DRILLISCH AG
9-MONTH REPORT 2013

Key Indicators of the Drillisch-Group	I-III/2013	I-III/2012	III/2013	II/2013	I/2013	III/2012
Revenue in €m	217.9	244.7	70.9	72.3	74.7	77.1
Revenue, adjusted, in €m*	223.6	234.9	72.9	74.2	76.4	77.1
Service Revenues in €m	207.2	227.0	68.2	69.1	69.9	72.0
Service Revenues, adjusted in €m*	212.9	217.2	70.2	71.1	71.6	72.0
Other Revenues in €m**	10.7	17.7	2.7	3.2	4.8	5.0
Gross Profit in €m	87.1	78.7	31.0	29.6	26.6	27.4
Gross profit in % of revenue	40.0%	32.2%	43.8%	40.9%	35.5%	35.5%
EBITDA in €m	52.1	47.3	18.0	17.9	16.2	14.1
EBIT in €m	44.9	43.4	15.6	15.5	13.7	11.8
EBT in €m	161.5	25.7	12.7	22.0	126.9	15.6
Consolidated profits in €m	147.1	17.2	7.8	17.6	121.8	10.4
Profit/loss per share in €	3.06	0.33	0.16	0.37	2.53	0.20
EBITDA margin in % of revenue	23.9%	19.3%	25.4%	24.8%	21.7%	18.3%
EBIT margin in % of revenue	20.6%	17.7%	22.1%	21.4%	18.4%	15.3%
EBT margin in % of revenue	74.1%	10.5%	17.8%	30.4%	169.8%	20.3%
Consolidated profit margin in % of revenue	67.5%	7.0%	11.0%	24.3%	162.9%	13.5%
Equity in €m	196.1	140.1	196.1	184.6	236.0	140.1
Balance Sheet total in €m	236.5	519.1	236.5	319.6	533.6	519.1
Equity ratio (equity as % of balance sheet total)	82.9%	27.0%	82.9%	57.8%	44.2%	27.0%
Return on equity (ROE) (ratio consolidated result to equity in %)	122.4%	10.4%	6.5%	14.6%	101.3%	6.3%
Cash in €m	52.7	71.2	52.7	43.6	89.4	71.2
Liabilities in €m	0.0	303.6	0.0	86.2	245.2	303.6
Cash flow from current business operations in €m	31.1	10.5	18.0	18.9	-5.9	16.7
Depreciation excluding goodwill in €m	7.3	3.9	2.4	2.4	2.4	2.3
Payments for investments (in tangible and intangible assets) in €m	19.1	15.2	9.9	0.8	8.3	13.6
Staff as annual average (incl. Management Board)	357	333	357	356	350	333
Wireless services customers (in thousands)(1)	1,855	1,906	1,855	1,823	1,851	1,906
thereof MVNO subscribers	**1,648**	**1,389**	**1,648**	**1,593**	**1,531**	**1,389**
thereof budget subscribers(2)	733	383	733	657	580	383
thereof volume subscribers(3)	915	1,006	915	936	951	1,006
AGPPU(4) budget subscribers	9.60 €	9.93 €	9.90 €	9.72 €	9.35 €	10.23 €
AGPPU(4) volume subscribers	3.77 €	4.10 €	3.74 €	3.77 €	3.76 €	4.41 €
AGPPU(4) subscribers (total)	**6.12 €**	**5.48 €**	6.40 €	6.16 €	5.80 €	5.94 €

(1) - thereof 126,000 prepaid subscribers and 81,000 postpaid service provider subscribers per 30/09/2013
(2) - Rate plans with included volume (voice, text messages, data)
(3) - Rate plans with billing based on usage “Pay as you go”
(4) - AGPPU = average gross profit per user

*Revenue and service revenues adjusted for the sale of prepaid subscribers and changes in forwarding charges
**Other revenues include sales of devices and other revenues

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 third quarter of 2013 was once again marked by dynamic growth for Drillisch in a problematic market environment so that the Company was able to add yet another chapter to its history of success. The major drivers of our corporate success include the outstanding value for money of our rate plans, the transparency and security of our products and processes, and the satisfaction of our subscribers. Our high standards of security and quality have been confirmed once again by the awarding of marks of "Good" and "Excellent" by independent assessors during recent audits. These elements together solidify our excellent position for moving into the future, and we will continue the sustained and successful development of Drillisch AG.

We intend to refrain at this time from making any comments on the large merger of Telefónica Deutschland with E-Plus which appears imminent on the German wireless services market because negotiations are still going on and, while speculation is rife, there are currently neither concrete nor final results. However, we do not expect any fundamentally negative impact on our business model and are prepared to seize upon any new opportunities which arise from the merger. Let us just wait until we all know more.

A recent online study conducted by ARD and ZDF has reinforced our own assessments that the decisive growth driver in wireless services is the use of the internet. Mobile use of the internet has almost doubled within one year. The ability to be online anytime and anywhere – this is the trend given full consideration in our current portfolio of rate plans. In the meantime, 77% of the German population spends about 169 minutes a day using the internet, and 41% uses mobile end devices for this purpose. Overall, three-fourths of all wireless services users today would not leave home without their mobile phones. In the age group 14 to 29, the corresponding figure rises all the way to 83%. We continue to be well positioned with our transparent and customer-friendly products to take advantage of this development. Even though LTE does not yet play an especially great role in wireless services revenues in Germany, the intensive advertising campaigns conducted by the network operators have successfully raised the level of awareness of, and interest in, this latest and fastest wireless services generation by a significant degree. Drillisch customers can also profit from the high transmission speeds of up to 100 MBit per second offered for a number of the Company's brands.

Letter from the Management Board

Moreover, we have become firmly established as the price leaders on the German wireless services market with our current "All-in X – product family". Our customers can put together a wireless services product, including high-performance data packages, tailored to their individual needs, yet our brands – in contrast to those of our competitors – do not require the signing of long-term contracts.

The high level of acceptance of our products can be seen most clearly in the steadily growing numbers of MVNO subscribers. The past 12 months have seen an increase in the number of subscribers of 259,000 to 1.648 million (9M 2012: 1.389 million), corresponding to growth of 18.6%.

During the first nine months of 2013, this improvement in the quality of our clientele enabled us to realise a gross profit of €87.1 million (9M 2012: €78.7m) from adjusted service revenues of €212.9 million (9M 2012: €217.2m). This represents an increase of €8.4 million (10.7%) over the same period of the previous year. The gross profit margin reached the level of 40.0% for the first time (9M 2011: 32.2%).

This increase in income is also reflected in the consistently high quality of the average gross profit per user (AGPPU). This indicator, which includes the revenue from a customer as well as the cost of materials involved, gives much more precise expression to the operating strength of the wireless services business – the intrinsic value of the customer relationship – than the simple "average revenue per user" (ARPU). The AGPPU increased by 11.7% to €6.12 per user (9M 2012: €5.48 per user) during the comparable period. This positive development is being carried by our high-value budget subscribers, whose numbers have increased by 91.4% to 733,000 subscribers (9M 2012: 383,000) in the last twelve months. We were able to realise an AGPPU of €9.60 (9M 1012: €9.93) in this subscriber segment. This is what we mean by qualitative growth. As expected, the number of volume subscribers declined slightly in comparison with the same period of the previous year by 91,000 to 915,000 subscribers (9M 2012: 1.006 million subscribers). We are also assuming for future quarters that we will increase the subscriber figures in the MVNO segment by a total of 50,000 to 60,000 per quarter and be able to continue increasing the share of budget subscribers.

The consolidated EBITDA rose by 10.2% to €52.1 million (9M 2012: €47.3m) during the first nine months. After nine months, we have reached about 75% of the upper end of the EBITDA guidance of €67 million to €70 million for 2013 and assume that by the end of the year the figure will reach €70 million. The EBITDA margin rose by 4.6 percentage points to 23.9% (9M 2012: 19.3%) during the first nine months. The EBITDA margin in Q3 came to 25.4% (Q3 2012: 18.3%) and reached a new all-time high.

The debenture bond issued by Drillisch AG in April 2012 with a right to convert the bond to ordinary shares of freenet AG in a volume of €125 million was called by more than 85% of the investors during the second quarter of this year because of the steady rise in the price of the freenet stock. On 29 May 2013, we called the remaining bonds ourselves in accordance with the terms and conditions of issue. The complete and final liquidation was finished in July so that per 30 September 2013 our liabilities from bonds were reduced to zero. In addition, the wholly-owned group member MSP-Holding GmbH sold almost the complete holding in freenet stock in Q3 2013 and used the returns to repay the bank liabilities in full. Per the closing date 30 September, Drillisch holds a total of 500,000 shares in freenet stock and, with the exception of the usual payment obligations from current operations, is debt-free.

Letter from the Management Board

The positive dynamics of the MVNO model also find expression in the development of operating cash flow, which in comparison with the same period last year rose by €20.6 million to €31.1 million (9M 2012: €10.5m). Our unused lines of credit and the available cash reserves mean that we are in a very good position to leverage any opportunities that arise on the German wireless services market.

The successful course of business during the first nine months of 2013 and a good start to Q4 gives us the confidence to increase our multiple-year forecast of an increase in the EBITDA. For fiscal year 2013, we now expect an EBITDA – as mentioned above – of €70 million (previous year: €61.9m) and, for fiscal year 2014, a further increase to between €82 million and €85 million. Our forecasts are based on a continuing steady rise in high-value MVNO customers. Thanks to the excellent development of operations and the attendant cash flow, we consider a dividend of €1.60 per share for the current year and a dividend of the same amount as a minimum for 2014 and 2015 to be realistic and reasonable (based on current planning). This is our way, dear shareholders, of enabling you to participate once again in the positive development of Drillisch AG.

Faithfully yours,

Vlasios Choulidis and Paschalis Choulidis

Investor Relations Report

The Capital Market per 30 September 2013

Development on the capital market in the third quarter was highly positive, whereby stocks from the second tier posted substantially better performance. This is made clear by a comparison of the TecDAX and the DAX30. While the TecDAX improved by 137.1 points (14.5%) and closed at 1,083.51 points (30/06: 946.35), the DAX increased by 635.2 points (8.0%) and closed the third quarter at 8,594.40 points (30/06: 7,959.22).

The Drillisch Stock in Comparison with the TecDAX

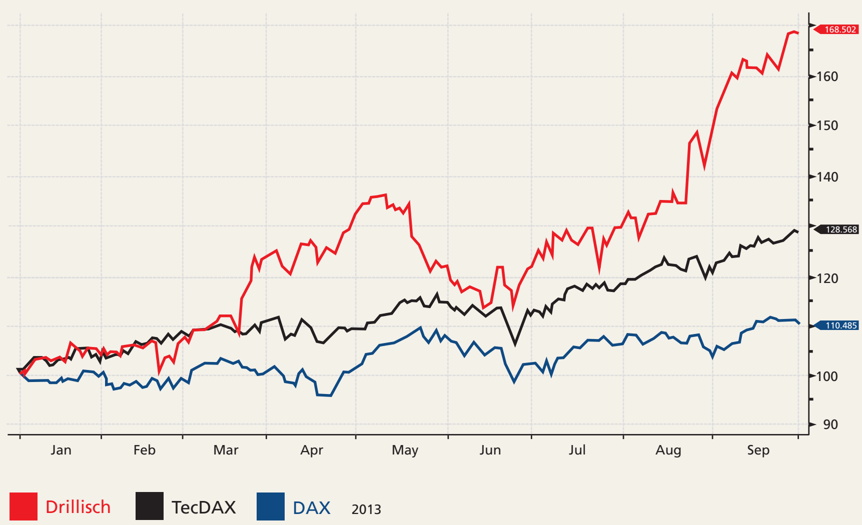
	Close-out 2012	30 September 2013	% change
Drillisch	€ 11.145	€ 17,81	+ 59.8%
TecDAX	828.11	1,083.51	+ 30.8&

Per 30 September, Drillisch was in 12th place for market capitalisation (30 September 2012: 15th place) and 9th place for turnover (30 September 2012: 10th place), two of the TecDAX performance indicators. Measured by market capitalisation, Drillisch is listed in 90th place among the 100 largest companies of the DAX family (source: Deutsche Börse AG, September 2013).

The heightened attractiveness of our stock is also reflected in stock exchange trading. An average daily trade volume of about 343,000 shares (Xetra) reveals that the Drillisch stock is of interest for virtually all investor groups in terms of the liquidity aspect as well. During the first nine months of 2013, about 65.3 million shares (same period last year: 53.5 million shares) were traded on Xetra. Not only have the figures of the previous year been significantly exceeded – trade has already reached almost the total volume for all of 2012 (2012: 66.5 million shares).

The Drillisch Stock – Attractive Dividend Value in Combination with Sustained Profit

The Drillisch-Stock 2013 (until 30 September)



Source: Bloomberg

Investor Relations Report

The Drillisch Stock – Attractive Dividend Value in Combination with Sustained Profit Growth (EBITDA) by 10% to 15%

Dividend yields on the TecDAX average 1.93%. Dividend yields of 7.30% for Drillisch stock make it one of the absolute leaders. Owing to an attractive dividend policy and sustained increases in the consolidated EBITDA as the most important performance indicator, Drillisch stock is regarded as a promising investment on the capital market.

Current Analyst Assessments (per 30 September 2013)*

Analysis	Rating	Target Price	Date
Bankhaus Lampe	"Buy"	€ 20.00	18 September 2013
Warburg Research	"Hold"	€ 17.00	13 September 2013
LBBW	"Hold"	€ 16.50	05 September 2013
Hauck & Aufhäuser	"Buy"	€ 18.50	04 September 2013
Berenberg	"Buy"	€ 20.00	22 August 2013

*An updated overview of recommendations can also be found on the IR home page.

Agenda of Q3 2013 – DGAP Ad-Hoc Reports

08 August	Best first half-year in company history. Guidance 2013 raised. Confirmation of the increased EBITDA forecast 2014

Investor Relations Events

23-25 September	German Corporate Conference, Munich – Berenberg & Goldman Sachs

Talks were conducted with private and institutional investors during Q3 2013. 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.

Our ongoing work can be followed equally by all investor groups on our new homepage **www.drillisch.de** -> Investor Relations. Many investors also take advantage of the opportunity for personal contact via email and/or telephone.

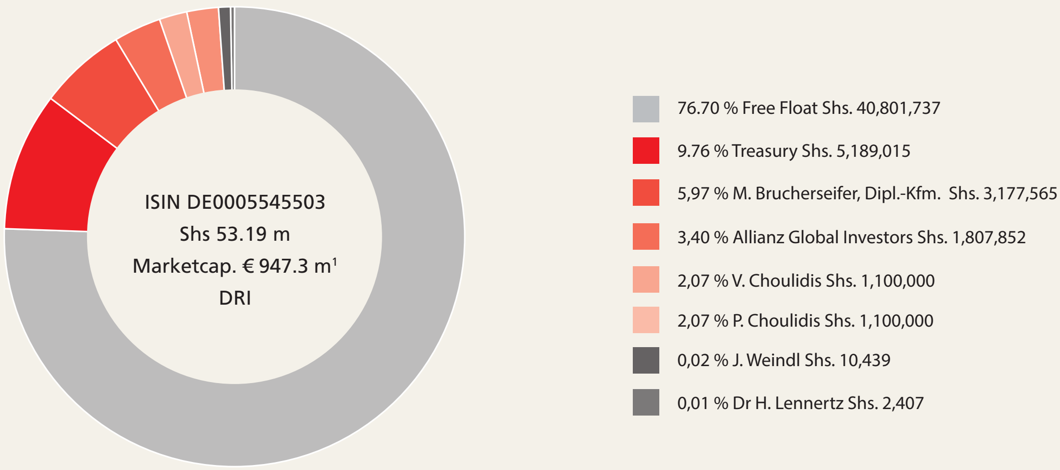
Investor Relations Report

Directors' Holdings (per 30 September 2013)

Management Board	No-par shares
Vlasios Choulidis	1,100,000 ➡ 2.07 %
Pascal Choulidis	1,100,000 ➡ 2.07 %

Supervisory Board	No-par shares
Marc Brucherseifer, Dipl.-Kfm. (Chair)	3,177,565 ➡ 5.97 %
Dr Susanne Rückert (Deputy Chair)	0
Horst Lennertz, Dr.-Ing.	2,407 ➡ 0.01 %
Frank Rothauge, Dipl.-Kfm.	0
Dr Bernd Schmidt	0
Johann Weindl, Dipl.-Kfm.	10,439 ➡ 0.02 %

Shareholder Structure (per 30 September 2013) -> as on home page



Source: Disclosures 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 €17.81 on 30 September 2013. Free Float acc. to the rule of Dt. Boerse AG: 84.27%.

MARKET ENVIRONMENT

The Wireless Services Market

Wireless services still booming; even more potential for growth

Today, almost 30 years after they made their first appearance, daily life without wireless services has become unimaginable. Once a niche product, they have in the meantime become a growth driver for the whole economy, as revealed in a study conducted by the Institute of the German Economy (IW) at the end of September 2013. The IW believes that about 6% of the gross domestic product (GDP) between 2010 and 2012 had its origins in the rapidly spreading use of wireless services. One key finding of the study is that the services offered for mobile communications also lead to substantial improvements in the productivity of companies.

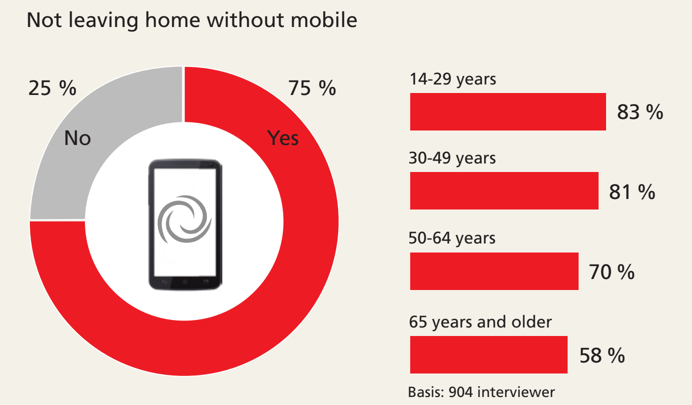
Voice telephony continuing to shift from landline to mobile networks

The researchers at the IW calculate that by 2020 there will be 160 wireless services contracts (SIM cards) for every 100 residents in Germany. At this time, the German population of about 82 million has registered close to 113 million SIM cards. The latest study from VATM [German Association of Telecommunications and Added-Value Service Providers] from October 2013 indicates that 3% of these numbers are M2M cards. As the representative survey conducted by the opinion research institute Aris in August 2013 on behalf of the industry association BITKOM revealed, 90% of the people age 14 and over in Germany own a mobile telephone. More than 63 million people now use mobile phones for phone calls, an increase of over two million from two years ago. The latest study from VATM in collaboration with DIALOG CONSULT from October 2013 highlights the dynamics of mobile communications. The volume of voice minutes from mobile connections in Germany (309 million per day) has reached a level of about 65% of the landline volume; in 2008, the corresponding figure was about 42%. Moreover, the total call minutes made from landlines in Germany declined by 12.3% during the same period while minutes made from mobile connections simultaneously increased by 33.7%.

Mobile use of the internet has doubled within one year

But the decisive driver for growth in mobile services is the use of the internet. According to a recent online study conducted by ARD and ZDF, 77% of the people in Germany spend on average about 169 minutes a day online, and 41% of them use mobile end devices for this purpose.

Mobile as a permanet companion



Source: BITKOM/ Aris Survey 2013

Mobile use of the internet has almost doubled within one year. The possibility to be online at any time and every place, to surf the internet and retrieve emails has turned smartphones and tablets into constant companions of everyday life.

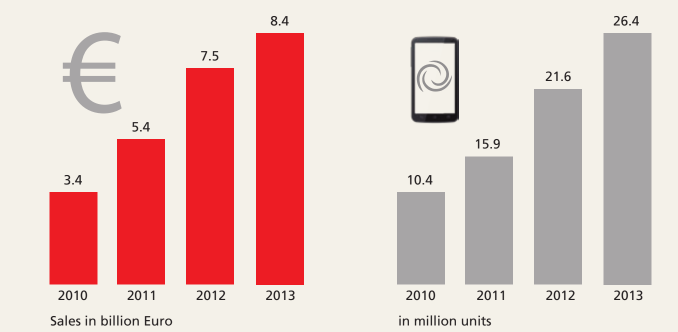
Two years ago, just under two-thirds (62%) of all mobile phone owners would not have left home without their mobiles; the figure has climbed to three-fourths (75%) today. In the age group from 14 to 29, 83% fall into this category, and even 58% of the seniors over the age of 65 who own mobile phones feel the same way.

The Wireless Services Market

Smartphone boom unabated – classic mobile phones are out

The triumphant advance of the smartphone continues in Germany as well as elsewhere. The high-tech association BITKOM expects a new record for the sale of smartphones in 2013. Twenty-six million devices will be sold, an increase of just a little less than 23% over 2012. According to projections from the market research institute EITO, more than 80% of all mobile phones sold this year will be smartphones.

German Smartphone Market (2010-2013)



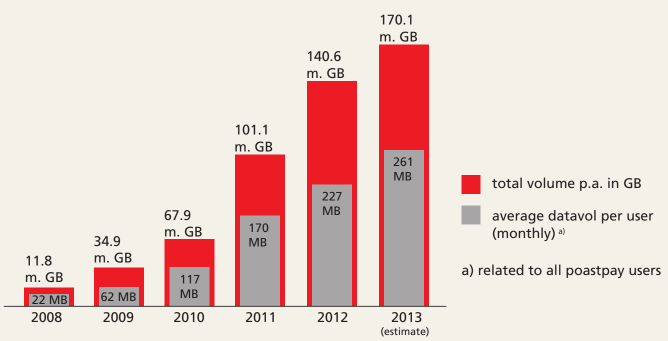
Source: BITKOM, EITO, IDC 2010-2013

Smartphones have developed into the dominant media device for young people in particular. They use their "pocket computers" more than 3 hours a day, reported the news magazine FOCUS, quoting a survey by the "Akademie der media" in Stuttgart and the agency Mindshare Marketing. The survey of people age 18 to 25 came up with interesting results regarding the ways the devices are used. Every day, young people use their smartphones…

- ... more than 60 minutes for communications services (e.g. WhatsApp),
- ... minutes for social networks (e.g. facebook),
- ... 13 minutes for phone calls and text messages.

The results clearly demonstrate the trend away from classic telephony and toward dynamically growing data usage. As a consequence, a high-speed data flat rate is more important than the inclusion of a big block of minutes or text messages when a rate plan is chosen. But since the communications needs vary across all age groups, Drillisch offers brands featuring a clearly structured portfolio without long contract terms and with understandable rate packages for any potential users. In contrast to the competitors, who usually tie their best prices to long-term contracts, Drillisch Group brands deliberately go in a different direction and attract customers instead with the greatest possible flexibility and transparency without the otherwise common maturity of 24 months contracts, as the competitors offering. Smartphone users will find among the Drillisch Group brands an entry product with complete services, including a low internet flat rate and a package of minutes and text messages, for as little as €4.95 a month, but the range of choices goes all the way to the upper end of the market with a flat rate of €24.95 for 1 GB of internet usage and unlimited telephone calls and text messages.

Development Data Traffic from Mobile Networks



Source: DIALOG CONSULT-/VATM-analyses and -prognoses

The Wireless Services Market

Drillisch expands its lines of offered services and hardware

The Drillisch Group brands are steadily adding to their customer-oriented service portfolio. Besides being the price leaders with low-cost packages and all-net rates, both with and without a smartphone, simply, maXXim, helloMobil, McSIM and Phonex as well as smartmobil.de, DeutschlandSIM, discoTEL, discoPLUS and WinSIM have been offering in addition various starter sets containing high-value and practical accessories, including hard covers and display films to protect the smartphone and prevent scratches, since July 2013. The package price is lower than the sum of the component costs if purchased separately. During the ordering process in the mobile phone shop, shoppers selecting a smartphone package or a smartphone automatically receive a recommendation for the starter set which best fits their selection. But our current customers can also order these interesting accessory packages by going to the service section.

Drillisch launches MultiSIM – one single contract for the use of the smartphone, tablet and hand-free set

Until now, customers have been unable to enjoy this convenience without signing long-term contracts. Drillisch is now the first provider to offer MultiSIM which can be used simultaneously with a number of mobile end devices and a single number, billed on one invoice, and all of this without a long-term contract. Users who need a second SIM card for the hands-free set in the car or who would like to use the smartphone number for convenient surfing on the their tablet PCs as well will find a perfect solution at Drillisch. As many as three SIM cards in various formats can be ordered. New customers as well as our current customers can benefit equally from this new service.

Ordering has become even easier: order hotline and chat help simplify the rate plan selection

During a test phase, the Drillisch brands maXXim and smartmobil.de supported the product selection and ordering process with a live chat tool. Potential customers can contact service associates to ask general questions and to find help when selecting a rate plan, going through the phone number transfer process or completing their orders.

Orders for both of the brands can be placed on the phone by anyone who does not want to go through the online order procedure. The initial results from this test phase indicate that the effects are positive and overall lead to a higher rate of contract conclusions.

The Wireless Services Market

TÜV certifies outstanding value for money

The independent assessment organisation TÜV Saarland has conducted extensive tests examining thoroughly the product line, ordering procedure and customer service amongst our brands.

The results: customers praise above all the large selection of innovative rate models and the especially good value for money. However, customers gave top marks for the simplicity of placing orders and the competence and friendliness of the customer care associates as well. Customer satisfaction is especially high, evidenced by the fact that more than 85% would recommend to their friends. This is an outstanding value, and we are proud to have posted such a high score.

Moreover, the online shops aids customers with new, striking navigation elements and clearly structured information boxes which make the search for the right wireless services rate plan, the perfect smartphone bundle and the desired service much easier.

Campaign rate plans and smartphone packages at top prices – distribution cooperation agreements increase brand awareness

The Drillisch AG brands continued to attract attention in the third quarter with attractive campaign rate plans and distribution cooperation agreements. For example, winSIM and helloMobil, in cooperation with Springer-Verlag, presented the smartphone rate plans *winSIM 1000/All-in XL plus* (250 minutes, 250 text messages, 500 MB internet flat rate) and *winSIM Flat/Flat XM plus* (flat rate in all networks, flat rate for text messages, internet flat rate with 1 GB) as the "Highlight of the Month" for readers of BILD, Computerbild, Sportbild and TV Digital. McSIM collaborated with the radio station NRJ to place an attractive offer and to address potential customers specifically in the metropolitan regions Hamburg, Berlin, Nuremberg, Munich, Stuttgart, Saxony and Bremen. In addition, DeutschlandSIM markets special rate plan offers on the leading online platform Amazon.

The Software Industry

Consumer awareness of LTE growing – eteleon launches PremiumSIM

Only last year, more than 40% of the respondents in a survey had not heard of the new wireless standard LTE (Long Term Evolution); today, a mere 17% do not know what this acronym stands for. The massive advertising done by the network operators is the primary reason for this increased awareness. The number of LTE-capable devices is also continuing to rise. Nevertheless, more than half of the LTE devices sold are not used at the speeds which are possible. This may also be a consequence of the significantly higher prices. Our subsidiary eteleon AG entered the market in August 2013, offering the brand PremiumSIM and appealing LTE rates, and now makes transparent and low-cost rate plans for the use of LTE technology available.

Outlook for the high-tech industry remains good

The mood in the ITC industry continues to be positive. A survey by BITKOM in the middle of the year revealed that only 17% of the companies in the sectors information technology, telecommunications and entertainment electronics expected a decline in revenues to the end of the year. The forecasts for the year as a whole are also encouraging. More than two-thirds of the firms (68%) expect revenues to rise this year.

COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP AS PER 30 SEPTEMBER 2013

Group Companies

Commercial Development of Drillisch Group per 30 September 2013

Drillisch AG, Maintal, is a mobile virtual network operator (MVNO) which operates solely in Germany. During Q3 2013, Drillisch continued the dynamic growth of the first half of the year and raised operating profit even further.

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 Germany GmbH & Co. OHG ("O_2") and Vodafone 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 in fiscal years 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 share of the clientele in this less profitable segment is declining as planned.

Price leader with innovative and transparent products

Drillisch offers to its customers the "All-in X product family" featuring clear and transparent products characterised by the greatest possible flexibility. The structure of these rate plans makes Drillisch the price leader on the German market.

Optimal performance, good service at the best price: that is the focus of all of the Drillisch products. In keeping with this philosophy, the current rate plan concept offers the ideal combination of monthly data volume, maximum surfing speed and call minute/text message packages or flat rates to match the specific needs of every individual customer.

Awards for product transparency and customer service

Drillisch has in the past regularly requested the performance of extensive quality tests by independent third parties. The certificates which have been awarded, consistently with ratings of "excellent" and "good", were confirmed without exception in the latest audits per 30 September 2013. In the course of the renewal of the certification in accordance with the demanding quality requirements of the ISO norm 9001:2008 in September 2013, the high standard of quality management at the Drillisch subsidiaries Drillisch Telecom GmbH and MS Mobile Services GmbH satisfied the auditors fully and completely in every respect.

The products offered by Drillisch attain the highest levels of transparency and security in accordance with the strictest national and international standards. Our sustained work to achieve this transparency and security as well as customer satisfaction are important elements of our corporate success. Drillisch Group will continue to request these extensive audits in the future as well.

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 AG, Munich ("eteleon"), are responsible for the operational wireless services business. The IT know-how of Drillisch Group has been concentrated in IQ-optimize Software AG, Maintal ("IQ-optimize"). MSP Holding GmbH, Maintal ("MSP"), is a subsidiary which holds stock in freenet AG as well as the investment in eteleon AG.

Streamlining of the corporate structure

Effective upon entry of the transactions in the Commercial Register on 20 and 22 August 2013, the wholly-owned subsidiaries b2c.de GmbH and Intelligram GmbH, both headquartered in Munich, were merged with eteleon. Drillisch's intention in carrying out this organisational merger of the three companies is to enhance further their efficiency and clout. eteleon, b2c.de and Intelligram will continue to be used as established brand names on the market.

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, winSIM, DeutschlandSIM, discoTEL and discoSURF plus 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. Drillisch now offers to its customers the opportunity to subscribe to PremiumSIM for surfing on mobile devices at rates of up to 100 Mbit/s and to experience the speed of the 4th generation of wireless services ("LTE").

What is more, customers can go to the online shops of the various brands to choose the equipment best suited for their purposes from a large selection of the latest smartphones, tablet PCs and notebooks and to add useful accessories.

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.

Employees

In the first nine months of 2013, Drillisch Group had an average headcount of 357 employees (previous year 333), including the two members of the Management Board. The number of vocational trainees, who are not included in the above figure, was 62 (previous year: 73). 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 the first nine months of 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 subscriber contracts, amounted to €207.2 million in the first nine months of 2013 (previous year: €227.0 million). This difference in comparison to the previous year can be attributed to the prepaid clientele sold in May 2012 who were still contributing to Group sales in the first nine months of 2012. Another factor contributing to the decline in earnings is the reduction in forwarding charges from 3.36 eurocents or 3.39 eurocents per minute in December 2012 to a standard 1.85 eurocents a minute. Taken together, these circumstances caused a negative change of €15.5 million. Adjusted for these two effects, service revenues in the first nine months of 2013 amounted to €212.9 million in comparison with €217.2 million in the same period of the previous year.

"Other revenues", which include low-margin business such as sales of devices and prepaid bundles along with the intermediary business, declined as expected in comparison with the same period last year by €7.0 million to €10.7 million (previous year: €17.7 million). In addition, this item also includes the sales from the software services segment in the amount of €63k (Q1 2012: €70k).

Total turnover in in the first nine months of 2013 amounted to €217.9 million (previous year: €244.7 million).

The MVNO clientele has increased once again since the beginning of the year by 178,000 (12.1%) to 1.648 million subscribers (31 December 2012: 1.470 million MVNO subscribers). The total number of subscribers in the postpaid sector rose by 36,000 to 1.729 million (31 December 2012: 1.693 subscribers).

The number of subscribers in the prepaid sector was reduced as expected to 126,000 (31 December 2012: 217,000). Overall, the ratio of postpaid to prepaid subscribers has improved to 93.2% postpaid to 6.8% prepaid, an increase of 4.5% for postpaid compared to the end of 2012 (31 December 2012: 88.7% postpaid to 11.3% prepaid). The total number of subscribers has declined slightly by 55,000 to 1.855 million (31 December 2012: 1.910 million).

The cost of materials declined, overproportionately to the decline in revenues, by 21.2% to €130.8 million in the first nine months of 2013 (previous year: €166.0 million). Gross profit improved as a consequence by €8.4 million, from €78.7 million in the first nine months of 2012 to €87.1 million in the first nine months of 2013. The gross profit margin increased by 7.8% to 40.0% (previous year: 32.2%). Personnel expenses increased by 6.7% to €17.6 million (previous year: €16.5 million). Correspondingly, the personnel expenses ratio in 2013 rose by 1.4% to 8.1% (previous year: 6.7%). Other operating expenses declined in total by €2.9 million to €20.5 million (previous year: €23.4 million). This decline in comparison with the previous year was primarily a result of reduced expenses for third-party services in the amount of €2.0 million (previous year: €3.0 million), which were strongly marked in the early months

Turnover and Earnings Position

of 2012 by one-off expenditures related to the transfer of the clientele to the MVNO model, lower legal and professional expenses of €2.0 million (previous year: €3.0 million) and lower Other operating expenses.

The consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators at Drillisch Group, rose by €4.8 million (10.2%) in comparison with the first nine months of 2012 to €52.1 million (previous year: €47.3 million). The EBITDA margin came to 23.9% (previous year: 19.3%). Depreciation and amortisation increased, primarily a consequence of the investments in intangible assets in Q3 2012, by €3.4 million to €7.3 million (previous year: €3.9 million). Despite the higher depreciation and amortisation, the EBIT (earnings before interest and taxes) rose by €1.5 million to €44.9 million (previous year: €43.4 million). The EBIT ratio improved by 2.9% to 20.6% (previous year: 17.7%).

The shares in freenet AG held by MSP and Drillisch AG were measured 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 the first nine months of 2013 amounted to €10.3 million (previous year: €41.1 million) and comprised the profit of €10.9 million attributable to Drillisch up to 20 March 2013 and expenses from scheduled depreciation as part of the purchase price allocation in the amount of €0.6 million.

Other financial results per 30 September 2013 amounted to €155.5 million (previous year: € -51.7 million). Effective per 20 March 2013 and 30 September 2013, MSP Holding sold a total of 17.3 million shares of freenet stock and immediately repaid loan obligations in full. As a consequence of the reduction in voting rights quota for Drillisch per 20 March 2013, the holding in freenet AG has since that time been disclosed in the balance sheet as AFS assets (available for sale assets). The change in classification initially led to a realisation of hidden reserves in the amount of €115.9 million. This effect was reduced by €6.0 million by the disposal of additional freenet stock during Q2 and Q3 at prices below the price set for the initial measurement. The acquisition of this freenet stock in 2011 and 2012 was simultaneously tied to the conclusion of hedging transactions which resulted in a liability of €54.2 million when measured on the closing date per 31 December 2012. The repayment of the loan obligations resulted in the reversal of these hedging transactions, previously measured as operating expenses, and their disclosure as operating profit. This disclosure and the disclosure of a closing-date measurement of a hedging transaction conducted in part during the year resulted on balance in non-cash income of €25.9 million (previous year: non-cash expenditures of €33.3 million). Owing to the change in the balance sheet disclosure of the freenet holding in accordance with the AFS method from 20 March 2013, changes in the value for the closing-date measurement of the freenet holding have since that time been recognised directly in equity under the item Other equity. Another consequence of the AFS measurement is that the dividend of €11.7 million paid by freenet AG in May 2013 has been recognised as profit. In the previous year, there was an offset with capitalised assets as part of the equity measurement. In addition, payment obligations of €5.6 million (previous year: €17.4 million) related to a financing transaction arose in the context of the received dividend in Q2 2013. The reversal of liabilities from financial derivatives related to the issue of a debenture bond led to non-cash income in the amount of €13.6 million (previous year: non-cash expenditures of €1.0 million). The paragraph below contains further explanatory remarks about this debenture bond.

Turnover and Earnings Position

In April 2012, Drillisch issued an exchangeable bond against freenet shares in a scope of 1,250 debenture bonds with a nominal value of €100,000 each. Among other provisions, the terms and conditions of issue granted to each and every creditor the right to exchange the bonds at any time according to a specified exchange ratio. The steady rise in the price of the freenet stock in 2013 prompted more than 85% of the investors to exercise this right in Q2 2013, exchanging the shares in the debenture bond which they had subscribed in the previous year. Once the number of outstanding bonds had in this way been reduced to less than 15% of the original issue volume by the end of May 2013, Drillisch called the remaining bond units on 29 May 2013 in accordance with Section 5 (3) of the terms and conditions of issue. However, the predefined periods meant that the liquidation of the debenture bonds which had already been called as of the end of Q2 2013 did not take place until July 2013 and consequently fell in the reporting quarter. In accordance with Section 8 (1) of the terms and conditions of issue, Drillisch exercised its right to compensate all of the exchanged and called debenture bonds in cash and not by delivering the underlying stock during the liquidation. The repayment was effected at the market value of the underlying freenet stock. Additional interest expenses in the amount of €37.5 million resulted from the difference between the nominal value of the bonds and the market value of the stock. The disclosure of this debenture bond in the balance sheet per 31 December 2012 resulted in a liability of €13.6 million arising from the closing-date measurement of financial derivatives. This liability, shown as an operating expenditure, was also reversed in full in Q2 and Q3, prorated according to the number of units exchanged or liquidated after call. This resulted in non-cash income in the amount of €13.6 million (previous year: non-cash expenditures of €1.0 million).

The interest result declined by €42.1 million to €-49.2 million (previous year: €-7.1 million). The change over the previous year is primarily a consequence of interest expense of €37.5 million described above in the context of the cash compensation for exchanged and called debenture bonds. Additional expenses pursuant to the premature repayment of bank loans of €3.2 million were incurred.

Taxes on income rose by €5.9 million to €14.4 million (previous year: €8.5 million). The rise was essentially a consequence of the reversal of deferred tax reimbursements as operating expenses which in the past had been created as operating profit in the course of the closing-date measurement of hedging transactions and financial derivatives.

Consolidated profit amounted to €147.1 million (previous year: €17.2 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 the first nine months of 2013 amounted to €38.2 million (previous year: €34.5 million). The closing-date measurement 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 of €0.4 million (previous year: €0) which is reflected directly in equity in the item Other equity. The consolidated comprehensive result per 30 September 2013 amounted to €146.7 million (previous year: €17.2 million). The profit per share amounted to €3.06 (previous year: €0.33) or, excluding the freenet holding, €0.80 (previous year: €0.67).

Assets, Liabilities and Financial Position

Assets, liabilities and financial position

Long-term liabilities declined in total by €270.1 million to €121.6 million (31 December 2012: €391.7 million). Intangible assets declined by €4.8 million to €35.9 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 30 September 2013 came to €8.9 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 measured 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 30 September 2013 was €17.89 a share.

In the past, deferred tax reimbursements were created primarily as operating profit during the closing-date measurement of hedging transactions and financial derivatives The decline in deferred tax reimbursements by €14.4 million to €8.2 million per 30 September 2013 (31 December 2012: €22.6 million) results largely from the reversal of liabilities from hedging transactions and financial derivatives in the course of repayment of loans and of the liabilities from the debenture bonds during the first nine months of 2013. The deferred tax reimbursements created as operating profit in the past have now been reversed as operating expenses.

Cash declined by €24.6 million to €52.7 million (31 December 2012: €77.3 million). Trade receivables rose slightly by €2.6 million to €44.6 million (31 December 2012: €42.0 million). In total, current assets decreased by €15.9 million to €114.9 million (31 December 2012: €130.8 million).

The balance sheet total for Drillisch Group fell by a total of €286.1 million to €236.5 million per 30 September 2013 (31 December 2012: €522.6 million).

In comparison with 31 December 2012, total equity increased by €75.9 million to €196.1 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 €55.8 million to €0 (31 December 2012: €55.8 million). As a consequence of the good results realised during the first nine months of 2013, unappropriated retained earnings of €28.9 million remain after the offset of the dividends of €62.4 million distributed in May 2013. The item Other equity of €-0.6 million (previous year: €-0.2 million) reflects on the one hand the change in value of the remaining holding in freenet AG recognised as non-operating results and on the other hand the actuarial gain or loss from the measurement of the pension provisions recognised as non-operating results in accordance with IAS 19. The equity ratio improved to 82.9% per 30 September 2013 (31 December 2012: 23.0%).

Long-term liabilities declined by a total of €332.4 million to €4.1 million (31 December 2012: €336.5 million). Essentially, this resulted from the complete reversal of liabilities from a debenture bond (31 December 2012: €118.7 million) and the repayment of all loans from banks (31 December 2012: €142.6 million). As of the end of the year 2012, Financial liabilities included hedging transactions and liabilities from

Assets, Liabilities and Financial Position

financial derivatives related to the issue of a debenture bond to the extent that they were required to be recognised at fair value as liabilities. This measurement resulted in liabilities totalling €67.9 million per 31 December 2012. No more hedging transactions or derivatives existed per 30 September so that the Financial liabilities could be reversed accordingly as operating profit.

Short-term liabilities declined by €29.7 million to €36.2 million in comparison with the end of fiscal year 2012 (31 December 2012: €65.9 million). Trade payables decreased by €1.5 million to €14.6 million (31 December 2012: €16.1 million). Tax liabilities declined by €6.6 million to €2.8 million (31 December 2012: €9.4 million). Payments received on account fell by a total of €1.0 million to €8.2 million (31 December 2012: €9.2 million). Other liabilities decreased by €17.0 million to €9.6 million (31 December 2012: €26.6 million). This decrease resulted mainly from the repayment of investment liabilities incurred by the investments in intangible assets made in Q3 2012. These investment liabilities were paid back in full when the final instalment was made in July 2013.

Cash flow

Cash flow from current business activities in the first nine months of 2013 amounted to €31.1 million (previous year: €10.5 million). This represented an improvement in Q3 2013 of €1.3 million to €18.0 million over the same period of the previous year (Q3 2012: €16.7 million).

Positive cash flow from investment activities totalling €340.7 million (previous year: €-11.6 million) primarily results from payments received from the sale of freenet stock in the amount of €347.2 million (previous year: €40.0 million) and received dividends of €11.7 million (previous year: €38.4 million) and payments for investments in tangible and intangible assets of €19.1 million (previous year: €15.2 million).

During the first nine months of 2013, there was a total outflow of funds of €396.4 million (previous year: inflow of €51.6 million) from financing activities. This outflow of funds came essentially from outgoing payments related to the repayment of a debenture bond in the amount of €125.0 million (previous year: inflow of €123.0 million) and from the taking out and repayment of financing loans with a bottom-line figure of €-158.3 million (previous year: €-30.7 million), dividend payments of €62.4 million (previous year: €36.2 million), interest payments of €41.9 million (previous year: €2.4 million) and payments for the acquisition of treasury stock in a 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 instrument of risk management. It can thus become a strategic success factor for the Company's management for both the subsidiaries and Drillisch itself.

The risk situation during the first nine months of fiscal year 2013 – in comparison with the risks described in the annual report for the year 2012 – did not essentially change, with two exceptions. As a consequence of the major reduction in the holding in freenet AG, unknown risks which could have an impact on the assets and liabilities or the financial or earnings position of freenet AG pose only a slight risk for Drillisch. Moreover, the risk of unscheduled depreciation on freenet stock has materially been reduced substantially. In the opinion of the Management Board, adequate precautions have been taken to counter all other existing and identified risks.

Important events occurring after 30 September 2013

No important events occurred after 30 September 2013.

Outlook

The Management Board expects an EBITDA of the forecast of €70 million for 2013 and a further increase to between €82 million and €85 million for 2014 in the telecommunications segment. Management intends to continue the expansion in the size of the MVNO clientele.

CONDENSED CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2013

Consolidated Comprehensive Income Statement

	I-III/2013	I-III/2012*	III/2013	III/2012*	II/2013	II/2012*	I/2013	I/2012*
	€k	€k	€k	€k	€k	€k	€k	€k
Sales	217,891	244,692	70,894	77,053	72,269	83,443	74,728	84,196
Other own work capitalised	1,785	1,667	557	609	639	554	589	504
Other operating income	1,220	6,803	497	426	320	6,083	403	294
Raw material, consumables and services used	-130,754	-166,002	-39,864	-49,672	-42,714	-59,840	-48,176	-56,490
Personnel expenses	-17,548	-16,446	-5,987	-5,739	-5,732	-5,312	-5,829	-5,395
Other operating expenses	-20,459	-23,418	-8,076	-8,566	-6,856	-6,532	-5,527	-8,320
Depreciation and amortisation	-7,268	-3,880	-2,388	-2,347	-2,439	-759	-2,441	-774
Operating result	**44,867**	**43,416**	**15,633**	**11,764**	**15,487**	**17,637**	**13,747**	**14,015**
Result from financial investments shown in the balance sheet according to the equity method	10,281	41,064	0	24,363	0	9,324	10,281	7,377
Other financial results	155,507	-51,747	4,471	-17,651	45,651	-19,965	105,385	-14,131
Interest income	849	698	293	264	285	191	271	243
Interest and similar expenses	-50,037	-7,774	-7,745	-3,131	-39,469	-3,213	-2,823	-1,430
Financial results	**116,600**	**-17,759**	**-2,981**	**3,845**	**6,467**	**-13,663**	**113,114**	**-7,941**
Profit before taxes	**161,467**	**25,657**	**12,652**	**15,609**	**21,954**	**3,974**	**126,861**	**6,074**
Taxes on income	-14,377	-8,474	-4,880	-5,183	-4,393	-42	-5,104	-3,249
Consolidated results	**147,090**	**17,183**	**7,772**	**10,426**	**17,561**	**3,932**	**121,757**	**2,825**
Change in attributable market value of financial assets available for sale	-405	0	3,811	0	-6,646	0	2,430	0
Taxes on income	6	0	-58	0	101	0	-37	0
Items which in future can be reclassified in the income statement	-399	0	3,753	0	-6,545	0	2,393	0
Consolidated comprehensive results	**146,691**	**17,183**	**11,525**	**10,426**	**11,016**	**3,932**	**124,150**	**2,825**
Profit per share (in €)								
Undiluted	3.06	0.33	0.16	0.20	0.37	0.08	2.53	0.05
Diluted	3.06	0.33	0.16	0.20	0.37	0.08	2.53	0.05

*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 the remarks on page xx.

Consolidated Balance Sheet

ASSETS

	30/09/2013	31/12/2012
	€k	€k
Fixed assets		
Other intangible assets	35,963	40,726
Goodwill	67,206	67,206
Tangible assets	1,264	1,465
Financial assets reported according to equity method	0	259,753
Other financial assets	8,976	33
Deferred taxes	8,217	22,557
Fixed assets, total	**121,626**	**391,740**
Current assets		
Inventories	7,668	7,929
Trade accounts receivable	44,598	42,034
Tax reimbursement claims	5,340	110
Cash	52,695	77,303
Other current assets	4,575	3,459
Current assets, total	**114,876**	**130,835**
ASSETS, TOTAL	**236,502**	**522,575**

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	30/09/2013	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	-642	-243
Unappropriated retained earnings/Accumulated deficit	28,871	-55,819
Equity, total	**196,132**	**120,209**
Long-term liabilities		
Pension provisions	951	939
Deferred tax liabilities	2,892	5,855
Bank loans and overdrafts	0	142,587
Debenture bonds	0	118,719
Other financial liabilities	0	67,856
Leasing liabilities	284	552
Long-term liabilities, total	**4,127**	**336,508**
Short-term liabilities		
Short-term provisions	750	945
Tax liabilities	2,826	9,379
Trade accounts payable	14,558	16,122
Payments received on account	8,189	9,147
Other financial liabilities	0	3,117
Leasing liabilities	366	556
Other liabilities	9,554	26,592
Short-term liabilities, total	**36,243**	**65,858**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**236,502**	**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 the remarks on page xx.

Consolidated Statement of Change in Capital

	Number of shares	Sub-scribed capital	Capital surplus	Earnings reserves	Other equity	Unappro-priated retained earnings/ Accumu-lated deficit	Equity, total
		€k	€k	€k	€k	€k	€k
As per 31/12/2011 (as originally disclosed)	**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	5	0	5
As adjusted: 01/01/2012	**51,902,424**	**57,093**	**119,917**	**31,123**	**5**	**-43,108**	**165,030**
Dividend payments		0	0	0	0	-36,164	-36,164
Change in own shares	-687,267	-756	-5,145	0	0	0	-5,901
Consolidated comprehensive results		0	0	0	0	17,183	17,183
As adjusted: 30/09/2012	**51,215,157**	**56,337**	**114,772**	**31,123**	**5**	**-62,089**	**140,148**
Per 31/12/2012 (as originally disclosed)	**48,706,514**	**53,577**	**91,571**	**31,123**	**0**	**-55,819**	**120,452**
Effect from change in disclosure of pension provisions in the balance sheet		0	0	0	-243	0	-243
As adjusted: 01/01/2013	**48,706,514**	**53,577**	**91,571**	**31,123**	**-243**	**-55,819**	**120,209**
Dividend payments		0	0	0	0	-62,400	-62,400
Change in own shares	-706,514	-777	-7,591	0	0	0	-8,368
Consolidated comprehensive results		0	0	0	-399	147,090	146,691
As adjusted: 30/09/2013	**48,000,000**	**52,800**	**83,980**	**31,123**	**-642**	**28,871**	**196,132**

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 the remarks on page xx.

Consolidated Capital Flow Statement

	I-III/2013	I-III/2012
	€k	€k
Consolidated earnings before interest and taxes	44,867	43,416
Income tax paid	-13,670	-10,684
Income tax received	829	1,445
Amortisation and depreciation	7,268	3,880
Change in inventories	261	1,921
Change in receivables and other assets	-3,712	-5,846
Change in trade payables, other liabilities and provisions	-3,800	-13,407
Change in payments received on account	-958	-10,216
Cash flow from current business activities	**31,085**	**10,509**
Payments for investments in tangible and intangible assets	-19,074	-15,236
Payments for investments in financial assets that are reported according to the equity method and for investments in other financial assets	0	-75,286
Interest received	849	448
Dividends received	11,714	38,400
Incoming payments from the sale of financial assets that are reported according to the equity method and of other financial assets	347,242	40,068
Cash flow from investment activities	**340,731**	**-11,606**
Change in own shares	-8,368	-1,760
Dividend payments	-62,400	-36,164
Outgoing payments for amortisation of loans	-192,633	-98,460
Incoming payments from the taking out of loans	34,370	67,780
Interest paid	-41,935	-2,357
Payments from issue of debenture bonds	0	123,000
Payments from repayment of debenture bonds	-125,000	0
Change in investment liabilities	-458	-395
Cash flow from financing activities	**-396,424**	**51,644**
Change in cash	**-24,608**	**50,547**
Cash at beginning of period	77,303	20,688
Cash at end of period	52,695	71,235

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 eteleon AG (Munich). In addition to the service provider licences held for the networks O_2, Vodafone, Telekom, and E-Plus, the Group has MVNO agreements with the network operators O_2 and Vodafone and markets primarily postpaid products on the O2 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 abridged 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 per 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 gains and losses were not reported as operating results unless they exceeded 10% of the scope of the insurance (defined benefit obligation). Now the actuarial gain and loss are recorded immediately in the year in which they occur. The disclosure of the actuarial gain and loss is measured directly in equity as a component of Other equity items. In conformity with IAS 19.93D, disclosure in the income statement will be made neither in the year of their occurrence nor in later periods.

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 gain 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, Other equity has declined by €243k and the deferred tax liabilities by €105k. Retrospective adjustments within the comparative figures of the comprehensive income statement of the Group for the comparative periods of the previous year were not made due to materiality considerations.

Aside from this one change, the same accounting and valuation methods were applied as in the consolidated annual accounts per 31 December 2012. This abridged interim report per 30 September 2013 has been prepared in compliance with IAS 34 "Interim Financial Reporting" and the German accounting standard DRS 16 "Interim

Consolidated Notes

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 (0.5 million shares or 0.4%) after the sales in Q1 2013 is disclosed in the balance sheet from 20 March 2013 according to the available for sale method as a consequence of the reduction in the voting rights quota. The shares were previously disclosed in the balance sheet according to the equity method.

Hedging transactions were concluded as part of the financing of the freenet stock acquisition in 2011 and 2012. These hedging transactions were reversed parallel to the sale of the freenet stock in March and September 2013. At the same time, the related loan obligations were repaid in full.

The result from the reversal of the hedging transactions per 30 September 2013 is €25,904k 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 bonds had a term of five years. Owing to the contracted opportunities for Drillisch AG and investors to call the bonds dependent on the development of the price of the freenet AG stock, a term of three years was assumed for disclosing and measuring the components of the debenture bonds in the balance sheet. The bonds were issued at 100% of the nominal value.

Owing to the positive development of the freenet stock price, more than 85% of the investors exercised their conversion right (which was possible at any time) in Q2 2013. By the end of May 2013, the number of outstanding debenture bonds had fallen to less than 15% of the original issue volume. In consequence, Drillisch called the remaining bonds prematurely in accordance with Section 5 (3) of the terms and conditions of issue on 29 May 2013, and the liabilities from the debenture bonds had been completely repaid by 30 September 2013.

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) was acquired. The stock repurchase programme was concluded on 21 January 2013.

Another 1,526,783 shares had already been acquired in a previous repurchase action.

Per 30 September 2013, Drillisch AG held 5,189,015 of its own shares.

Consolidated Notes

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-III/2013	I-III/2012
Consolidated profit in €k	147,090	17,183
Weighted average, less own shares held	48,024,792	51,667,318
Consolidated profit per share in €	**3.06**	**0.33**

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

	I-III/2013	I-III/2012
Consolidated profit, excluding freenet holding, in €k	38,233	34,549
Weighted average, less own shares held	48,024,792	51,667,318
Consolidated profit per share excluding freenet holding, in €	**0.80**	**0.67**

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 is 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 current business, investment and financing activities. The cash flow from current business activities in this case is determined according to the indirect method.

Just as per 30 June 2013, the cash flow statement begins with the consolidated earnings before interest and taxes (EBIT) instead of with the consolidated profit. The paid and received interest was allocated to the cash flow from financial activities or the cash flow from investment activities instead of, as previously, the cash flow from current business activities. This provides a better insight into the financial situation of the Group, because the amount and timing of interest payments are connected with financing and investment decisions. The presentation of the comparative figures from the previous years has been adjusted accordingly.

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.

Consolidated Notes

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 recognised in the freenet AG holding segment.

Segment Report 01/01/2013 - 30/09/2013	Telecommu-nications	Software services	freenet holding	Total
	€k	€k	€k	€k
Sales with third parties	217,828	63	0	217,891
Inner-company sales	0	5,121	0	5,121
Consolidation	0	-5,121	0	-5,121
Segment sales	**217,828**	**63**	**0**	**217,891**
Segment EBITDA	**52,174**	**-39**	**0**	**52,135**
Amortisation and depreciation	-7,268	0	0	-7,268
Segment EBIT	**44,906**	**-39**	**0**	**44,867**
Result from financial investments reported according to the equity method	0	0	10,281	10,281
Result from fair value measurement of hedge transactions	0	0	25,904	25,904
Result from fair value measurement of financial derivatives related to the issue of a debenture bond	0	0	13,625	13,625
Result from change of valuation methods	0	0	115,856	115,856
Other financial results	0	0	122	122
Other financial results per comprehensive income statement	0	**0**	**155,507**	155,507
Interest income	849	0	0	849
Interest and similar expenses	-78	0	-49,959	-50,037
Financial result	**771**	**0**	**115,829**	**116,600**
Profit before taxes	**45,677**	**-39**	**115,829**	**161,467**
Taxes on income	**-7,405**	**0**	**-6,972**	**-14,377**
Consolidated results	**38,272**	**-39**	**108,857**	**147,090**
Change in attributable market value of financial assets available for sale	0	0	-405	-405
Taxes on income	0	0	6	6
Items which in future can be reclassified in the income statement	**0**	**0**	**-399**	**-399**
Consolidated comprehensive results	**38,272**	**-39**	**108,458**	**146,691**

Consolidated Notes

Segment Report 01/01/2012 - 30/09/2012	Telecommunications	Software services	freenet holding	Total
	€k	€k	€k	€k
Sales with third parties	244,622	70	0	244,692
Inner-company sales	0	5,047	0	5,047
Consolidation	0	-5,047	0	-5,047
Segment sales	**244,622**	**70**	**0**	**244,692**
Segment EBITDA	**47,324**	**-28**	**0**	**47,296**
Amortisation and depreciation	-3,880	0	0	-3,880
Segment EBIT	**43,444**	**-28**	**0**	**43,416**
Result from financial investments reported according to the equity method	0	0	**41,064**	**41,064**
Result from fair value measurement of hedge transactions	0	0	-33,287	-33,287
Result from fair value measurement of financial derivatives related to the issue of a debenture bond	0	0	-1,000	-1,000
Result from change of valuation methods	0	0	0	0
Other financial results	0	0	-17,460	-17,460
Other financial results per comprehensive income statement	0	**0**	**-51,747**	**-51,747**
Interest income	698	0	0	698
Interest and similar expenses	0	0	-7,774	-7,774
Financial result	**698**	**0**	**-18,457**	**-17,759**
Profit before taxes	**44,142**	**-28**	**-18,457**	**25,657**
Taxes on income	-9,565	**0**	**1,091**	**-8,474**
Consolidated results	**34,577**	**-28**	**-17,366**	**17,183**
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	**34,577**	**-28**	**-17,366**	**17,183**

Consolidated Notes

With the exception of the Other financial assets of €8.9m, the Group's assets and liabilities must be attributed almost exclusively to the telecommunications sector. The significant reduction compared with the 2012 consolidated financial accounts is due to the sale of freenet stock, the reversal of liabilities from hedging transactions and financial derivatives, the conversion of bonds and the repayment of loan liabilities.

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

Per 30 September 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 9 months of 2013 amounted to €380k.

The company Frequenzplan GmbH, Planegg (shareholder Mr Tobias Valdenaire), realised sales in the amount of €212k with Drillisch Group in the first 9 months of 2013.

There were no amounts due to or due from the related parties mentioned above per 30 September 2013.

The company Flexi Shop GmbH, Frankfurt am Main (shareholder Mr Jannis Choulidis), realised sales in the amount of €111k with Drillisch Group in the first 9 months of 2013. The amount of €11k was due to this company per 30 September 2013.

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 €8.9 million.

No measurements at Level 2 (derived from market value) and 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**
15 November	3rd quarter Report 2013
November	DVFA Analyst Event

* Subject to change

Publications

The present 9 month report 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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