DRILLISCH AG
9-MONTH REPORT 2012

Key Indicators of the Drillisch Group

Drillisch Group	I - III/2012	I - III/2011	I - III/2010
Turnover in €m	244.7	247.0	261.8
Service Revenues	227.0	222.4	203.2
Other revenues*	17.7	24.6	58.6
Gross Profit in €m	78.7	73.1	64.1
Gross margin in % of turnover	32.2	29.6	24.5
EBITDA in €m	47.3	38.7	33.4
EBITDA, adjusted in €m	47.3	39.5	35.5
EBIT in €m	43.4	36.1	29.1
EBT in €m	25.7	38.7	31.8
Consolidated profits, excluding equity participation, in €m	34.5	29.1	23.8
Profit/loss per share adjusted for equity partizipation in €m	0.67	0.55	0.45
EBITDA margin in % of turnover	19.3	15.7	12.8
EBITDA margin adjusted in % of turnover	19.3	16.0	13.6
EBIT margin in % of turnover	17.7	14.6	11.1
EBT margin in % of turnover	10.5	15.7	12.2
Consolidated profit marge, excluding equity participation, in %	14.1	11.8	9.1
Equity in €m	140.1	163.4	144.5
Balance Sheet total in €m	519.1	378.4	277.7
Equity return (equity % of balance sheet total)	27.0	43.2	52.0
Consolidated profit margin in % of turnover (adjusted for equity partizipation)	24.6	17.8	16.4
Cash in €m	71.2	15.5	29.2
Cash flow from current business operations in €m	8.6	16.6	27.0
Depreciation excluding goodwill in €m	3.9	2.6	4.4
Investments (in tangible and intangible fixed assets), adjusted, in €m	35.6	2.0	2.1
Staff as annual average (incl. Management Board)	333	330	382
Wireless services customers as per 30/09 (approx. in thousands)	1,906	2,593	2,340
Wireless services customers Debit	254	1,140	1,225
Wireless services customers Credit	1,652	1,453	1,115
therof MVNO customers	1,389	620	0

* Other revenues includes handsets and other revenues.

Letter from the Management Board

Management Board

Vlasios Choulidis
Director of Sales, Marketing and Customer Care

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

Dear Sir or Madam,

Nine months have passed in the current fiscal year, and we have reached or even exceeded all of the targets we set for ourselves. We are confident that the strategic reorientation completed at the end of the first half of the year and our focus on the marketing of transparent and innovative products will secure our ability to continue adding to this Drillisch AG success story in the future as well.

The general perception of our market has recently been routed in a certain direction by the reporting from one of our competitors, who has stated that the competition in Germany has increased in intensity and is dominated by a general downward pressure on prices. We have been operating in a highly competitive environment for many years and have established our position as price leaders. The focus of our corporate strategy is on profitable growth, and we are delighted that we can once again report on the rewards of this strategy in this report.

As repeatedly in the past, all of the performance indicators of major significance for the Company's success (service revenues, EBITDA and subscribers) displayed very positive development during the first nine months of fiscal year 2012. This positive development of the corporate success was achieved with 1.906 million subscribers, Our postpaid customers are the drivers of this operational success, especially our MVNO subscribers. Per 30 September, the postpaid base had grown by 199,000 to 1.652 million subscribers, an increase of 13.7% in comparison with the same period last year (9M 2011: 1.453 million subscribers). Over the same period, the number of subscribers in the more profitable MVNO sector rose overproportionately by 124%, growing from 620,000 to 1.389 million subscribers. The prepaid subscriber segment was reduced as planned to 254,000 (9M 2011: 1.140 million subscribers). This figure includes the sale of about 450,000 subscribers in the first half of 2012. As a consequence of this development, the share of the more profitable postpaid subscribers rose by 30.7% to 86.7% (9M 2011: 56.0%) in the year-on-year comparison. The share of postpaid subscribers attributable to the MVNO sector comes to 84.1%.

In the first nine months of fiscal year 2012, "service revenues" increased by 2.0% (€4.5 million) to €227.0 million (9M 2011: €222.4m). A figure of €17.7 million was achieved in the item Other sales (9M 2011: €24.6m), which is where the bundled business, sale of devices and other revenues are disclosed. The deliberate reduction of this business field and its minimal margins caused total sales to change only slightly, and they amount to €244.7 million (9M 2011: €247.0m). Gross profit during the first nine months rose by 7.7% to €78.7 million (9M 2011: €73.1m). The gross profit ratio reached an excellent level of 32.2% (9M 2011: 29.6%). The adjusted EBITDA rose by 19.7% during the first nine months to €47.3 million (9M 2011: €39.5m). The adjusted EBITDA ratio improved by 3.3 percentage points to 19.3% (9M 2011: 16.0%).

Letter from the Management Board

The strategic orientation of Drillisch, just like our product line, is simple and transparent. We are the price leader because we offer successful products based on a simple, straightforward and clear price structure in the areas important for our operations:

- Voice to Go ➡ lowest price per minute/text message in Germany
- Budget rates ➡ best value for money thanks to many included services
- Flat rates ➡ best all-net flat rate in Germany

We actively shape the market and initiate trends. The level of our quality standards is regularly audited by an independent authority. We are proud of the results and regard them to be verification of the soundness of our strategy, for up to 90% of surveyed customers recommend our products to friends and families.

Two years ago, "simply" became the first wireless services discounter to be successfully audited in accordance with the strict quality standard DIN EN ISO 9001. Most recently, on 28 September 2012, we received certification in accordance with DIN EN ISO 9001 for the two group companies Drillisch Telecom GmbH and MS Mobile Services GmbH. All of the Drillisch Group brands have been singled out with these certificates. Nationally and internationally, this is the most widespread and important standard for defining the quality of processes in a company. This acknowledgement of our brands is yet further evidence, following the TÜV award "Customer Satisfaction" (2010), the "s@fer-shopping" seal (2011) and the award for "Value for Money" (2012), that our strategy of investing in high-quality, customer-centric service is right for us. We will continue to submit our processes to independent audits in the future as well as a means of enhancing our strengths.

All of these results give us confidence as we look ahead into the future. Statements such as "no end to the boom in mobile data services in sight", "double-digit growth rates in mobile phone surfing" (BITKOM October 2012) and "mobile internet a mass market in Germany" (Mobile Watch 2012, Accenture) in recent studies are clear assertion that our market still has plenty of potential.

The budget for fiscal year 2013 is based on a further increase in the EBITDA of about 10% to 15% to €67 million to €70 million and simultaneous growth in the postpaid clientele, especially the subset of the MVNO subscribers.

On 13 September, we made the decision, based on the authorisation granted by the Annual General Meeting, to carry out a stock repurchase programme encompassing as much as 10% of the share capital. As many as 3.8 million shares will be repurchased and added to the approximately 1.5 million shares of treasury stock already held by the Company. Per 26 October 2012, we had repurchased 5.02% of our own stock with a stock exchange value of approximately €25.6 million.

Based on our budget planning and subject to the approval of the managing bodies and the Annual General Meeting, we believe a dividend of the same level as last year (as a minimum) will be possible. The objective of our dependable dividend policy and the stock repurchase programme is to enable our shareholders to participate in the Company's success.

In view of the successful development over the course of 2012, we want to express our thanks to all of our associates for their commitment and work and to our customers and shareholders for the trust they have placed in Drillisch AG.

Faithfully yours,

Vlasios Choulidis and Paschalis Choulidis

Investor Relations Report

The Capital Market – 01 July 2012 to 30 September 2012

During Q3, the development of the major stock indices was excellent, doing more than simply compensating for the losses of the second quarter. The TecDAX improved by 74.7 points (10.2%) and closed at 809.48 points (30/06: 734.74). The broader TecAllShare Index gained 81 points (8.8%), rising to 997.66 points (30/06: 916.67) in the same period. The DAX recorded 7,216.15 points (30/06: 6,416.28), a rise of 12.5%.

The performance of the Drillisch stock in comparison with the indices:

	Close-out 2011	30 September 2011	% change
Drillisch	€7.11	€9.44	+32.8
TecDAX	685.06	809.48	+18.2
TecAllShare	852.65	997.66	+17.0

Drillisch stock – an attractive dividend value on the TecDAX ...

At the end of Q3 2012, Drillisch stock ranked 15th in terms of market capitalisation and 10th in terms of turnover in the TecDAX; these are the two most important indicators for inclusion in the index. The appeal of the Drillisch stock is reflected in the current analyst assessments; we also report on the current views on our IR home page.

During the first nine months of 2012, an average of 280,000 Drillisch shares was traded daily on XETRA; in other words, about 65% of the trading volume was carried out via XETRA. The trading volume of Drillisch stock on international, alternative trading systems such as Boat (markit.com) has been rising for a number of years and amounted most recently to 20% of the daily volume.

On 25 May 2012, the Annual General Meeting adopted a resolution to pay a dividend of €0.70 per voting share; the previous year's dividend was €0.50. Subject to the approval by the managing bodies and the Annual General Meeting, we believe a dividend of at least this amount will be possible for the current fiscal year. In addition, Drillisch AG is repurchasing as much as 10% of its stock capital on the stock exchange. As of 30 September, we held 1,973,858 million shares of treasury stock, 3.71% of the stock capital.

... with double-digit growth rates in the operating profit in 2012 and 2013

We confirmed the profit forecast for 2012, which had previously been raised, on 01 August 2012. We expect an EBITDA in the range of €60 million to €61 million (previously: €58m). Overall, we project an increase by 15% in comparison with fiscal year 2011 in the EBITDA. Based on the current budget, we expect a further increase in the EBITDA to between €67 million and €70 million for fiscal year 2013.

Agenda of the Third Quarter – DGAP Ad-Hoc Reports

01 August 2012	Best first half-year in the company's history: based on the current status of budgetary planning, we expect a further increase in the EBITDA of about 10% to 15% and ranging between €67 million and €70 million in fiscal year 2013.
13 September 2012	Stock repurchase of as much as 10% of the capital

Investor Relations Report

Investor Relations Events	
29 August:	Sector Conference, Frankfurt - Commerzbank
25 September:	German Corporate Conference, Munich – Berenberg & Goldman Sachs
26 September:	German Investment Conference, Munich – Unicredit & Kepler Capital
Various investor talks, including many initial contacts	

Following tradition, the analyst conference for Q2 2012 was held in Frankfurt. Communications are in line with the principles of fair disclosure and available in their full scope to any interested parties. The home page "Investor Relations" is actively utilised by the capital market. While this page serves to fulfil legal disclosure obligations, it also undergoes continuous development in response to suggestions from private and institutional investors.

Current Analyst Assessments (as per 30 September 2012)*

Analysis	Rating	Price Target	Date
Hauck & Aufhäuser	"Buy"	€12.20	14 September 2012
Kepler Equities	"Buy"	€11.50	14 September 2012
LBBW	"Buy"	€10.00	11 September 2012
Berenberg	"Buy"	€11.00	10 September 2012
Macquarie	"Outperform"	€13.40	20 August 2012
Warburg Research	"Buy"	€11.50	02 August 2012
Commerzbank	"Buy"	€10.50	02 August 2012

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

Directors' Dealings

Directors' dealings pursuant to Section 15a German Securities Trading Act were reported to Drillisch AG in Q3 2012.

Directors' Dealings

Date	Name	Position	Purchase/Sale	Shares	Price/€
10 September 2012	Marc Brucher-seifer	Supervisory Board	Sale	100,000	8.80

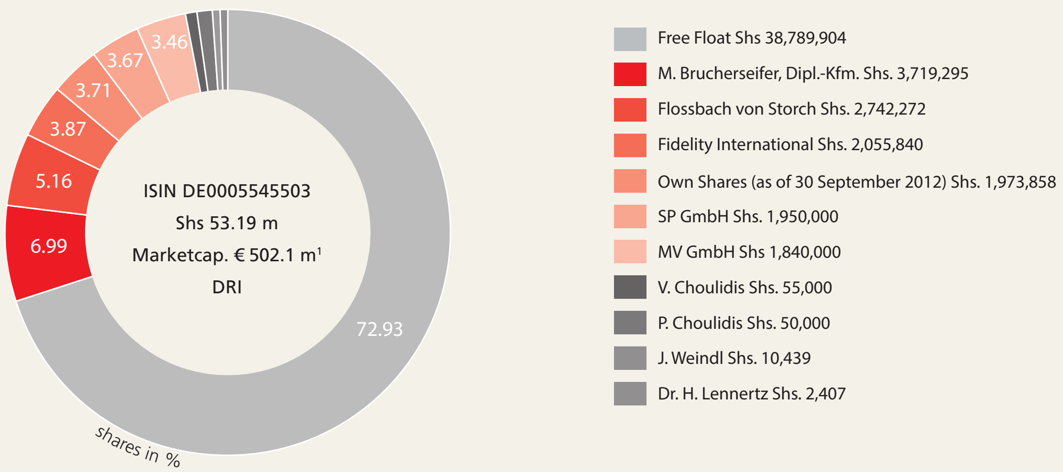
Investor Relations Report

Directors' Holdings (as of 30 September 2012)

Management Board	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%
Michael Müller-Berg, Dipl.-Kfm.	0
Dr Bernd Schmidt	0
Dr Susanne Rückert	0

Shareholder Structure (as per 30 September 2012)



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 €9.44 on 30 September 2012. Free Float acc. to the rule of Dt. Boerse AG: 89.95%.

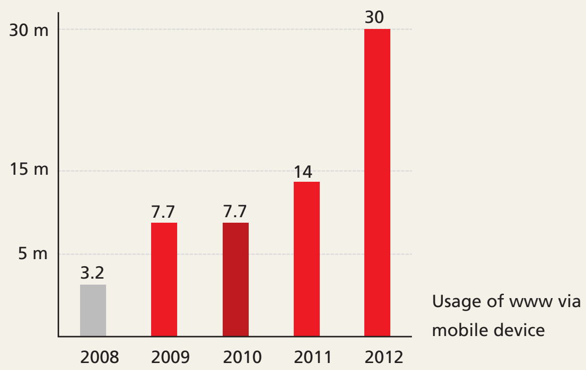
MARKET ENVIRONMENT

The Wireless Services Market

Mobile internet is a mass market – number of users doubles within one year

Projections indicate that 30 million people use the mobile internet on a smartphone or tablet PC in Germany. This was the conclusion reached by the study "Mobile Web Watch 2012" presented by the IT consulting company Accenture at the beginning of October 2012. Last year, the representative survey counted a mere 14 million users. About half of the respondents use a smartphone and about 17% use a tablet PC. Only one year earlier, 28% were smartphone surfers and only 3% used a tablet. Growth rates among users in the higher age brackets are also strong, even though an examination conducted by tns Infratest in September revealed that only about 10% of the senior citizens use the internet while on the go.

Mobile Internet in Germany



Source: "Mobile Web Watch" 2008-2012 (Accenture)

A survey conducted by the forsa Institutes on behalf of the industry association BITKOM comes to similar results. It shows that, in Germany, one out of ten people over the age of 65 and one out of four (26%) in the age bracket between 50 and 64 now own a smartphone. One reason: the larger displays and the virtual keyboard make smartphones especially user-friendly. Among the users below the age of 30, on the other hand, 65% or just under two-thirds are equipped with a mobile device of the latest generation. Overall, the share of smartphone owners in Germany currently comes to 38%, 4% more than at the beginning of this year.

Record sales for smartphones and dynamic development of tablet PCs

The tremendous success of smartphones across all of the age boundaries is also reflected in the sales figures for this class of devices. Sixteen million of these devices were sold in Germany last year, but the industry experts at BITKOM expect a further increase by 44% to a total of 23 million smartphones for this year. According to this projection, 70% of all of the devices sold will be smartphones. Only five years after the launch of the first iPhone, the range of available smartphones in all price and performance classes has grown enormously. This is turning the digital all-rounders with touch screen control into the new standard and pushing aside classic mobile phones; BITKOM estimates that in two years, these simpler devices will have dwindled to a market share of 10%.

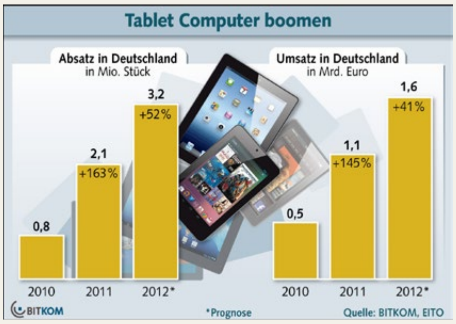
Source: BITKOM

The market for tablet PCs is also developing at a dynamic pace. The popularity of these portable devices with a larger display and virtual keyboard is rising substantially, and tablets have become a major source of competition for other mobile devices such as netbooks or laptops and even for the desktop computers at home.

The Wireless Services Market

In July of this year, the market researchers from Gartner announced a worldwide sales record for tablet PCs during Q2. About 25 million units were sold in Q2, 36% more tablets than in Q1, and in comparison with the same quarter of the previous year, sales rose by more than 77%.

Tablets have also established a firm position on the German computer market. In March of this year, PricewaterhouseCoopers published a study showing that close to 20 million tablets will be sold in Germany during the next five years. In 2016, presumably one out of every three PCs sold will be a tablet. In October, BITKOM substantially raised its prediction from the beginning of the year for 2012 and now expects 3.2 million tablets to be sold, about one million more than in 2011. Whereas the intelligent additional programs have developed smartphones into a digital Swiss army knife for people on the go, tablets are used more at home for surfing the Web, as a digital reader for books, magazines, pictures or TV and film content and as learning aids or for computer games.

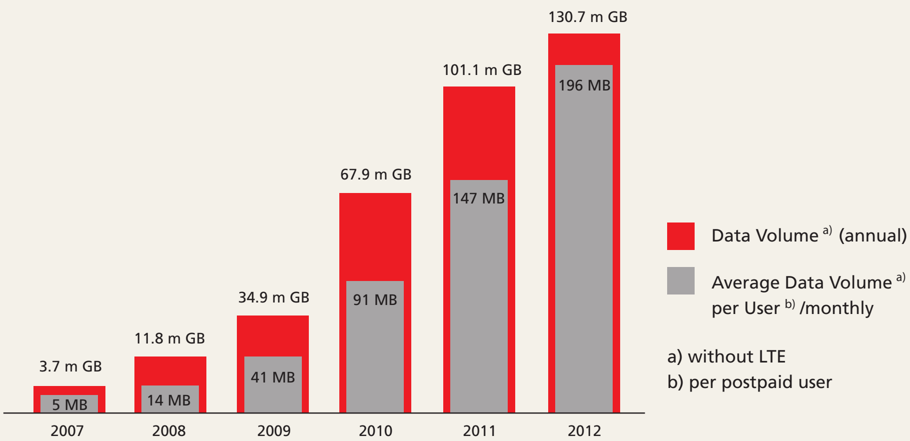


Source: BITKOM

Next wireless services standards rolled out – first LTE products on the market

As the use of the mobile internet continues to grow and spread, the demands made on the performance capability of the network infrastructure become greater as well. The telecommunications association VATM and Dialog Consult reveal clearly the steady increase in data traffic from wireless services network in their recent market study from October 2012. The figures indicate that a total of more than 130 million gigabytes of data will be transferred in wireless networks this year; every user consumes a monthly average of about 200 megabytes. Many users are constantly online – they download and use apps and expect faster availability of information no matter where they are.

Growth in Mobile Internet Usage



Source: Dialog Consult/VATM Marktstudie 2012

The continuous expansion of the UMTS network has made transmission rates of as much as 14.4 Mbit/s possible. Now, slowly, but surely, the marketing of a new transmission standard of the "4th generation" (also known as 4G) is beginning to gather steam – LTE (Long Term Evolution), a technology which offers speeds of up to 100 Mbit/s. In the meantime, network operators have satisfied the requirements from the German Federal Network Agency and secured coverage of the so-called white spots. They will now begin the second phase and expand the coverage with LTE, primarily in the heavily populated urban centres which are so lucrative. Overall, LTE is not available as widespread coverage in Germany, and the number of

The Wireless Services Market

end devices is still small, but rising demand for rate plans with the data turbo can be expected through the end of the year. The results of the study "Mobile Web Watch 2012" indicate that 86% of the respondents are prepared to pay higher charges for attractive additional services and improved network performance. Generally speaking, the new LTE standard has the potential to assure continued dynamic growth.

Drillisch: strong brand names and outstanding products

Price leader Drillisch offers an ideal portfolio to cover the needs and demands of all smartphone and tablet users

During the past years, Drillisch AG has resolutely oriented its brand names, products and services to the varying needs of wireless services users. Every user, no matter what type, can find a plan which satisfies his or her individual requirements – at low cost, simply and, above all, transparently. We distinguish among four major rate plan concepts cutting across the boundaries of all of our brand names:

- Bargain rates with standard minute and text message prices beginning at 6 eurocents
- Budget rate plans including minutes and text messages and an internet flat rate beginning at €6.95 a month
- Flat rates in all networks, including internet flat rate, at the top price beginning at €19.75 a month
- Attractive data rate plans for laptops, netbooks or tablet PCs beginning at €4.95 a month

Flexible bargain rates beginning at 6 eurocents a minute

The bargain rates with standard prices beginning at 6 eurocents a minute and text message appeal above all to occasional phone users. Depending on a person's specific needs, additional options for landline, text message or internet flat rates can be added. The bargain rate plans of our brand names simply and maXXim score additional points with the innovative data flat rate *OptiSurf*. One example: subscribers can book a data flat rate of 200 MB or 500 MB or 1 GB for this intelligent, automatic billing system. In the end, users are billed only for what they actually use. If subscribers use less than the booked volume while surfing on their mobile devices, they are automatically reimbursed the difference to the next lower package price. This is transparent and fair.

The Wireless Services Market
The Software Industry

Attractive budget rate plans with many services included

The magazine Computerbild conducted a large-scale comparison test in May of this year and determined that package rate plans with services included in the monthly price – such as the inclusion of minutes and text messages and integrated internet flat rate – offer the potential to save as much as 45% in comparison with classic prepaid rate plans. The rate plan packages for the brand names simply, maXXim, helloMobil, McSIM, PHONEX.de and smartmobil.de with options of 50 or 100 minutes and the same number of text messages included in the package offer outstanding value for money and are the leaders in many comparisons of data plans. The Drillisch budget rate plans are an exact fit for the communication needs of about 70% of all smartphone users. An additional plus: customers receive a practical entry-level smartphone for €0.00 without any additional charge to the monthly package price when they select the top package rate plan All-in M and its 100 free minutes of calls and 100 free text messages a month along with an internet flat rate. Subscribers looking for a device with a larger display, greater performance or additional features can select their personal smartphone from among the latest models for a low additional charge between €5 and €10 a month.

Flat rate plans for all networks with the best terms and conditions

For about the last half-year, all-net flat rates have triggered dynamic movement on the wireless services market. Yourflat from simply, maXXim, helloMobil, PHONEX.de, McSIM and smartmobil is the unchallenged leader in many rate plan comparisons, offering a monthly price beginning at €19.75 which includes all calls to landline network and all wireless networks as well as an internet flat rate. In September, Stiftung Warentest examined these types of rate plans under the magnifying glass and issued a rate plan recommendation for six offers from Drillisch Group as the all-net flat rates with the lowest prices – both for the bargain version with a fixed term for €19.75 a month and for the flexible rate plan option without a fixed term for €24.75 a month.

Data rate plans for tablet users now even more flexible thanks to OptiData

Drillisch also leads the way with new ideas for straightforward data rate plans as well as the combined voice and data rate plans for smartphone users. Laptop, netbook or tablet users can now benefit from the flexible and intelligent billing logic of *OptiSurf*. Called *OptiData*, this unique data flat rate provides options for monthly high-speed volume at 100 MB, 200 MB, 500 MB, 1 GB or 3 GB. Until the monthly maximum volume booked by the subscriber has been reached, transmission is at HSDPA speed. The special feature: if the utilisation in one month is lower than the selected volume, only the volume level actually used will be billed. *OptiData* provides never before known flexibility, especially for devices which – in contrast to smartphones – are not used every day.

Software industry

Worldwide ITC market growing by 5% – Germany is a stability factor in Europe

Despite the continuing financial and bank crisis in Europe, the worldwide ITC market is maintaining a stable course of growth. A global comparison reveals that the industry is booming in the threshold countries in particular, although it is largely stagnating in Western Europe. Germany is a positive exception; its growth of 1.6% contributes to the stability of the ITC market in Europe. Business in this country is especially strong for IT service and software providers. According to information from the industrial association BITKOM, companies in these segments can expect rises in revenue of 76% and 79%, respectively. Strong growth factors are new technologies such as cloud computing and the growing demand for mobile applications for smartphones and tablet computers.

COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP AS PER 30 SEPTEMBER 2012

Group Companies

Commercial Development of the Drillisch Group per 30 September 2012

The dynamic development of the Company and the excellent business results from the first nine months of 2012 are the consequence of the strategic reorientation. Now that the transformation into a MVNO (“mobile virtual network operator”) has been completed, we are basing our plans for fiscal year 2013 on continued positive development.

Beginning with standardised and unbundled advance services from the wireless network providers Telefónica O_2 Germany GmbH & Co. OHG (“O_2”) and Vodafone D2 GmbH (“Vodafone”), we can develop flexible services on the basis of our own product ideas. Our innovative rate plans are striking evidence that we are one of the creative pioneers on the wireless services market. The strategic reorientation goes hand in hand with a significant improvement in our own long-term planning security.

The most important sales channels are our sales and cooperation partners along with the classic wireless services specialist trade, supplemented by our own webshops on the internet. Social media platforms such as Facebook or Twitter offer customers new forms of communication while simultaneously enabling us to address them specifically. Drillisch will continue to serve current customers in the Telekom Deutschland GmbH (“Telekom”) and E-Plus Mobilfunk GmbH (“E-Plus”) networks on the basis of the service provider agreements.

Sustainability and climate protection are subjects supported by Drillisch Group during the current fiscal year, e.g. the initiative “GoGreen” of our transport service provider. Investments are made in climate protection projects certified in accordance with internationally recognised standards as compensation for the CO2 emissions from the transports. Customers can help to preserve the environment and simultaneously reward themselves within the framework of the new cooperative activities between smartmobil.de and WIRKAUFENS. In keeping with the venture’s slogan of “Abstauben statt Verstauben” (Dusting Off, Not Gathering Dust), smartmobil.de subscribers can dispose of their old mobile telephones and other small electric appliances easily, safely and quickly at WIRKAUFENS and receive payment in the value of the products.

Maintaining its role as price leader on the German market, Drillisch offers attractive rate plans under the various corporate brand names to satisfy the growing demand for smartphones (according to estimates from Bitkom: an increase of sales in 2012 by 35% over 2011). Visitors to the websites such as that of smartmobil.de can combine high-level smartphones with the lowest rate plans. Speaking generally, the focus is on the marketing of innovative voice and data products. The scope of the Company’s services encompasses all of the transmission technologies available both now and in the future.

Security and outstanding quality management in the marketing of products and customer service are a tradition at Drillisch Group

Two years ago, “simply” became the first wireless services discounter to be successfully audited in accordance with the strict quality standard DIN EN ISO 9001. At the end of September of this year, Drillisch Telecom GmbH (“Drillisch Telecom”), Maintal, and MS Mobile Services GmbH (“MS Mobile”), Maintal, were also awarded this ISO certification, and now all of the Drillisch Group brands have been singled out with these certificates. Nationally and internationally, this is the most widespread and important standard for defining the quality of processes in a company.

The excellent results of the customer survey regarding our website and our products and services carried out in September 2012 are renewed and sustained evidence of our accomplishments. We regularly call in independent auditors to ensure that low prices and high quality, good service and security in online shopping do not represent a contradiction in terms for our business.

The Drillisch brands offer to their subscribers the highest level of security and transparency as well as the best possible customer service. TÜV Süd has confirmed this claim by awarding the quality seal “s@fer-shopping” to the brands smartmobil.de, PHONEX, maXXim, simply, McSIM and helloMobil after their successful completion of the certification process. s@fer-shopping is endorsed by the Initiative D21, Europe’s largest partnership between the worlds of politics and business for the information society, and by the German Federal Ministry of Justice.

Group Companies

In its role as price leader, Drillisch regularly energises the market with new ideas and offers the lowest rate for every user group. Subscribers choosing Yourflat can make unlimited phone calls to all German networks and surf the internet while on the go for €19.75 a month. Current subscribers can book the supplementary Allnet flat option for €9.95 a month and enhance their present rate plan as needed. Independent tests and comparisons regularly single out the Drillisch rate plans as having the best value for money. In February 2012, for instance, Stiftung Warentest crowned the rate plan "All-in Flat" at smartmobil as the "the plan with the lowest rates for heavy phone users". In its May 2012 issue, the magazine Computerbild recommended the smart entry-level rate "All-in 50" as one of the best package rate plans in the country for people with a normal or low level of phone usage. But Drillisch offers its customers other transparent rate plans as well which can be customised precisely to fit any individual's usage patterns, including intelligent automatic billing and innovative products such as "best4me" or "Optisurf". And even people who have a low level of phone use and who are simply looking for the lowest prices per minute and text message without a basic fee or package prices will find an ideal match in the standard rate of 6 eurocents at helloMobil or WinSIM.

Willingness to recommend as high as 89% and the marks "Excellent" and "Good". Those are the results of the independent study conducted by TÜV Saarland scrutinising the brands smartmobil, simply, maXXim, helloMobil and McSIM. Subscribers surveyed by TÜV Saarland praised the customer-friendly ordering process, short delivery times and the professional competence and friendliness of the customer advisors as well as the innovative rate plan models and the outstanding value for money.

Drillisch AG is the Group's holding

Within the Drillisch Group ("Drillisch"), 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 ("Drillisch Telecom"), Maintal; MS Mobile Services GmbH ("MS Mobile"); Maintal; 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 the Drillisch Group has been concentrated in IQ-optimize Software AG ("IQ-optimize"), Maintal. MSP Holding GmbH ("MSP"), Maintal, is an affiliated company of Drillisch AG; as per 30 September 2012, this affiliate and Drillisch AG together held more than 20% of the share capital of freenet AG.

Improving efficiency by streamlining the group-wide organisational structure

The entry in the Commercial Register on 24 August 2012 completed the assimilation of the wholly-owned subsidiary SIMply Communication GmbH, Maintal, by Drillisch Telecom GmbH ("Drillisch Telecom"), Maintal. Drillisch's intention in carrying out this organisational merger of the two wireless services providers into one company is to achieve a further enhancement of efficiency and clout. There will be no change for the established brand simply on the market.

Drillisch Telecom – strong brands in mobile communications

Drillisch Telecom offers attractive rate plans – for both voice telephony and mobile surfing on the internet – under the brand names McSIM, helloMobil, simply and PHONEX and the premium brands VICTORVOX and Telco. Customers can browse the appropriate online shops and select from the most recent models of smartphones, tablet PCs and notebooks. At the end of March 2012, Drillisch Telecom proved that inexpensive phone calls can cost even less when it introduced the new 6-eurocent rate from helloMobil. Customers choosing this plan can phone and text for only 6 eurocents a minute and text message, nationwide in Germany, to all networks and without any contractual commitments. Anyone wanting to use the internet while away from home can add the appropriate flat rate for mobile phone surfing. In addition to rate plans at discount prices, Drillisch Telecom offers a broad and low-cost portfolio for utilisation of the mobile internet under the brand name simply, including simply clever or the all-inclusive smartphone bargain rate plan

Group Companies

All-in M, in combination with attractive hardware offers such as the Apple iPhone and popular products from other well-known manufacturers. Subscribers choosing Yourflat can make unlimited phone calls to all German networks and surf the internet while on the go, free of worry and at low cost, for prices beginning at €19.75 a month, making Yourflat the price leader on the German market. Since April 2012, Drillisch Telecom has also been offering to PHONEX and Telco subscribers the opportunity to make unlimited phone calls to all German networks by selecting the Allnet Flat Option starting at €9.95 a month. Drillisch Telecom and its brands McSIM, simply, PHONEX and helloMobil have undergone the TÜV Süd certification process and have been awarded the quality seal "s@fer-shopping" so that customers can enjoy secure shopping as well as obtain a low-cost mobile phone in the Company's own webshops. In short: Drillisch Telecom, the price leader on the German market, offers the highest level of transparency and security as well.

MS Mobile – smart rates with smart service – tested and found to be smart.

MS Mobile and its smartmobil.de offer rate plans which have been tailored to be a perfect fit for the needs of smartphone users. The simple, low-cost and transparent services offered by MS Mobile are trend-setters in the wireless services sector, and the Allnet Flat Option, for example, makes it possible to phone without limits to all German networks.

smartmobil.de has the right travel package for anyone who wants to use a mobile phone for surfing while abroad. The smartmobil.de customers have long known that smartmobil.de is outstanding. Only shortly after its appearance on the market in April 2011, the brand won the honour of "UMTS Provider of the Year" awarded by the independent rating portal "Tariftipp.de". In February 2012, Stiftung Warentest crowned the rate plan "All-in Flat" at smartmobil as the "plan with the lowest rates for heavy phone users". In its 5/2012 issue, the magazine Computerbild recommended the smart entry-level rate "All-in 50" as one of the best package rate plans in the country for people with a normal or low level of phone usage.

During a representative customer survey at the beginning of July of this year, TÜV Saarland confirmed that smartmobil.de offers "ideal value for money". smartmobil.de also posted outstanding results in the category "Overall satisfaction". In sum, smartmobil.de can point to first-class ratings in all of the categories, a fact reflected in the willingness of customers to recommend the product to others. As appropriate for the best smartphone rate plan, smartmobil.de offers a matching smartphone at no additional cost. smartmobil.de's smart packages provide the opportunity to combine alternative low-cost rates with the latest smartphones at the best terms and conditions.

Subscribers who use several different devices, but would like to have only one phone number, can take the "TripleCard" from smartmobil.de and be three times as smart. It can be used to provide accessibility to the network for as many as three mobile devices simultaneously so that users can carry on parallel tasks of phoning, surfing and e-mailing – with only one contract, one invoice and one mailbox. MS Mobile's brand maXXim has been successfully offering one of the most attractive rate plans to be found on the German wireless services market since 2008; its customers can make phone calls and send text messages at low cost, while an optional mobile phone surfing flat rate provides access to the mobile internet.

eteleon – products at discount prices and clever smartphone rates

eteleon, a specialist for innovative sales solutions on the telecommunications market, has successful brands on offer called discoTEL, discoPLUS, DeutschlandSIM and winSIM. As of the beginning of this year, eteleon has been acquiring and taking care of subscribers on its own. A rate calculator in eteleon's webshop, for example, makes it easy for customers to determine the ideal rate plan for their needs, and the offer configurator is an additional service to help them find the right smartphone easily. The "All in Flat Smart" rates from eteleon offer the combination of the latest phones with a 4-way flat rate at terms and conditions unequalled anywhere. The attractive rate plans and terminal devices enable eteleon to meet the continuing high demand for smartphones. eteleon is expanding its sales activities in specific directions by placing wireless service products in the Zalando Lounge, conducting live shopping campaigns with Groupon, advertising offers on Amazon or engaging in TV sales activities with Brands4friends.

Turnover and Earnings Position

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 Holding GmbH ("MSP"), Maintal, is a subsidiary of Drillisch AG; its functions include the strategic positioning of Drillisch on the wireless services market. Drillisch AG, together with MSP, currently holds more than 20% of the share capital in freenet AG.

Employees

In the first nine months of 2012, an average of 333 employees (previous year: 330), including the two members of the Management Board, was on the payroll of the Drillisch Group. The number of vocational trainees, who are not included in the above figure, was 73 (previous year: 54). Drillisch makes an above-average contribution to the training of young people in qualified professions necessary to secure our future in Germany.

Revenue and earnings position

Pursuing the strategy to transform the Company into an MVNO was rewarded almost immediately in the first nine months of 2012 by significant growth of the EBITDA. 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 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, rose in the first nine months of 2012 by €4.5 million (2.0%) to €227.0 million (previous year: €222.4 million). Other revenues, a low-margin item including sales of devices, declined by €6.9 million to €17.7 million (previous year: €24.6 million). This is also the item where revenues from the software services segment in the amount of €70k (previous year: €50k) are reported. In total, revenues decreased by €2.3 million (1.0%) to €244.7 million (previous year: €247.0 million) in the first nine months of 2012. The subscriber base in the significantly more profitable postpaid business rose by 140,000 (9.3%) in comparison with the end of 2011 to 1.652 million subscribers, 1.389 million of them MVNO subscribers (31 December 2011: 1.512 million, 839,000 of them MVNO). The number of subscribers in the prepaid sector was reduced to 254,000 (31 December 2011: 1.038 million). This is a result of the continuing removal of inactive subscribers as well as of the sale of a part of the prepaid clientele noted in the report for the first half of the year. Overall, the ratio of postpaid to prepaid subscribers has improved to 87% to 13%, an increase of 28% for postpaid compared to the end of 2011 (31 December 2011: 59% postpaid to 41% prepaid). The total number of subscribers has been reduced by 644,000 to 1.906 million (31 December 2011: 2.550 million).

The cost of materials declined, overproportionately to the decline in revenues, in the first nine months of 2012 by 4.6% to €166.0 million (previous year: €174.0 million). As a consequence, gross profit rose by 7.7% in comparison with the first nine months of 2011 to €78.7 million (previous year: €73.1 million). The gross profit ratio rose by 2.6% to 32.2% (previous year: 29.6%) and exceeded even the peak value of fiscal year 2011 (total for 2011: 29.4%). Personnel expenses increased by 10.6% to €16.5 million (previous year: €14.9 million). The personnel expenses ratio increased slightly by 0.7% to 6.7% (previous year: 6.0%). Other operating expenses rose by €1.3 million to €23.4 million (previous year: €22.1 million). This increase is essentially a result of higher costs for third-party services which were utilised in the course of the migration of the clientele to the MVNO model and a rise in legal and professional expenses.

The consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators at Drillisch Group, rose by 19.7% to €47.3 million in comparison with the adjusted consolidated EBITDA of the previous year (previous year: €39.5 million). The EBITDA

Turnover and Earnings Position

ratio improved by 3.3 percentage points to 19.3% (previous year: 16.0%). Depreciation and amortisation increased, primarily a consequence of the investments in intangible assets in Q3, by 47.7% to €3.9 million (previous year: €2.6 million), resulting in an increase in the EBIT (earnings before interest and taxes) by 20.3% to €43.4 million (previous year: €36.1 million). The EBIT ratio improved by 3.1 percentage points to 17.7% (previous year: 14.6%).

The shares in freenet AG held by MSP and Drillisch AG were valuated according to the equity method per 30 September 2012, just as in the previous year, because of the significant influence on the company from the voting rights quota. This inclusion resulted in a figure of €41.1 million per 30 September 2012 (previous year: €13.7 million) comprised of the profit proportionately attributable to Drillisch of €29.3 million, expenditures of €2.3 million from PPA and other income of €14.1 million, essentially book profits from the sale of freenet stock.

Other financial results per 30 September 2012 amounted to €-51.7 million (previous year: €-8.2 million). The closing date valuation of hedging transactions concluded in the context of the financing of the freenet stock acquired in 2011 and in Q2 2012 resulted in non-cash expenses of €33.3 million (previous year: €0.7 million). The value of these hedging transactions 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. A rising stock price tends to lead to a declining value of the hedging transactions, 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. This closing-date valuation per 30 September 2012 led to liabilities in the amount of €34.8 million (31 December 2011: €6.5 million) and assets in the amount of €0.9 million (31 December 2011: €0). 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 €1.0 million (previous year: €0). Additional expenses of €17.4 million (previous year: €7.9 million) were incurred with respect to payment obligations agreed within the context of a financing transaction.

The interest result declined by €4.2 million to €-7.1 million (previous year: €-2.9 million). One of the reasons for the decline in the interest result is that the bank loans were utilised at the end of Q1 and during Q2 in 2011, meaning that the charge to the interest result was only pro rata temporis. Another is that the issue of the debenture bonds on freenet stock in April 2012 increased the volume of the long-term interest-bearing liabilities as a whole.

Taxes on income rose by €1.3 million to €8.5 million (previous year: €7.2 million). Consolidated profit amounted to €17.2 million (previous year: €31.4 million). The consolidated profits in the first nine months of 2012, excluding the effects from equity measurement in the balance sheet (freenet participation), market valuation of hedging transactions and derivatives, and the interest expenses attributable to the equity participation, came to €34.5 million (previous year: €29.1 million). The profit per share amounted to €0.33 (previous year: €0.59) or, excluding the equity participation, €0.67 (previous year: €0.55).

Assets, Liabilities

Cash flow

Cash flow from current business activities in the first nine months of 2012 amounted to €8.6 million (previous year: €16.6 million), a substantial improvement in Q3 2012 to €16.9 million (previous year: €11.1 million) in comparison with both the two previous quarters of 2012 and with Q3 2011. A major part of the one-off liquidity effects in Q1 2012 related to the change of business model has thus been compensated by the good operating business. The decline in prepaid business pursuant to the partial sale and reduction in the number of subscribers and the substantially reduced sales of vouchers, especially in Q1 and Q2 2012, led to a significant reduction in trade liabilities and other liabilities and provisions of €13.4 million (previous year: increase by €0.4 million) and in Payments received on account, especially in the form of credit balances and voucher balances which have not been used to top up cards, of €10.2 million (previous year: decline of €3.5 million).

Cash flow from investment activities totalling €-12.1 million (previous year: €-73.4 million) is decisively characterised by payments for investments in financial assets shown in the balance sheet according to the equity method amounting to €75.3 million and payments for investments in tangible and intangible assets of €15.2 million. These payments for investments are contrasted by incoming payments from the sale of financial assets shown in the balance sheet according to the equity method of €40.1 million and from received dividends of €38.4 million.

During the first nine months of 2012, there was a total inflow of funds of €54.0 million (previous year: inflow of €44.7 million) from financing activities. This inflow of funds came essentially from the issue of a debenture bond in the amount of €123.0 million (previous year: €0.0 million) on the one hand and from the taking out and repayment of financing loans with a bottom-line figure of €-30.7 million (previous year: €+71.7 million), dividend payments of €36.2 million (previous year: €26.6 million) and payments for the acquisition of treasury stock in a scope of €1.8 million (previous year: €0.0 million) on the other hand.

Assets, liabilities and financial position

The balance sheet total for Drillisch Group rose by €125.4 million to €519.1 million per 30 September 2012 (31 December 2011: €393.7 million). The equity ratio per 30 September 2012 came to 27.0% (31 December 2011: 41.9%). The change in equity ratio was essentially caused by the rise in the balance sheet total as a consequence of investments in Q2 and Q3 2012, the dividend payment and the repurchase of treasury stock.

Fixed assets rose by a total of €60.8 million to €379.3 million (31 December 2011: €318.5 million). As a consequence of the investments related to the continued expansion of the MVNO business model, Other intangible assets increased by €31.4 million to €42.3 million (31 December 2011: €10.9 million). Financial assets shown in the balance sheet according to the equity method increased by €25.5 million to €261.9 million (31 December 2011: €236.4 million). These assets comprise essentially the stock held in freenet AG. Drillisch AG, together with MSP, holds more than 20% of the share capital of freenet AG. This participation is consequently disclosed under the financial assets shown in the balance sheet in accordance with the equity method. In Q2 2012, Drillisch concluded a second hedging transaction related to the further investments in the interest held in freenet AG. The price of freenet stock per 30 September 2012 was €12.70 a share, leading to hidden reserves of about €91 million as of the quarterly closing date.

Cash rose by €50.5 million to €71.2 million (31 December 2011: €20.7 million). Trade receivables declined by €0.6 million to €41.1 million (31 December 2011: €41.7 million). In total, current assets increased by €64.6 million to €139.8 million (31 December 2011: €75.2 million).

As a consequence of the dividend distribution, balanced against the results of the first nine months of 2012, the accumulated deficit rose by €19.0 million to €62.1 million (31 December 2011: €43.1 million). The accumulated deficit resulted in 2008 from the change in the stock market evaluation of the freenet AG shares. In comparison with 31 December 2011, equity decreased by a total of €24.9 million to €140.1 million (31 December 2011: €165.0 million), a consequence in part of the continued repurchase of treasury stock.

Assets, Liabilities

Long-term liabilities rose by a total of €146.2 million to €309.2 million (31 December 2011: €163.0 million). One factor for the increase was Drillisch AG's issue of the non-subordinate debenture bond vested with the right to convert to current registered shares of equity stock in freenet AG in April 2012; per 30 September 2012, the bonds are measured in the balance sheet at €118.0 million (31 December 2011: €0). A second factor concerned the hedging transactions and financial derivatives disclosed under the Financial liabilities, which must also be carried at current fair value as liabilities. Owing to the rise in the price of the freenet AG stock, the valuation per 30 September 2012 resulted in a liability totalling €42.2 million (31 December 2011: €6.5 million). Liabilities due to banks declined per 30 September 2012 by €9.8 million to €141.4 million (31 December 2011: €151.2 million) and comprise exclusively long-term loan liabilities of MSP for the acquisition of additional shares in freenet AG in 2011 and 2012, which, 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 derivatives in the amount of €301.6 million is contrasted with fixed assets shown in the balance sheet from the participation in freenet of €261.9 million (31 December 2011: €236.4 million) and "hidden reserves" not shown in the balance sheet of about €91 million (31 December 2011: €23.6 million).

Short-term liabilities rose by a total of €4.0 million to €69.7 million in comparison with the end of fiscal year 2011 (31 December 2011: €65.7 million). Trade payables decreased by €10.4 million to €14.7 million (31 December 2011: €25.1 million) as a consequence of the change in the business model. Tax liabilities decreased by €4.0 million to €1.7 million (31 December 2011: €5.7 million). Payments received on account fell, primarily because of the decline in prepaid credits resulting from the reduction in the number of prepaid subscribers and the substantial reduction in voucher sales, by a total of €10.2 million to €12.2 million (31 December 2011: €22.4 million). The increase in Other liabilities by €25.2 million to €36.4 million (31 December 2011: €11.2 million) comes essentially from investment liabilities incurred in Q3 2012 by investments in intangible assets and from liabilities resulting from the repurchase of treasury stock.

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 the subsidiaries and Drillisch itself.

As noted in the report on the first half of 2012, the risks described in the Annual Report 2011 related to the legal disputes between Telekom and Drillisch are no longer relevant.

In all other respects, the risk situation – in comparison with the risks described in the annual report for the year 2011 – did not change appreciably during the first nine months of fiscal year 2012. In the opinion of the Management Board, adequate precautions have been taken to counter all of the identified risks.

Important events occurring after 30 September 2012

No important events occurred after 30 September 2012.

Outlook

The results of the first nine months of 2012 and the continuation of positive business development in October confirm our EBITDA forecast for 2012, which we have already increased, of €60 million to €61 million (previous year €52.6m).

Based on the current status of budgetary planning, the Drillisch AG Management Board expects a further increase in the EBITDA of about 10% to 15% and ranging between €67 million and €70 million in fiscal year 2013.

Despite the increased investments, which are primarily attributed to Q2 2012 and the continued expansion of the MVNO business model, the Management Board believes that, in view of this positive background of projected business development and subject to approval by the Supervisory Board, a proposed payment of a dividend for the coming year of at least the same level as in fiscal year 2011 (€0.70) will be possible.

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2012

Consolidated Comprehensive Income Statement

	I-III/2012	I-III/2011	III/2012	III/2011	II/2012	II/2011	I/2012	I/2011
	€k	€k	€k	€k	€k	€k	€k	€k
Sales	244,692	247,026	77,053	86,610	83,443	80,108	84,196	80,308
Other own work capitalised	1,667	1,760	609	583	554	560	504	617
Other operating income	6,803	885	426	207	6,083	467	294	211
Cost of materials/ Expenditures for purchased services	-166,002	-173,967	-49,672	-60,647	-59,840	-55,727	-56,490	-57,593
Personnel expenses	-16,446	-14,870	-5,739	-4,962	-5,312	-4,968	-5,395	-4,940
Other operating expenses	-23,418	-22,112	-8,566	-8,733	-6,532	-7,257	-8,320	-6,122
Amortisation and depreciation	-3,880	-2,627	-2,347	-715	-759	-736	-774	-1,176
Operating result	**43,416**	**36,095**	**11,764**	**12,343**	**17,637**	**12,447**	**14,015**	**11,305**
Result from financial assets shown in balance sheet according to the equity method	41,064	13,668	24,363	4,175	9,324	9,493	7,377	0
Other financial results	-51,747	-8,222	-17,651	2,310	-19,965	-14,275	-14,131	3,743
Interest income	698	380	264	119	191	120	243	141
Interest and similar expenses	-7,774	-3,253	-3,131	-1,492	-3,213	-1,155	-1,430	-606
Financial result	**-17,759**	**2,573**	**3,845**	**5,112**	**-13,663**	**-5,817**	**-7,941**	**3,278**
Profit before taxes on income	**25,657**	**38,668**	**15,609**	**17,455**	**3,974**	**6,630**	**6,074**	**14,583**
Taxes on income	-8,474	-7,230	-5,183	-3,733	-42	172	-3,249	-3,669
Consolidated results	**17,183**	**31,438**	**10,426**	**13,722**	**3,932**	**6,802**	**2,825**	**10,914**
Consolidated results attributable to non-controlling shareholders	0	28	0	7	0	14	0	7
Share of Drillisch AG shareholders in consolidated results	**17,183**	**31,410**	**10,426**	**13,715**	**3,932**	**6,788**	**2,825**	**10,907**
Market valuation of the assets available for sale								
Change not affecting results	0	28,188	0	0	0	27,396	0	792
Realisation of market valuation provision affecting results	0	-9,493	0	0	0	-9,493	0	0
Taxes on income	0	-282	0	0	0	-270	0	-12
Other earnings after taxes	0	18,413	0	0	0	17,633	0	780
Consolidated comprehensive results	**17,183**	**49,851**	**10,426**	**13,722**	**3,932**	**24,435**	**2,825**	**11,694**
thereof comprehensive results attributable to non-controlling shareholders	0	28	0	7	0	14	0	7
thereof share of Drillisch AG shareholders in total results	**17,183**	49,823	**10,426**	13,715	3,932	24,421	2,825	11,687
Profit per share (in €)								
Undiluted	0.33	0.59	0.20	0.26	0.08	0.12	0.05	0.21
Diluted	0.33	0.59	0.20	0.26	0.08	0.12	0.05	0.21

Consolidated Balance Sheet

ASSETS

	30.09.2012	31.12.2011
	€k	€k
Fixed assets		
Other intangible assets	42,282	10,869
Goodwill	67,206	67,206
Tangible assets	1,574	1,237
Financial assets shown in balance sheet according to equity method	261,916	236,359
Other financial assets	904	33
Deferred tax reimbursements	5,452	2,794
Fixed assets, total	**379,334**	**318,498**
Current assets		
Inventories	7,001	8,922
Trade accounts receivable	41,102	41,696
Tax reimbursement claims	2,864	1,468
Cash	71,235	20,688
Other current assets	17,579	2,417
Current assets, total	**139,781**	**75,191**
ASSETS, TOTAL	**519,115**	**393,689**

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2012	31.12.2011
	€k	€k
Shareholders' equity		
Subscribed capital	56,337	57,093
Capital surplus	114,772	119,917
Earnings reserves	31,123	31,123
Accumulated deficit	-62,089	-43,108
Equity, total	**140,143**	**165,025**
Long-term liabilities		
Pension provisions	560	546
Deferred tax liabilities	7,027	4,378
Bank loans and overdrafts	141,383	151,189
Debenture bond	118,021	0
Financial liabilities	42,162	6,536
Leasing liabilities	91	349
Long-term liabilities, total	**309,244**	**162,998**
Short-term liabilities		
Short-term provisions	2,307	746
Tax liabilities	1,704	5,730
Trade accounts payable	14,737	25,103
Payments received on account	12,157	22,373
Financial liabilities	2,063	0
Leasing liabilities	392	529
Other liabilities	36,368	11,185
Short-term liabilities, total	**69,728**	**65,666**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	**519,115**	**393,689**

Consolidated Statement of Change in Capital

	Number of shares	Subscribed capital	Capital reserves	Earnings reserves	Market valuation reserves	Unappropriated deficit	Equity to which Drillisch shareholders are entitled	Non-controlling shareholders	Shareholders` equity total
		€k	€k	€k	€k	€k	€k	€k	€k
Per 01/01/2011	**53,189,015**	**58,508**	**126,469**	**31,123**	**-18,413**	**-57,510**	**140,177**	**201**	**140,378**
Dividend payments		0	0	0	0	-26,595	-26,595	0	-26,595
Change in own shares		0	0	0	0	-28	-28	-229	-257
Consolidated comprehensive results		0	0	0	18,413	31,410	49,823	28	49,851
Per 30/09/2011	**53,189,015**	**58,508**	**126,469**	**31,123**	**0**	**-52,723**	**163,377**	**0**	**163,377**
Per 01/01/2012	**51,902,424**	**57,093**	**119,917**	**31,123**	**0**	**-43,108**	**165,025**	**0**	**165,025**
Dividend payments		0	0	0	0	-36,164	-36,164	0	-36,164
Change in own shares	-687,267	-756	-5,145	0	0	0	-5,901	0	-5,901
Consolidated comprehensive results		0	0	0	0	17,183	17,183	0	17,183
Per 30/09/2012	**51,215,157**	**56,337**	**114,772**	**31,123**	**0**	**-62,089**	**140,143**	**0**	**140,143**

Consolidated Capital Flow Statement

	I-III/2012	I-III/2011
	€k	€k
Consolidated results	17,183	31,438
Other financial results	51,747	8,491
Result from financial assets shown in balance sheet according to the equity method	-41,064	-13,668
Interest paid	-2,357	-1,959
Interest received	448	380
Results from interest	7,076	2,873
Income tax paid	-10,684	-8,115
Income tax received	1,445	0
Taxes on income	8,474	7,230
Amortisation and depreciation	3,880	2,627
Income from the disposal of tangible assets and intangible assets	0	-2
Change in inventories	1,921	510
Change in receivables and other assets	-5,847	-10,066
Change in trade payables and other liabilities and provisions	-13,407	390
Change in payments received on account	-10,216	-3,500
Cash flow from current business activities	**8,599**	**16,629**
Investments in tangible and intangible assets	-15,235	-1,987
Payments for acquisitions less acquired cash	0	-257
Outgoing payment for financial assets and investments in Other financial assets shown in the balance sheet according to equity method	-75,286	-114,485
Dividends received	38,400	22,400
Incoming payment from the sale of other financial assets	40,068	20,921
Cash flow from investment activities	**-12,053**	**-73,408**
Change in own shares	-1,760	0
Dividend payments	-36,164	-26,595
Outgoing payments for amortisation of loans	-98,460	-47,715
Incoming payments from the taking out of loans	67,780	119,428
Payments from issue of debenture bonds	123,000	0
Change in investment liabilities	-395	-453
Cash flow from financing activities	**54,001**	**44,665**
Change in cash	**50,547**	**-12,114**
Cash at beginning of period	20,688	27,591
Cash at end of period	71,235	15,477

Consolidated Notes

1. General

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 O2, Vodafone, Telekom and E-Plus and markets wireless services products in the sectors postpaid and prepaid, largely on the basis of an MVNO model, for 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 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 become mandatory as of 01 January 2012 have been taken into consideration. The same accounting and valuation methods were applied as with the consolidated financial statement as per December 31, 2005. This interim report per 30 September 2012 has been prepared in compliance with IAS 34 "Interim Financial Reporting" and the German accounting standard DRS 16 "Interim Financial Reporting". The accounting standards which are to be applied for the first time in fiscal year 2012 (amendments to IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets) do not have any noteworthy effects on the presentation of the assets and liabilities, financial position and profit and loss of Drillisch Group. 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.

Hedging transactions have been concluded as part of the financing of the freenet stock acquired in 2011 and 2012. The value of the hedging transactions 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 transactions, which can also be negative. In this case, it is disclosed under the long-term financial liabilities. The result from the valuation of the hedging transactions per 30 September 2012 is €-33,287k and is disclosed in Other financial results.

On 05 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 and will be redeemed at 100% of the nominal value. They include an annual coupon of 3.375%. The conversion price was set at €14.7719 at the time of the issue, corresponding to a premium of 22.5% above the reference price of €12.0587. 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 has been adjusted 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 pursuant to Section 10 (5) of the Terms and Conditions of Issue of the Debenture Bond. 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 market value effective on earnings as of 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 687,267 shares of treasury stock have been acquired on the stock exchange.

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/2012	I-III/2011
Consolidated profit allocated to shareholders in €k	17,183	31,410
Weighted average, less own shares held	51,667,318	53,189,015
Consolidated profit per share in €	**0.33**	**0.59**

Consolidated Notes

5. Explanatory Comments on Capital 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 equity interest 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 services acquired from the network operators Telekom Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica O2 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.

The interest in freenet AG is presented in the segment Equity interest. freenet AG is presented in the consolidated annual accounts in accordance with the equity method and the profit is disclosed in the Equity results. The management indicator for the segment Equity interest is the equity result.

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

Consolidated Notes

Segment Report 1/1/2012 – 30/9/2012

	Telecommunications	Software services	Equity participation	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 shown in the balance sheet 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 fair value measurement of Other financial derivatives	0	0	0	0
Result from payment obligations related to financing agreements	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 Profit	**34,577**	**-28**	**-17,366**	**17,183**

Consolidated Notes

Segment Report 01/01/2011 – 30/09/2011*

	Telecommu-nications	Software services	Equity participation	Total
	€k	€k	€k	€k
Sales with third parties	246,976	50	0	247,026
Inner-company sales	0	7,591	0	7,591
Consolidation	0	-7,591	0	-7,591
Segment sales	**246,976**	**50**	**0**	**247,026**
Segment EBITDA	**38,723**	**-1**	**0**	**38,722**
Amortisation and depreciation	-2,627	0	0	-2,627
Segment EBIT	**36,096**	**-1**	**0**	**36,095**
Result from financial investments shown in the balance sheet according to the equity method	**0**	**0**	**13,668**	**13,668**
Result from fair value measurement of hedge transactions	0	0	-654	-654
Result from fair value measurement of financial derivatives related to the issue of a debenture bond	0	0	0	0
Result from fair value measurement of Other financial derivatives	0	0	330	330
Result from payment obligations related to financing agreements	0	0	-7,898	-7,898
Other financial results per comprehensive income statement	**0**	**0**	**-8,222**	**-8,222**
Interest income	380	0	0	380
Interest and similar expenses	0	0	-3,253	-3,253
Financial result	**380**	**0**	**2,193**	**2,573**
Profit before taxes	**36,476**	**-1**	**2,193**	**38,668**
Taxes on income	-7,361	0	131	-7,230
Consolidated Profit	**29,115**	**-1**	**2,324**	**31,438**

* Adjusted

Consolidated Notes

With the exception of the equity interest of €261,9 million and financial liabilities of €303.6 million, 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 and the measurement of the hedging transactions and the equity result.

7. Relations to relatives and companies

As per 30 September 2012, 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 let office space in Maintal to Drillisch Group. The lease runs until 30 June 2015. Rent expenses for the first 9 months of 2012 amounted to €380k.

The company Frequenzplan GmbH, Planegg (shareholder Mr Tobias Valdenaire), realised sales in the amount of €160k with Drillisch Group in the first 9 months of 2012.

The company Flexi Shop GmbH, Frankfurt am Main (shareholder Mr Jannis Choulidis), realised sales in the amount of €238k with Drillisch Group in the first 9 months of 2012.

Drillisch Group realised revenues for mediation activities in the amount of €12,902k with freenet AG, Büdelsdorf, in the first 9 months of 2012. The amount of €304k was due from this company per 30 September 2012.

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

Finance and Event Calendar*

3rd quarter Report 2012	Friday, 09 November
DVFA Analyst Event	November

* Subject to change

Publications

The 9 month report 2012 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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