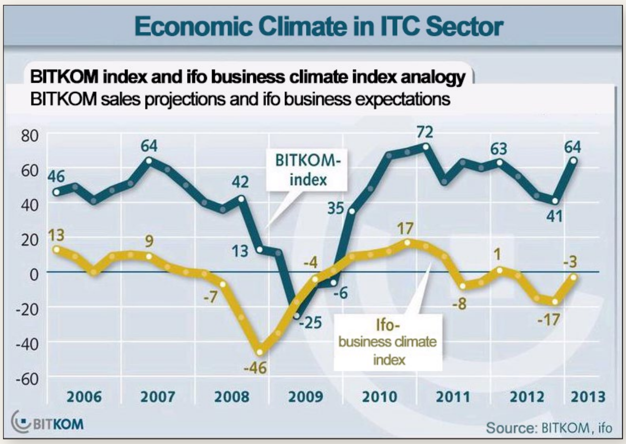
Wireless services customers in this new world of rate plans will benefit from the greatest possible flexibility, lowest prices and even more service. Whether a newcomer, all-rounder, heavy or professional user – Drillisch has exactly the right plan to cover the needs of all types of users: the optimal combination of monthly high-speed volume, maximum surfing speed and telephony/text message packages or flat rates. The new products are clearly and simply structured, and all of the rate plans are available in the O_2 network or the D-Network.

Newcomers can select an attractive rate package which includes many services for a mere €4.95 a month, and heavy users will find Germany's best flat rates for all networks at Drillisch, plans which are substantially less expensive than competitors' products and do not tie customers to the 24-month contracts which are otherwise the norm.

The Software Industry

The high-tech industry will grow more rapidly than the general economy in 2013

Revenues from information technology, telecommunications and entertainment electronics will grow by 1.4% to €153 billion this year. Once again, the ITC market will grow more rapidly than the German economy as a whole. This was the announcement made by the industry association BITKOM at the opening of the CeBIT computer trade fair at the beginning of March. The sectors IT services and software in particular will make a substantial contribution to this growth. Business with IT services such as consulting and outsourcing will grow by 2.5% to about €36 billion this year. BITKOM predicts the strongest growth in the software sector, where revenues will rise by almost 5% to just under €18 billion. Cloud computing will play an important role for growth of software and services; BITKOM expects revenues for business solutions on a cloud basis alone to grow by 53% to €4.6 billion in this year. In three years' time, say the forecasts, the level will be €13.7 billion.



COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP AS PER 31 MARCH 2013

Group Companies

Drillisch AG – successful start to fiscal year 2013

Drillisch AG, Maintal, is a mobile virtual network operator (MVNO) which operates solely in Germany. During Q1 2013, Drillisch continued on its path of growth and once again raised the operating profit. One of the most profitable and innovative providers of rate plans for voice and data communication, Drillisch is a regular source of new driving ideas on the German wireless services market. Operating as an MVNO, Drillisch compiles packages of flexible services based on its own product ideas, drawing on standardised and unbundled advance services from the network operators Telefónica O_2 Germany GmbH & Co. OHG ("O_2") and Vodafone D2 GmbH ("Vodafone"). The internet is its most important sales channel. Moreover, Drillisch successfully works with selected distribution and cooperation partners as well as with some classic wireless services retailers. Drillisch is planning the continuation of its successful corporate history for 2013 and 2014.

Drillisch serves current customers in the Telekom Deutschland GmbH ("Telekom") and E-Plus Mobilfunk GmbH ("E-Plus") networks on the basis of existing service provider agreements. However, the number of the clientele in this less profitable segment is declining as planned.

Price leader with innovative and transparent products

Drillisch offers its customers clear and transparent products characterised by the greatest possibility flexibility. The structure of its rate plans makes Drillisch the price leader on the German market.

Optimal performance and good service at the best price: that is the focus of all of the Drillisch products. The present concept for rate plans offers transparent rate plans aligned with this principle and designed to match ideally the various needs of customers. Every user can find the optimal combination of monthly data volume, maximum surfing speed and telephony/text message packages or flat rates for his/her situation.

Awards for product transparency and customer service

Drillisch has in the past requested the performance of extensive quality tests by independent third parties. The certificates which have been awarded, consistently with ratings of "excellent" and "good", have been confirmed without exception in the latest reviews.

The honours awarded to the processes and quality of services verifiably document the highest level of transparency and security. Moreover, Drillisch highlights once again that the quality of its portfolio, independently of price, satisfies the highest standards both nationally and internationally. Drillisch will continue to request performance of these exhaustive tests in the future as well because sustained, long-term transparency and security are important elements of the Company's success.

Group Companies

Drillisch AG is the Group's holding

Within Drillisch Group, Drillisch AG, the parent company, concentrates on holding tasks such as management, finances and accounting, controlling, cash management, human resources, risk management, corporate communications and investor relations along with the definition, management and monitoring of the global corporate strategy. The subsidiaries Drillisch Telecom GmbH, Maintal ("Drillisch Telecom"), MS Mobile Services GmbH, Maintal ("MS Mobile"), and eteleon e-solutions AG ("eteleon") via its subsidiary b2c.de GmbH, both in Munich, are responsible for the operational wireless services business. The IT know-how of Drillisch Group has been concentrated in IQ-optimize Software AG ("IQ-optimize"), Maintal. MSP Holding GmbH ("MSP"), Maintal, is a group company of Drillisch AG which holds additional stock in freenet AG as well as the investment in eteleon.

Strong brands in mobile communications

Drillisch offers attractive rate plans customised to meet specific customer needs through its subsidiaries, which operate the online brands McSIM, helloMobil, simply, PHONEX, smartmobil.de, maXXim, DeutschlandSIM, discoTEL and discoSURF and the premium brands VICTORVOX and Telco. Every subscriber can find a combination of mobile communication services which is a perfect fit for his/her demands in the "All-in X" product family. What is more, customers can go to the corresponding online shops to choose the equipment best suited for their purposes from a large selection of the latest smartphones, tablet PCs and notebooks.

IQ-optimize guarantees IT expertise

Drillisch has essentially bundled its IT expertise in its subsidiary IQ-optimize. This company performs almost all of the IT services for the Group companies.

MSP Holding

MSP is a subsidiary of Drillisch AG. Drillisch AG and MSP together held more than 10% of the share capital in freenet AG per 31 March 2013.

Employees

In the first three months of 2013, an average of 350 employees (previous year: 336), including the two members of the Management Board, was on the payroll of the Drillisch Group. The number of vocational trainees, which is not included in the above figure, was 64 (previous year: 57). Drillisch makes an above-average contribution to the training of young people in qualified professions necessary to secure our future in Germany.

Turnover and Earnings Position

Revenue and earnings position

Further EBITDA growth in Q1 2013 is impressive evidence that Drillisch has maintained its operative earning power. This good development of our business is supported by the ongoing dynamic developments in the fields of wireless services and mobile internet. Drillisch uses innovative products in conjunction with efficient marketing and sales concepts to sustain its top position in the German telecommunications industry.

The “service revenues”, essentially the income from the provision of the ongoing wireless services (voice and data transmission) and their billing on the basis of the current customer relationships, amounted to €69.9 million in Q1 2013 (Q1 2012: €75.3 million). This difference in comparison to the same quarter last year can be attributed to the prepaid clientele sold in May 2012 who were still contributing to Group sales in Q1 2012. Another factor contributing to the decline in revenues is the reduction in forwarding charges from 3.36 eurocents or 3.39 eurocents per minute in 2012 to a standard 1.85 eurocents a minute. Taken together, these circumstances caused a negative change of €8.2 million. Adjusted for these two effects, service revenues rose by €2.8 million.

“Other revenues”, which include low-margin business such as sales of devices and prepaid bundles along with the intermediary business of b2c.de GmbH, declined by €4.1 million to €4.8 million (Q1 2012: €8.9 million). In addition, this item also includes the sales from the software services segments in the amount of €38k (Q1 2012: €44k).

Total turnover in Q1 2013 amounted to €74.7 million (Q1 2012: €84.2 million).

The MVNO clientele has increased once again since the beginning of the year by 62,000 (4.2%) to 1.531 million subscribers (31 December 2012: 1.470 million MVNO subscribers). The total number of subscribers in the postpaid sector remained virtually unchanged at 1.678 million (31 December 2012: 1.693 subscribers).

The number of subscribers in the prepaid sector was reduced as expected to 173,000 (31 December 2012: 217,000). Overall, the ratio of postpaid to prepaid subscribers has improved to 91% postpaid to 9% prepaid, an increase of 2 percentage points for postpaid compared to the end of 2012 (31 December 2012: 89% postpaid to 11% prepaid). The total number of subscribers has been reduced by 59,000 to 1.851 million (31 December 2012: 1.910 million).

The cost of materials decreased during Q1 2013 by 14.7% to €48.2 million (Q1 2012: €56.5 million). The decline in these costs was slightly underproportional to the development of sales as a consequence of the shift in investments for new subscriber acquisition from advertising expenditures to the cost of materials. On the other hand, the advertising expenditures or the Other operating expenses were reduced correspondingly in Q1 2013. However, gross profit decreased slightly by €1.1 million from €27.7 million in Q1 2012 to €26.6 million in Q1 2013. The gross profit margin increased by 2.6 percentage points to 35.5% (Q1 2012: 32.9%). Personnel expenses increased by 8.1% to €5.8 million (Q1 2012: €5.4 million). Correspondingly, the personnel expenses ratio in 2013 rose by 1.4% to 7.8% (Q1 2012: 6.4%). Other operating expenses as a total declined substantially by €2.8 million to €5.5 million (Q1 2012: €8.3 million).

Turnover and Earnings Position

The decline in the quarter-on-quarter comparison results primarily from the significantly lower advertising expenses mentioned above in the amount of €1.3 million (Q1 2012: €2.2 million), a decline in costs for third-party services of €0.7 million (Q1 2012: €1.2 million), which were incurred mainly pursuant to the conversion of the subscriber base to the MVNO Model in Q1 2012, as well as lower legal and professional expenses, expenses for bad debts and value allowances.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators at Drillisch Group, rose by 9.5% to €16.2 million (Q1 2012: €14.8 million). The EBITDA margin came to 21.7% (Q1 2012: 17.6%). Depreciation and amortisation increased, primarily a consequence of the investments in intangible assets in Q3, by €1.6 million to €2.4 million (Q1 2012: €0.8 million). Despite higher depreciation and amortisation, the EBIT (earnings before interest and taxes) remained virtually constant at €13.7 million (Q1 2012: €14.0 million). The EBIT ratio improved by 1.8 percentage points to 18.4% (Q1 2012: 16.6%).

The shares in freenet AG held by MSP and Drillisch AG were valuated according to the equity method until 20 March 2013 because of the significant influence on the company from the voting rights quota of more than 20%. The profit from this inclusion in Q1 2013 amounted to €10.3 million (Q1 2012: €7.4 million) and comprised the profit of €10.9 million attributable to Drillisch and expenses from scheduled depreciation as part of the purchase price allocation in the amount of €0.6 million.

Other financial results per 31 March 2013 amounted to €105.4 million (Q1 2012: €-14.1 million). Effective per 20 March 2013, MSP Holding sold €13.2 million shares of freenet stock and immediately repaid loan obligations. As a consequence of the reduction in voting rights quota for Drillisch, the holding in freenet AG has since been disclosed in the balance sheet in accordance with the AFS (available for sale) method. The change in classification led to a realisation of hidden reserves in the amount of €115.9 million. The acquisition of this freenet stock in 2011 was tied to the conclusion of hedging transactions which resulted in a liability of about €50 million when measured on the closing date per 31 December 2012. The repayment of the loan obligations resulted in the termination of these hedging transactions, previously measured as operating expenses, as operating profit. The result was non-cash earnings of €45.1 million (Q1 2012: €0). The closing date valuation of another hedging transaction concluded in the context of the financing of the freenet stock acquired in Q2 2012 resulted in non-cash expenses of €19.0 million (Q1 2012: €14.1 million). The value of the hedging transaction is recalculated as of every closing date and is primarily a result of the price of the freenet stock on the closing date and of the remaining term. As a consequence of the change in the disclosure in the balance sheet of the freenet holding to the AFS method per 20 March 2013, expenses and earnings from the closing-date valuation of this hedging transaction will in the future be offset against expenses and earnings from the closing-date valuation of the corresponding freenet stock within the framework of the hedge accounting. Only the amount of any difference will be posted either as an expense or earning from the valuation of hedging transactions or to changes in value of the freenet holding to be disclosed directly in equity in the item Other equity. A rising stock price tends to lead to a de-

Turnover and Earnings Position

clining value of the hedging transaction, which can also be negative. In this case, it is disclosed under the long-term financial liabilities. If the value on the closing date is positive, it is capitalised under Other financial assets. The results of this closing date valuation per 31 March 2013 are shown as liabilities in the amount of €24.2 million (31 December 2012: €54.2 million). The closing date valuation of financial derivatives related to the issue of a debenture bond led to additional non-cash expenses in the amount of €36.6 million (Q1 2012: €0).

The interest result declined by €1.4 million to €-2.6 million (Q1 2012: €-1.2 million). The decline in interest result is a consequence primarily of the increased volume of long-term liabilities subject to interest related to the issue of the debenture bond on freenet shares in April 2012.

Taxes on income rose mainly because of the good operating profit and from tax expenses for previous years related to write-ups on the freenet holding by €1.9 million to €5.1 million (Q1 2012: €3.2 million). Consolidated profit amounted to €121.8 million (Q1 2012: €2.8 million). Ignoring the effects from disclosure of equity in the balance sheet, conversion of the measurement to the AFS method, market valuation of hedging transactions and derivatives and interest and tax expenses attributable to the freenet holding, the consolidated profit in Q1 2013 amounted to €9.8 million (Q1 2012: €9.9 million). The closing date valuation of the holding in freenet AG led to a change in the attributable fair value of financial assets available for sale balanced by deferred taxes by €2.4 million (Q1 2012: €0) which is reflected directly in equity in the item Other equity. The consolidated comprehensive result per 31 March 2013 amounted to €124.2 million (Q1 2012: €2.8 million). The profit per share amounted to €2.53 (Q1 2012: €0.05) or, excluding the freenet holding, €0.20 (Q1 2012: €0.19).

Assets, Liabilities and Financial Position

Assets, liabilities and financial position

Long-term liabilities declined in total by €6.4 million to €385.3 million (31 December 2012: €391.7 million). Intangible assets declined by €1.6 million to €39.1 million (31 December 2012: €40.7 million). Owing to the reduction in the holding ratio of freenet AG by the sale of freenet stock, the remaining shares are now disclosed under Other financial assets. Their value per 31 March 2013 came to €253.4 million. Per 31 December 2012, they were disclosed under the financial assets shown in the balance sheet in accordance with the equity method. This item declined to zero as of the closing date (31 December 2012: €259.8 million). The shares were valued at cost of acquisition until 20 March 2013, which was rolled over with the share of the continued development of the freenet equity attributable to Drillisch ("equity method"). Since part of the stock has now been sold, the holding is disclosed in the balance sheet in accordance with the AFS method. The price of freenet stock per 31 March 2013 was €18.96 a share.

The rise in deferred tax reimbursements is a consequence primarily of the deferred taxes created during the closing date valuation of financial derivatives.

Cash rose by €12.1 million to €89.4 million (31 December 2012: €77.3 million). Trade receivables rose slightly by €2.4 million to €44.4 million (31 December 2012: €42.0 million). In total, current assets increased by €17.5 million to €148.3 million (31 December 2012: €130.8 million).

The balance sheet total for the Drillisch Group rose by a total of €11.0 million to €533.6 million per 31 March 2013 (31 December 2012: €522.6 million).

In comparison with 31 December 2012, total equity increased by €115.8 million to €236.0 million (31 December 2012: €120.2 million). The accumulated deficit resulting from the change in stock market value of the freenet AG shares in 2008 declined by €56.1 million to €0 (31 December 2012: €56.1 million. Thanks to the good results of Q1 2013, there are now retained earnings of €65.7 million. The item Other equity reflects the change in value of the holding in freenet AG to be measured as non-operating. The equity ratio per 31 March 2013 came to 44.2% (31 December 2012: 23.0%).

Long-term liabilities declined by a total of €87.0 million to €249.5 million (31 December 2012: €336.5 million). This is essentially the consequence of the repayment of loan obligations in the amount of €95.7 million. Hedging transactions and financial derivatives are disclosed under the Financial liabilities to the extent that they must be carried at current fair value as liabilities. Owing mainly to the rise in the price of the freenet AG stock, the valuation per 31 March 2013 resulted in a liability totalling €74.4 million (31 December 2012: €67.9 million). Liabilities due to banks declined per 31 March 2013 by €95.4 million to €47.2 million (31 December 2012: €142.6 million) as a result of the above-mentioned repayment and comprise exclusively long-term loan liabilities of MSP for the acquisition of additional shares in freenet AG in 2012; these shares, together with the hedging transactions, serve as the sole collateral for the loans. There is no risk of Drillisch AG becoming liable for the loan liabilities assumed by MSP because they are "non-recourse financing" transactions. The total from the debenture bond, long-term liabilities due to banks and liabilities from de-

Assets, Liabilities and Financial Position

rivatives in the amount of €241.0 million is contrasted with fixed assets shown in the balance sheet from the holding in freenet of €253.4 million (31 December 2012: €259.8 million).

Short-term liabilities declined by €17.8 million to €48.1 million in comparison with the end of fiscal year 2012 (31 December 2012: €65.9 million). Trade payables decreased by €5.6 million to €10.5 million (31 December 2012: €16.1 million). Tax liabilities declined by €3.9 million to €5.5 million (31 December 2012: €9.4 million). Payments received on account fell by a total of €0.7 million to €8.5 million (31 December 2012: €9.2 million). Other liabilities, essentially from investment liabilities incurred in Q3 2012 by investments in intangible assets, decreased by €8.4 million to €18.2 million (31 December 2012: €26.6 million).

Cash flow

Cash flow from current business activities in Q1 2013 came to €-5.7 million (Q1 2012: €-22.6 million) and is strongly affected by closing-date effects such as the decline in payables and other liabilities and provisions in the amount of €8.7 million and tax payments in the amount of €7.4 million.

The positive cash flow from investment activities totalling €127.7 million (Q1 2012: €-0.9 million) is a consequence of incoming payments from the sale of freenet stock in the amount of €136.0 million and outgoing payments for investments in tangible and intangible assets of €8.3 million.

During Q1 2013, there was a total outflow of funds of €109.9 million (Q1 2012: inflow of €6.1 million) from financing activities. This resulted mainly from taking out and repaying financial loans which below the line amounted to €-101.4 million (previous year: €+8.0 million) and expenditures for the acquisition of own stock in the scope of €8.4 million (previous year: €1.8 million).

Opportunities and Risks of the Future Business Development

Risk report

The risk management system is an integral component of corporate policy aimed at early exploitation of opportunities and detection and limitation of risks. Drillisch operates a risk management system throughout the Group which includes continuous observation to ensure early recognition and the standardised recording, assessment, control and monitoring of risks. The objective is to obtain information about negative developments and the related financial effects as early as possible so that the appropriate measures can be initiated to counteract them. The management of the company results and company value makes use of the instruments of risk management. It can thus become a strategic success factor for the Company's management for both subsidiaries and Drillisch itself.

The risk situation – in comparison with the risks described in the annual report for the year 2012 – did not change appreciably during the first three months of fiscal year 2013. In the opinion of the Management Board, adequate precautions have been taken to counter all of the identified risks.

Important events occurring after 31 March 2013

There were no important events after the end of the reporting period.

Outlook

The Management Board expects an EBITDA of between €67 million and €70 million for 2013 and a further increase to between €77 million and €80 million for 2014 in the telecommunications segment. Management intends to continue the expansion in the size of the MVNO clientele.

CONSOLIDATED INTERIM ACCOUNTS AS PER 31 MARCH 2013

Consolidated Comprehensive Income Statement

	I/2013	I/2012
	€k	€k
Sales	74,728	84,196
Other own work capitalised	589	504
Other operating income	403	294
Cost of materials / Expenditures for purchased services	-48,176	-56,490
Personnel expenses	-5,829	-5,395
Other operating expenses	-5,527	-8,320
Amortisation and depreciation	-2,441	-774
Operating result	**13,747**	**14,015**
Result from financial assets shown in balance sheet according to the equity method	10,281	7,377
Other financial results	105,385	-14,131
Interest income	271	243
Interest and similar expenses	-2,823	-1,430
Financial result	**113,114**	**-7,941**
Profit before taxes on income	**126,861**	**6,074**
Taxes on income	-5,104	-3,249
Consolidated results	**121,757**	**2,825**
Change in attributable market value of financial assets available for sale	2,430	0
Taxes on income	-37	0
Items which in future can be reclassified in the income statement	2,393	0
Consolidated comprehensive results	**124,150**	**2,825**
Profit per share (in €)		
Undiluted	2.53	0.05
Diluted	2.53	0.05

Consolidated Balance Sheet

ASSETS	31.03.2013	31.12.2012*
	€k	€k
Fixed assets		
Other intangible assets	39,137	40,726
Goodwill	67,206	67,206
Tangible assets	1,441	1,465
Financial assets shown in balance sheet according to equity method	0	259,753
Other financial assets	253,398	33
Deferred taxes	24,135	22,557
Fixed assets, total	**385,317**	**391,740**
Current assets		
Inventories	7,296	7,929
Trade accounts receivable	44,383	42,034
Tax reimbursement claims	166	110
Cash	89,359	77,303
Other current assets	7,096	3,459
Current assets, total	**148,300**	**130,835**
ASSETS, TOTAL	**533,617**	**522,575**

*The figures from the previous year have been adjusted in accordance with the change in the disclosure of pension provisions in the balance sheet which must be applied retroactively. See page 31.

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.03.2013	31.12.2012*
	€k	€k
Shareholders' equity		
Subscribed capital	52,800	53,577
Capital surplus	83,980	91,571
Earnings reserves	31,123	31,123
Other equity	2,393	0
Accumulated earnings/deficit	65,695	-56,062
Equity, total	**235,991**	**120,209**
Long-term liabilities		
Pension provisions	939	939
Deferred tax liabilities	7,093	5,855
Bank loans and overdrafts	47,226	142,587
Debenture bonds	119,417	118,719
Financial liabilities	74,395	67,856
Leasing liabilities	453	552
Long-term liabilities, total	**249,523**	**336,508**
Short-term liabilities		
Short-term provisions	799	945
Tax liabilities	5,445	9,379
Trade accounts payable	10,500	16,122
Payments received on account	8,509	9,147
Financial liabilities	4,172	3,117
Leasing liabilities	469	556
Other liabilities	18,209	26,592
Short-term liabilities, total	**48,103**	**65,858**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**533,617**	**522,575**

*The figures from the previous year have been adjusted in accordance with the change in the disclosure of pension provisions in the balance sheet which must be applied retroactively. See page 31.

Consolidated Statement of Change in Capital

	Number of shares	Sub-scribed capital	Capital reserves	Earnings reserves	Other equity	Unappro-priated earnings/ Accu-mulated deficit	Share-holders equity Total
		€k	€k	€k	€k	€k	€k
Per 31/12/2011	**51,902,424**	**57,093**	**119,917**	**31,123**	**0**	**-43,108**	**165,025**
Effect from change in disclosure of pension provisions in the balance sheet		0	0	0	0	-243	-243
Per 01/01/2012	**51,902,424**	**57,093**	**119,917**	**31,123**	**0**	**-43,351**	**164,782**
Change in own shares	-240,192	-265	-1,496	0	0	0	-1,761
Consolidated comprehensive results		0	0	0	0	2,825	2,825
Per 31/03/2012	**51,662,232**	**56,828**	**118,421**	**31,123**	**0**	**-40,526**	**165,846**
Per 01/01/2013	**48,706,514**	**53,577**	**91,571**	**31,123**	**0**	**-56,062**	**120,209**
Change in own shares	-706,514	-777	-7,591	0	0	0	-8,368
Consolidated comprehensive results		0	0	0	2,393	121,757	124,150
Per 31/31/2013	**48,000,000**	**52,800**	**83,980**	**31,123**	**2,393**	**65,695**	**235,991**

The figures from the previous year have been adjusted in accordance with the change in the disclosure of pension provisions in the balance sheet which must be applied retroactively. See page 31.

Consolidated Capital Flow Statement

	I/2013	I/2012
	TEUR	TEUR
Consolidated results	121,757	2,825
Other financial results not affecting payments	-105,385	14,131
Result not affecting payments from financial assets shown in the balance sheet according to equity method	-10,281	-7,377
Interest paid	-132	-375
Interest received	271	243
Results from interest	2,552	1,187
Income tax paid	-7,353	-5,148
Income tax received	2	1,445
Taxes on income	5,104	3,249
Amortisation and depreciation	2,441	774
Change in inventories	633	1,059
Change in receivables and other assets	-5,985	-15,249
Change in trade payables and other liabilities and provisions	-8,713	-13,712
Change in payments received on account	-638	-5,655
Cash flow from current business activities	**-5,727**	**-22,603**
Investments in tangible and intangible assets	-8,328	-926
Incoming payments from the sale of financial assets that are reported according to the equity method and of other financial assets	136,000	0
Cash flow from investment activities	**127,672**	**-926**
Change in own shares	-8,368	-1,761
Outgoing payments for amortisation of loans	-135,706	-13,000
Incoming payments from the taking out of loans	34,370	21,000
Change in investment liabilities	-186	-130
Cash flow from financing activities	**-109,890**	**6,109**
Change in cash	**12,055**	**-17,420**
Cash at beginning of period	77,303	20,688
Cash at end of period	89,359	3,268

Consolidated Notes

1. General information

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1997. The business field telecommunications represents the core business of Drillisch Group and is essentially located in the wholly-owned subsidiaries Drillisch Telecom GmbH, MS Mobile Services GmbH (both in Maintal) and b2c.de GmbH (Munich). The Group holds service provider licences for the networks O_2, Vodafone, Telekom and E-Plus and markets wireless services products in the sectors postpaid and prepaid primarily on the O_2 and Vodafone networks. The address and registered office of Drillisch AG as the parent company of the Group is Wilhelm-Röntgen-Strasse 1–5, 63477 Maintal, Germany. The Company is registered at the Hanau Local Court under HRB 7384.

2. Applied accounting principles

The shortened consolidated interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU. All of the applicable IFRS which have been adopted by the EU and became mandatory as of 1 January 2013 have been taken into consideration.

During fiscal year 2013, the method for the disclosure of pension provisions for merit-based pension schemes (so-called defined benefit plans) in the balance sheet has been changed. In the past, the corridor rule was applied with the consequence that actuarial profits and losses were not reported as operating results unless they exceeded 10% of the scope of the insurance (defined benefit obligation). Now the actuarial profit and loss will be recorded immediately in the year in which they occur. The disclosure of the actuarial profit and loss is measured in future directly in equity as a component of the Other equity items. A disclosure in the income statement will be made neither in the year of their occurrence nor in later periods in conformity with IAS 19.93D.

This switch has been carried out as a change in the accounting methods in conformity with IAS 8.14 et seqq. because IAS 19 no longer permits application of the corridor rule from 1 January 2013.

The change in the accounting method has been applied retroactively in accordance with IAS 8. In terms of the pertinent closing dates or closing periods, the changeover in the accounting methods has the following effects.

The retroactive measurement of actuarial profit and loss as part of the disclosure of pension obligations in the balance sheet has led to an increase in the value of the pension provisions shown per 31 December 2012 by €348k in comparison with the annual report 2012. At the same time, the unappropriated retained earnings / accumulated deficit has declined by €243k and the deferred tax liabilities by €105k. Retroactive adjustments within the comparative figures of the comprehensive income statement of the Group for the comparative periods of the previous year were not made in view of their insignificance.

Consolidated Notes

Aside from this one change, the same accounting and valuation methods were applied as in the consolidated annual accounts as per 31 December 2012. This shortened interim report per 31 March 2013 has been prepared in compliance with IAS 34 "Interim Financial Reporting" and the German accounting standard DRS 16 "Interim Financial Reporting". The rate for the consolidated tax on income remains unchanged at 30.25%. The preparation of the interim report requires management to make a number of assumptions and estimates, a situation which can lead to deviations between the values disclosed in the interim report and the actual values.

The remaining stock in freenet AG (13.4m shares or 10.4%) is disclosed in the balance sheet from 20 March 2013 according to the available for sale method as a consequence of the sales (13.3m shares) during Q1 2013. The shares were previously disclosed in the balance sheet according to the equity method.

Hedging transactions have been concluded as part of the financing of the freenet stock acquired in 2011 and 2012. A part of the hedging transactions were terminated at the time of the partial sale of freenet stock in March 2013. The value of the remaining hedging transaction is recalculated as of every closing date and essentially is a result of the price of the freenet stock on the closing date and of the remaining term. A rising stock price tends to lead to a declining value of the hedging transaction. Which can also be negative. In this case, it is disclosed under the long-term financial liabilities. The result from the valuation and the termination of the hedging transactions per 31 March 2013 is €26,154k and is disclosed in Other financial results.

On 5 April 2012, Drillisch AG issued non-subordinated debenture bonds vested with the right to convert to current registered shares of equity stock in freenet AG. The emission volume amounted to €125 million (corresponding to approximately 8.5 million shares of freenet AG stock). The debenture bonds are non-subordinate liabilities of Drillisch AG secured by a lien on the underlying shares of the freenet AG stock and of equal ranking with all other current and future non-subordinate liabilities of Drillisch AG. The underlying shares of freenet AG stock have been pledged for the benefit of Deutsche Trustee Company Limited ("security trustees"). The bonds have a term of five years. The debenture bonds may be called by Drillisch AG on or after 27 April 2015 if the share price of the freenet AG stock (over a certain period) exceeds 130% of the then applicable conversion price. The investors may declare the bonds due and payable at the nominal value plus any accrued interest as of the third anniversary of the issue. The bonds have been issued at 100% of the nominal value and will also be redeemed at 100%. They include an annual coupon of 3.375%. The conversion price was set at €14.7719 at the time of the issue. The debenture bonds (with a nominal value of €100,000.00 per bond) have been issued directly by Drillisch AG.

The conversion price and the number of shares securing the lien were adjusted by freenet AG capital measures (protection from dilution). The conversion ratio applicable to the debenture bond was adjusted pursuant to Section 10 (5) of the Terms and Conditions of Issue of the Debenture Bond in May 2012 owing to the distribution of a cash dividend (as defined in the Terms and Conditions of the Issue of the Debenture Bond) for fiscal year 2011. As of the closing date, the conversion price amounts to €14.0978 and the number of shares securing the lien amounts to 8.9 million.

Consolidated Notes

Owing to the contracted opportunities to call the bonds for Drillisch AG and investors dependent on the development of the price of the freenet AG stock, a term of three years has been assumed for disclosing and valuating the components of the debenture bonds in the balance sheet. The bonds have been partitioned into a base instrument (debenture bond) and an option right (long-term financial liability) as of the issue date. The base instrument is valuated at the cost of acquisition carried forward in accordance with the effective interest method. The option right is measured at its fair value as operating results per each closing date.

3. Treasury stock

The Annual General Meeting on 28 May 2010 adopted a resolution authorising the Drillisch AG Management Board to acquire treasury stock totalling up to 10% of the share capital at the time of the Annual General Meeting 2010 (5,318,901 shares) on or before 27 May 2015. This repurchase right has been exercised during the current fiscal year and 706,514 shares of treasury stock have been acquired on the stock exchange. Within the scope of the stock repurchase programme, a total of 3,662,232 shares for a total price of €38,465,480.61 (excluding ancillary cost) were acquired. The stock repurchase programme was concluded on 21 January 2013.

Per 31 March 2013, Drillisch AG held 5,189,015 of its own shares.

4. Profit per share

The consolidated profit is divided by the weighted average of the shares in circulation to determine the profit per share.

	I/2013	I/2012
Consolidated profit in €k	121,757	2,825
Weighted average, less own shares held	48,075,202	51,716,640
Consolidated profit per share in €	**2.53**	**0.05**

Consolidated profit per share excluding the freenet holding is shown below:

	I/2013	I/2012
Consolidated profit excluding freenet holding in €k	9,772	9,919
Weighted average, less own shares held	48,075,202	51,716,640
Consolidated profit per share excluding freenet holding in €	**0.20**	**0.19**

Consolidated Notes

5. Explanatory comments on cash flow statement

The liquidity (cash) shown in the cash flow statement includes cash on hand and cash in banks which are shown under Cash in the consolidated balance sheet.

The cash flow statement has been prepared in compliance with IAS 7 and breaks down the changes in cash according to payment flows from business, investment and financing activities. The cash flow from operating activities in this case is determined according to the indirect method.

6. Segment presentation

The segment report is based on the internal organisation and reporting structure, which differentiates among the products and services offered by the various segments of the Drillisch Group. The software services segment and the freenet AG holding segment are shown in addition to the telecommunications segment.

The activities of the Group in the sector of wireless services are bundled in the telecommunications segment. The operating companies in Drillisch Group offer advance wireless services performance from all four of the wireless services network operators active in Germany. The advance services acquired from the network operators Telekom Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica O_2 Germany GmbH & Co. OHG are sold further to the end consumers for the Company's own account and at rates established by Drillisch on the basis of its own calculations.

Activities related to the development and marketing of a workflow management software are bundled in the software services segment.

The holding in freenet AG is presented in the freenet holding segment.

Consolidated Notes

Segment Report 01/01/2013 - 31/03/2013	Telecommunications	Software services	freenet holding	Total
	€k	€k	€k	€k
Sales with third parties	74,690	38	0	74,728
Inner-company sales	0	1,676	0	1,676
Consolidation	0	-1,676	0	-1,676
Segment sales	**74,690**	**38**	**0**	**74,728**
Segment EBITDA	**16,189**	**-1**	**0**	**16,188**
Amortisation and depreciation	-2,441	0	0	-2,441
Segment EBIT	**13,748**	**-1**	**0**	**13,747**
Result from financial investments shown in the balance sheet according to the equity method	**0**	**0**	**10,281**	**10,281**
Result from fair value measurment of hedge transactions	0	0	26,154	26,154
Result from fair value measurement of financial derivatives related to the issue of a debenture bond	0	0	-36,625	-36,625
Result from the change of accounting and valuation principles	0	0	115,856	115,856
Other financial results per comprehensive income statement	**0**	**0**	105,385	105,385
Interest income	271	0	0	271
Interest and similar expenses	-8	0	-2,815	-2,823
Financial result	**263**	**0**	**112,851**	**113,114**
Profit before taxes	**14,011**	**-1**	**112,851**	**126,861**
Taxes on income	**-4,238**	**0**	-866	-5,104
Consolidated results	**9,773**	**-1**	111,985	121,757
Change in attributable market value of financial assets available for sale	0	0	2,430	2,430
Taxes on income	0	0	-37	-37
Items which in future can be reclassified in the income statement	0	0	2,393	2,393
Consolidated comprehensive results	**9,773**	**-1**	114,378	124,150

Consolidated Notes

Segment Report 01/01/2012 - 31/03/2012	Telecommunications	Software services	freenet holding	Total
	€k	€k	€k	€k
Sales with third parties	84,152	44	0	84,196
Inner-company sales	0	1,711	0	1,711
Consolidation	0	-1,711	0	-1,711
Segment sales	**84,152**	**44**	**0**	**84,196**
Segment EBITDA	**14,781**	**8**	**0**	**14,789**
Amortisation and depreciation	-774	0	0	-774
Segment EBIT	**14,007**	**8**	**0**	**14,015**
Result from financial investments shown in the balance sheet according to the equity method	**0**	**0**	**7,377**	**7,377**
Result from fair value measurement of hedge transactions	0	0	-14,131	-14,131
Result from fair value measurement of financial derivatives related to the issue of a debenture bond	0	0	0	0
Result from the change of accounting and valuation principles	0	0	0	0
Other financial results per comprehensive income statement	**0**	**0**	**-14,131**	**-14,131**
Interest income	243	0	0	243
Interest and similar expenses	-37	0	-1,393	-1,430
Financial result	**206**	**0**	**-8,147**	**-7,941**
Profit before taxes	**14,213**	**8**	**-8,147**	**6,074**
Taxes on income	**-4,299**	**-3**	**1,053**	**-3,249**
Consolidated results	**9,914**	**5**	**-7,094**	**2,825**
Change in attributable market value of financial assets available for sale	0	0	0	0
Taxes on income	0	0	0	0
Items which in future can be reclassified in the income statement	0	0	0	0
Consolidated comprehensive results	**9,914**	**5**	**-7,094**	**2,825**

Consolidated Notes

With the exception of the Other financial assets of €253.4m and financial liabilities of €245.2m, the Group's assets and liabilities must be attributed almost exclusively to the telecommunications sector.

The consolidation includes the elimination of the business relationships within or between the segments. Such relationships are essentially the offsetting of the expenses and income within the Group. The accounting principles (IFRS as they are to be applied in the EU) are identical for all of the segments.

The transfer prices correspond on principle to the prices determined by arm's length comparison. Since Drillisch Group is active only in Germany, there are no geographic segments. The most important non-operating segment expenses and income include the allocations to the provisions, the measurement of the hedging transactions and the result from the freenet holding.

7. Relations to relatives and companies

As per 31 March 2013, there were claims due from and liabilities due to relatives and companies as shown below:

The Baugemeinschaft Maintal, consisting of the shareholders Paschalis Choulidis and Marianne Choulidis, has rented office space in Maintal to Drillisch Group. The lease runs until 30 June 2015. Rent expenses for the first 3 months of 2013 amounted to €127k.

During the first 3 months of 2013, Drillisch Group realised sales of €28k from the company Frequenzplan GmbH, Planegg (shareholder: Mr Tobias Valdenaire).

There were no amounts due to or due from the related parties mentioned above per 31 March 2013.

The company Flexi Shop GmbH, Frankfurt am Main (shareholder Mr Jannis Choulidis), realised sales in the amount of €50k with Drillisch Group in the first 3 months of 2013. The amount of €16k was due to this company per 31 March 2013.

Consolidated Notes

8. Financial Instruments

The book value in each case for short-term financial assets and liabilities which are not derivatives is a reasonable approximation of the attributable fair value.

Long-term financial assets and liabilities measured at fair value can be classified according to the fair value hierarchy as shown below:

The shares in freenet AG held by the Company and disclosed under Other financial assets are classified as Level 1 “publicly noted prices” and are disclosed in the balance sheet at a fair value of €253.4m.

The derivatives disclosed under financial liabilities are classified at the level “derived from prices (Level 2)” and disclosed in the balance sheet at a fair value of €74.4m.

No measurements at Level 3 (no observable market values, valuation based on valuation models) have been made.

Finance and Event Calendar · Publications · Your Contacts · Information and Order Service

Financial Dates 2013*

Date	Event
Friday, 10 May	Report on Q1-2013
Thursday, 16 May	Annual General Meeting
Friday, 9 August	Report on H1-2013
Friday, 15 November	Report on 9M-2013
November	DVFA Analyst Event

* Subject to change

Publications

The present report on the first quarter 2013 is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about Drillisch AG at **www.drillisch.de**.

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The information provided in this publication has been checked carefully. However, we cannot guarantee that all specifications are complete, correct and up to date at all times.

Future-oriented Statements:
This report contains certain statements oriented to the future which are based on the current assumptions and projections of the management of the Drillisch Group. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the Company to deviate substantially from the assessments shown here. The factors described in our reports to the Frankfurt Stock Exchange are among such factors. The Company does not undertake any obligation to update such future-oriented statements and to adapt them to future events or developments.