



DRILLISCH AG
9-MONTH REPORT 2010

Key Indicators of the Drillisch Group

Drillisch-Group	I - III/2010	I - III/2009	I - III/2008
Turnover in €m	261.8	252.1	265.7
EBITDA in €m	33.4	32.7	30.5
EBITDA, adjusted in €m	35.5	32.9	30.8
EBIT in €m	29.1	28.0	25.5
EBT in €m	31.8	95.0	-127.9
Consolidated profits in €m	23.8	87.6	-135.3
Profit/loss per share in €	0.45	1.74	-2.60
EBITDA margin in % of turnover	12.8	13.0	11.5
EBITDA margin adjusted in % of turnover	13.6	13.1	11.6
EBIT margin in % of turnover	11.1	11.1	9.6
EBT margin in % of turnover	12.2	37.7	-48.2
Consolidated profit margin in % of turnover	9.1	34.7	-50.9
Equity ratio (equity % of balance sheet total)	52.0	45.3	34.8
Return of equity (ROE) (ratio Group result to equity)	16.4	70.4	-164.6
Cash flow from current business operations in €m	27.0	25.6	23.2
Depreciation excluding goodwill in €m	4.4	4.7	5.0
Investments (intangible and intangible fixed asset) adjusted in €m	2.1	2.1	2.6
Staff as annual average (incl. Management Board)	382	381	351
Wireless services customers as per 30/09 (approx. in thousands)	2,340	2,237	2,323
Wireless services customers (Prepay)	1,225	1,291	1,493
Wireless services customers (Postpay)	1,115	946	830

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Letter from the Management Board



Management Board

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

Vlasios Choulidis
Director of Sales, Marketing and Customer Care

Dear Sir or Madam,

The third quarter of 2010 added yet another chapter to the successful history of our Company. All of the business units contributed to the positive results of the corporation. The two core units Discount (since 2005) and Mobile Internet (since 2007) have borne the major load for this positive development. During the past quarter, we initiated steps which will ultimately merge these two worlds. Our brands simply, McSIM and helloMobil offer the market interesting products in the fast-growing smartphone sector. Our customers can make phone calls and use the Mobile Internet at low minute rates – without having to accept any compromises in quality.

All of the key figures (turnover, EBITDA and subscribers) increased in the first nine months of fiscal year 2010. During this period, turnover improved by 3.8% or €9.7 million to €261.8 million (9M 2009: €252.1 million). Gross profit improved overproportionately to the increase in turnover over the first nine months, rising by 6.9% or €4.2 million to €64.1 million (9M 2009: €59.9 million). At 24.5%, the gross profit margin even exceeded the already excellent result for the same period last year (9M 2009: 23.8%).

The EBITDA, adjusted for the expenditures of about €2.1 million for the closure of the Idstein site, rose by 7.9% and came to €35.5 million after nine months (9M 2009: €32.9 million). The adjusted EBITDA ratio improved by 0.5% to 13.6% (9M 2009: 13.1%). The operating consolidated profit, adjusted for the freenet write-up, improved by €3.9 million or 19.6% to €23.8 million (9M 2009: €19.9 million plus €67.7 million freenet write-up). Profit per share came to €0.45 (9M 2009: €0.39 excl. freenet). The calculation of this key figure is, however, based on an average of 53,189,015 shares in the first nine months of fiscal year 2010 and, as such, 2.74 million shares more than were included in the figure for the same period last year (50,442,131 shares).

This revenue was realised from 2.340 million subscribers. This is an increase of 4.6% or 103,000 subscribers in comparison with the previous year (9M 2009: 2.237 million subscribers). While the number of prepaid subscribers declined by 66,000 subscribers or 5.1% to 1.225 million subscribers (9M 2009: 1.291 million subscribers) during the nine months of fiscal year 2010 as a consequence of the deliberate continuation of our policy of clearing inactive customers from the accounts, the number of postpaid subscribers rose in contrast by 17.9% or 169,000 subscribers to 1.115 million subscribers (9M 2009: 946,000 subscribers) and now contributes 47.6% (previous year 42.3%) of the total subscriber base. In other words, the share of the higher-value postpaid subscribers rose by 5.3% in comparison with the previous year during the first nine months of fiscal year 2010.

Letter from the Management Board

The unwavering strategic orientation of Drillisch AG will be continued. The focus remains on the growth sectors discount and mobile Internet. These are also the sectors that will contribute to growth in the wireless services industry in the coming years. Recent surveys show that about 40% of all mobile phone users now have a smartphone, but only 33% of them know that these phones can access the Internet, and less than half of this group use it for this purpose (TNS Infratest, September 2010). According to a survey commissioned by ZDF in September 2010, 68% of the respondents believe that mobile Internet is too expensive. Many others find the price structure "confusing".

Drillisch AG offers customers low-priced products, including the brands simply and helloMobil, in both sectors – voice and data – in good quality and featuring simple, understandable and clear price structures. We have our quality promises reviewed by independent authorities. In September 2010, the brands simply and maXXim became the first – and so far the only – providers to be awarded the ISO certificate in accordance with the standard DIN EN ISO 9001:2008. This ISO certificate is the successful conclusion to an audit of our customer service in both the back office and the call centre.

As a whole, the trend toward low prices for telephone calls is still unabated, and this success story will be continued with the sector Mobile Internet. We increase our forecast of an adjusted EBITDA to €48 million in fiscal year 2010 (old: €46 million) following €43.5 million in fiscal year 2009 (adjusted). We can also reaffirm our statement of March 2010 regarding our dividend policy.

Faithfully yours,



Paschalis Choulidis

and



Vlasios Choulidis

Investor Relations Report

The Capital Market – 01 July 2010 to 30 September 2010

The overriding topic of the second quarter – the rampant escalation of the national debt and the fear of increased interest rates – continued to play a role only at the beginning of the third quarter. More optimistic business projections and free liquidity in search of investment opportunities served as fuel for the stock exchanges, especially because the returns on 10-year government bonds fell to a low point of 2.1% at one time.

Despite the more hopeful news from the corporate side, there is no reason to fear a turnaround in interest policies. In contrast to the stock markets, the recovery in the economy and the government finances does not present such a uniformly positive image. The Markit-Institut, for example, announced that according to provisional calculations the purchasing manager index for the industrial sector had fallen from 55.1 points in August to 53.6 points in September, its lowest point since January 2010. So the momentum of the economic recovery has slowed considerably.

All of the important stock market indices developed in a positive direction in the third quarter and were thereby able to make up some of the losses accrued during the first half of the year. Focus shifted here to second-tier stocks. The MDAX and the TecDAX improved by 9.5% and by 6.4%, respectively. The DAX increased by 4.4%.

The information below shows the performance of the Drillisch stock since the end of 2009 in comparison with the indices:

The Drillisch Stock in the third quarter 2010			
	Close-out 2009	30 September 2010	% change
Drillisch	€5.05	€5.33	+ 5.54
TecDAX	817.58	781.47	– 4.41
TecAllShare	932.93	918.42	– 1.55

One Year on the TecDAX – Good Index Acceptance and an Attractive Assessment

During its first year of being listed on the TecDAX, the Drillisch stock improved in the two relevant rankings and held better positions for both market capitalisation (from 24th to 21st) and turnover (from 24th to 18th) than at the time of its acceptance in the index on 21 September 2009.

Current Analyst Assessments (as per 30 September 2010)			
Analysis	Rating	Target Price	Date
Hauck & Aufhäuser	"Buy" (initiation)	€6.80	23 September 2010
SES Research	"Buy"	€6.80	18 August 2010
West LB	"Buy"	€6.70	18 August 2010
Commerzbank	"Buy"	€6.00	12 August 2010
Kepler Capital Markets	"Buy"	€6.00	12 August 2010
HSBC	"Overweight"	€6.00	04 August 2010

Investor Relations Report

The sustainable business model with its core business fields "Discount" and "Mobile Internet", the cash flow generation and a reliable dividend declaration are given the greatest consideration in the analyses of the banks observing our stock. Moreover, Drillisch AG published a statement regarding dividend policies for the future in conjunction with the dividend proposal for 2009 on 9 March. In addition to the attractive dividend from our operating business, dividend earnings from our holdings in freenet AG play an important role and complete the overall picture.

Agenda des dritten Quartals – DGAP Ad-Hoc Mitteilungen

11 August 2010	Best results in company history: turnover +9.0% to €177.0m (PY: €162.4m); EBITDA +8.8% to €23.0m (PY: €21.2m); subscribers +3.1% to 2.290m (H1 2009: 2.221m)
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Investor Relations Events

24 August: 10th German Technology & Telecoms Conf., Frankfurt – Commerzbank

08 September: TMT Day, London – West LB

Various investor talks, including many initial contacts

The continuing work of the Investor Relations Department is oriented to fair disclosure and can be tracked equally for all investor groups on our home page. In addition to a detailed financial calendar, all of the relevant reports can be viewed as PDF documents. Many investors also take advantage of the opportunity for personal contact via e-mail and/or telephone.

Directors Dealings

The following dealings in securities requiring a report in accordance with Section 15a WpHG occurred during the reporting period of the third quarter 2010.

Date	Name	Position	Purchase/Sale	Shares	Price in €
13 August 2010	SP GmbH	Management Board	Purchase	58,875	5.026
27 August 2010	MV GmbH	Management Board	Purchase	13,000	4.99
14 September 2010	MV GmbH	Management Board	Purchase	7,136	5.24
15 September 2010	MV GmbH	Management Board	Purchase	3,524	5.29

Investor Relations Report

Directors' Holdings (as of 30 September 2010)

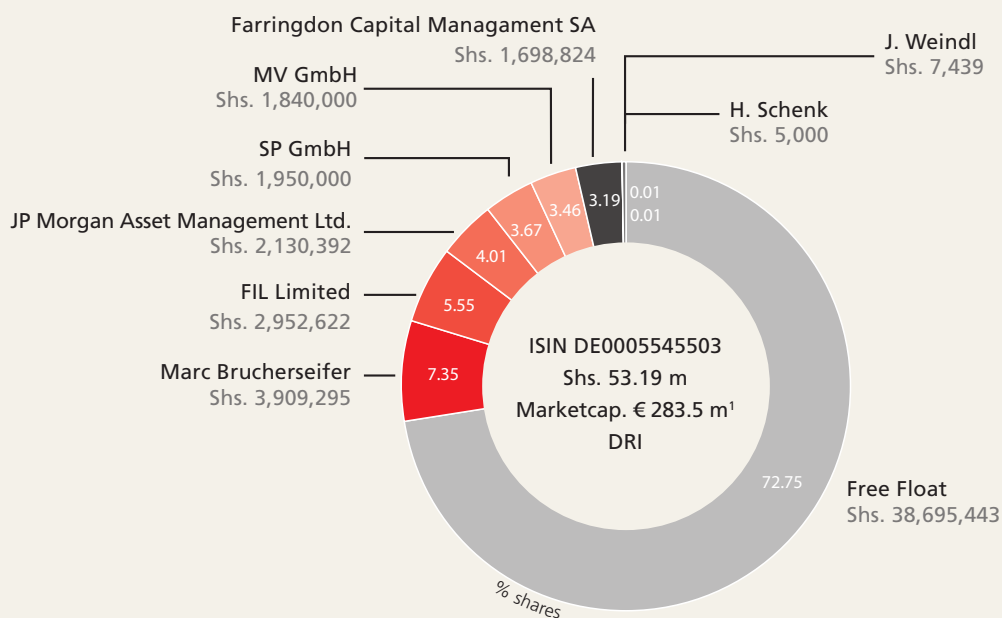
Management Board

Name	No-par shares
MV GmbH	1,840,000 → 3.46%
SP GmbH	1,950,000 → 3.67%

Supervisory Board

Name	No-par shares
Dr. Hartmut Schenk	5,000 → 0.01%
Johann Weindl	7,439 → 0.01%
Marc Brucherseifer	3,909,295 → 7.35%
Dr. Horst Lennertz	0
Michael Müller-Berg	0
Dr. Bernd Schmidt	0

Shareholder Structure (as per 30 September 2010)



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 € 5.33 on 30 September 2010. Free Float acc. to the rule of Dt. Boerse AG: 92.65%



MARKET ENVIRONMENT

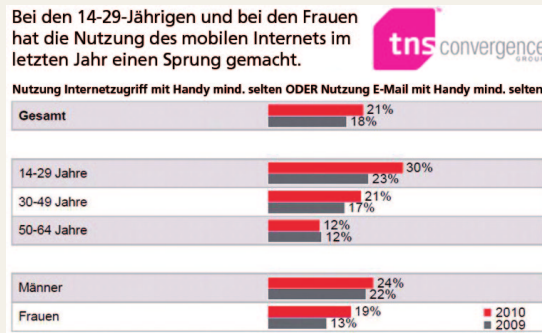
The Wireless Services Market

Sales in wireless services on the rise in Germany

The telecommunications industry continues to be one of the major forces driving economic growth in Germany. This is the conclusion of the market study conducted jointly by the telecommunications association VATM and Dialog Consult which was published in October 2010. After four years of declining sales, an increase in turnover of just under one percent to €24.3 billion for wireless services is expected for this year. Users in this country are reaching for their mobile phones more and more frequently; call volume on wireless networks is projected to increase by as much as three percent to 258 million minutes per day in 2010. According to an assessment by the industry federation BITKOM, half of German consumers can no longer imagine life without a mobile phone. A survey conducted by the market and social research institute infas within the framework of the so-called Telecommunications Monitor in August 2010 revealed that 13% do not use landline networks at all for their phone calls. Many of these "mobile only" consumers use a mobile phone with e-mail and Internet capability or access a UMTS connection with their laptops.

Mobile Internet has arrived on the mass market

The number of people in Germany regularly using Internet functions on their mobile phones has now reached the ten-million mark, a figure which corresponds to 17% of all mobile phone owners. This is the result of a representative Forsa survey conducted on behalf of BITKOM in August 2010. About eight million or 13% of the mobile phone owners surf websites, four million or seven percent of mobile phone users write e-mails and four million use so-called apps. The latter are small programs (applications) developed especially for smartphones to simplify access to the mobile Internet for specific purposes such as timetable information, traffic congestion reports, weather forecasts or communication with social networks. The latest Convergence Monitor from TNS Infratest from September 2010 determined that 30% of the surveyed 14- to 19-year-olds go online with their mobile phones at least once a week, a rise of seven percent in comparison with the previous year.



The greater use is also reflected in rising sales: according to estimates by VATM, the non-voice share of total turnover in wireless services 2010 added about 1.5% and reached 28.5%.

This means that data volume more than trebled from 2009 to 2010. BITKOM expects sales from data services in 2010 to amount to €5.8 billion.



Smartphones replacing mobiles

One important driver behind the spread of mobile Internet usage is the continuing boom in smartphones. These multimedia mobile phones optimised for Internet use have large, powerful touch screens; retrieving and legibly displaying Internet sites is just as simple as on a PC at home or a laptop. And smartphones are in demand as never before in Germany. Current predictions from BITKOM foresee growth in sales of smartphones in 2010 of 47% to 8.2 million units. In other words, this year one out of every three new mobile phones will be a smart phone; last year it was one out of every five. Correspondingly, turnover from the sale of "intelligent" mobile phones in 2010 will increase substantially by 33%. According to the analysts at Frost & Sullivan, the smartphone boom will not be coming to an end any time soon. A study from

The Wireless Services Market

July 2010 shows that in 2014 85.4 million devices will be sold in Western Europe alone – the worldwide figure will be 442.9 million. The worldwide figure last year was a mere 147.8 million units sold.

In their study “Convergence Monitor” published in September 2010, the market researchers from TNS Infratest determine that as of today 40% of all mobile phone users have this type of smartphone which can be used for surfing and sending and receiving e-mails. But the potential has by no means been exhausted. Although 33% of the smartphone owners know that their mobile phones are Internet-capable, fewer than half of them make use of these functions. The situation is similar when it comes to retrieving e-mails: 38% could use their mobiles for this purpose, but fewer than half actually do so.

Exploiting growth potential with transparency and low-cost data plans

Even though more and more people are using their mobile phones for Internet surfing, quite a number are still sceptical about mobile Internet for a number of different reasons. A study conducted by Fittkau & Maass on behalf of ZDF in September 2010 showed that just under 68% of the respondents regard Internet via UMTS as “too expensive”, and it is “inconvenient” for 47%. Moreover, it is “too slow” and “too complicated”, and the “rate plans” are “confusing”. But this study clearly indicates that transparent rate schedules with a low monthly basic fee and which allay fears of uncontrollable costs will raise the acceptance level for the mobile Internet and win over consumers who are still hesitant today. This is also the conclusion of the market researchers at TNS Infratest, and they predict dynamic development in the use of mobile Internet in the coming years parallel to the greater distribution of the appropriate end devices and the falling costs for Internet flat rates.

Drillisch sets new standards on the wireless services market

simply the first discount provider to be certified in accordance with ISO 9000



simply
Und gut.

At the end of September 2010, simply Communication GmbH became the first provider in this rapidly growing segment to be certified in accordance with the standard DIN EN ISO 9001:2008 for its quality management system

used in the marketing of voice and data plans for the brands simply and maXXim. The brand simply, launched by Drillisch in 2005, has become the first and only provider on the rapidly growing market of wireless services discount providers to pass this audit of online product marketing and customer service –



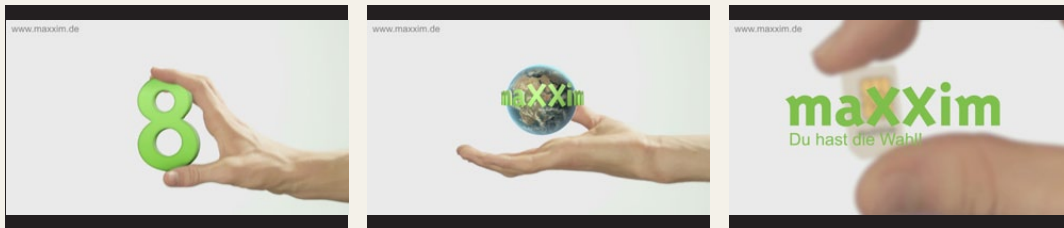
both call centre and back office – and to be awarded the ISO seal. The certificate which has now been granted also meets the high standards of the EURAS norms and covers the entire simply product family such as simply smart, simply basic and simply data as well as the brands maXXim, maXXim data, ja! mobil, Penny Mobil and Weltbild Mobil realised through these channels as well.

maXXim and simply launch price campaign for voice and data plans

In September 2010, Drillisch launched new campaigns for the discount brands simply and maXXim, again setting highlights on the market. The plans for data transfer only (e.g. for netbooks or laptops simply data and maXXim data) have made it possible to surf while on the go for as little as €14.95 a month since summer. Moreover, both brands now offer all of their plans with options for classic SIM cards for USB UMTS sticks and built-in UMTS modules or as modern micro-SIM cards for mobile end devices of the latest generation such as the Apple iPad. Anyone ordering a conventional data card will benefit at simply and maXXim from low prices for hardware as well; the latest USB UMTS stick with expanded scope of performance is now available for one-time €39.00 (instead of the previous €49.00). So Drillisch continues to offer customers leading products at the usual low prices in combination with a high standard of service confirmed by independent organisations as evidenced by the current TÜV seal “Service Tested” and the

The Wireless Services Market · The Software Industry

ISO certification. Since October, maXXim has been featured with a TV spot during prime commercial time immediately before the daily news programme on television, increasing brand awareness.



Smartphones taking over the discount segment

“Smartphone goes discount” – this is the strategy determinedly pursued by the Drillisch Group in orienting its pioneering brand simply to the booming smartphone market. Coveted smartphones such as the Apple iPhone were previously available only from exclusive distribution partners at relatively high monthly rates, but Drillisch is now demonstrating that attractive bundled offers for the fashionable mobile phone are also possible at substantially lower minute and text message prices as well as for lower monthly fees. The new brand simply smart is offering SIM-only rates or attractive iPhone packages with flexible device prices for all smartphone users.

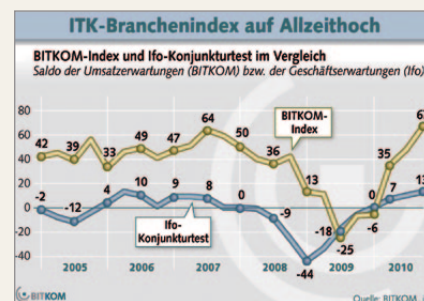
McSIM and helloMobil offer new attractive flat rates

Mobile phone users who already own a smartphone benefit from the new and expanded rate plans for the Drillisch brand McSIM, which have been offering a mobile surfing and a landline flat rate since July 2010. The smartphone rate helloMobil, which Drillisch launched in February 2010, has now expanded its data options by the addition of a further attractive flat rate for mobile phone surfing. There is now a data option of €12.95 a month aimed specifically at high-volume smartphone users; the full speed of the turbocharged UMTS per HSDPA/HSUPA can be used for a monthly data volume of 1 gigabyte. So helloMobil now offers data packages ranging from 50 MB to 1 GB to meet the needs of any user profile.



Optimism in the ITC industry

According to a survey regarding the state of the economy conducted by BITKOM, the mood in the ITC industry is better than it has been for years. 78% of the surveyed companies were able to increase turnover in the third quarter of 2010. The BITKOM Index climbed from 48 to 67 points, the highest score since it was introduced in 2001. Both sales and order entry rose by significant amounts. Just under three-fourths of all companies increased order entry in comparison with the same period of the previous year. Furthermore, this positive business development extended across all segments of the market. Indeed, 79% of the companies expect growth in sales for 2010 as a whole.



COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP
AS PER 30 SEPTEMBER 2010

Group Companies

Commercial Development of the Drillisch Group as per 30 September 2010

In its own estimation, Drillisch is one of the most profitable and innovative wireless services providers in Germany. The Company markets the wireless services offered by all four of the wireless network operators active in Germany, primarily through subsidiaries. The most important sales channels are the Internet, large retail chains and about specialist retailers. The services acquired from the network operators are resold to end consumers for the Company's own account and at rates that Drillisch defines itself based on its own calculations. The "Wireless Services" business unit forms the core business of Drillisch. The scope of the services includes all of the services offered by the network operators for the transmission of voice, data and other content. The significantly smaller business division "Software Services" has been concentrated in the subsidiary IQ-optimize. This subsidiary performs IT services for all of the Group companies. Moreover, IQ-optimize markets its own workflow management software program.

Drillisch AG is the Group's holding

Within the 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. The wireless services providers Drillisch Telecom and simply handle primarily the operating wireless services business. MS Mobile is a group company which successfully markets the discount products with the brand name "maXXim". Working together with eteleon, a specialist for innovative sales solutions, the Company intends to extend sales activities via c-commerce and additional distance trade channels, to expand the product line and, by doing so, to intensify efforts to acquire new customers. MSP Holding is an affiliated company of Drillisch, which held 5,000,000 shares in freenet AG as of 30 September 2010. All of the IT expertise of Drillisch Group is bundled in IQ-optimize.

Drillisch Telecom – strong brands in the pre-paid and post-paid segments

Drillisch Telecom is a wireless services provider with its strong brands Telco, VICTORVOX, Alphetel, McSIM and helloMobil. The premium brand Telco is distributed via specialist retailers. Drillisch has specialised in select forms of distribution and wide-area marketing under the brand name VICTORVOX. These two brands operate primarily on the traditional basis of term contracts. The Company's own, individually calculated product offers are developed alongside the original network operator rates. McSIM and helloMobil expand the discount line from Drillisch. Drillisch uses the brand Alphetel to offer in prepaid business cash cards and cash codes via its own platform, g-paid, as well as starter cards and bundles; it is the only service provider in Germany to do so.

Low-price discount rates for phoning on mobile phones and using the mobile Internet

simply – one of the discount pioneers in Germany – celebrated its fifth anniversary in April 2010. simply markets wireless services at especially low prices via the Internet and in cooperation with large retail chains. In addition to mobile phone calls at discount prices and flat rates, simply offers a wide range of low-cost rates for mobile data communication. Since the beginning of July 2010, simply has also become the provider of choice for smartphone users and is offering Germany's first ever smartphone discount rate with a double flat rate.

discoTEL, the brand offered through our eteleon subsidiary, set a new standard on the German wireless services discount market by offering a rate of 7.5 cents per minute. For a long time previously, maXXim had been the price leader with its rate of 8 cents.

Turnover and Earnings Position

Employees

In the first nine months of 2010, an average of 382 employees (previous year: 381), 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 47 (previous year: 49). Drillisch makes a significant contribution to the training of young people in qualified professions necessary to secure our future in Germany.

Turnover and earnings position

Drillisch continued the strong growth from the record fiscal year 2009 into the first nine months of 2010 without the slightest bump. The strong development in our business is being driven by the continuing dynamics of the sectors wireless services discount and mobile Internet. Drillisch is using innovative marketing and sales concepts to sustain its top position in the German telecommunications industry.

As of 30 September 2010, the consolidated turnover rose by 3.8% to €261.8 million (previous year: €252.1 million) in comparison with the same period last year. The sales figure includes €0.1 million (previous year: €0.1 million) from the software services segment, €261.7 million (previous year: €252.0 million) from pre-paid and post-paid wireless services sales, earnings from network operator commissions and bonuses, and sales from merchandise business (sale of wireless devices, pre-paid bundles and starter cards). This growth was achieved with 2.340 million subscribers (previous year: 2.237 million). Year-on-year, the total number of post-paid customers increased by 17.9% to 1.115 million subscribers (previous year: 0.946 million). The pre-paid subscriber base was again cleared of inactive customers. Accordingly, the number of pre-paid connections declined by 5.1% to 1.225 million (previous year: 1.291 million). As a result of the expansion of post-paid business, which generates higher margins, the share of post-paid connections has now risen to 48%, representing an increase of six percentage points over the figure reported 30 September 2009 (30 September 2009: 42% post-paid compared with 58% pre-paid).

The cost of materials rose, underproportionately to the increase in turnover, in the first nine months of 2010 by 2.9% to €197.7 million (previous year: €192.2 million). So the gross profit rose by 6.9% to €64.1 million (previous year: €59.9 million). The gross profit margin increased by 0.7 percentage points to 24.5% (previous year: 23.8%). Personnel expenses rose by 15.1% to €18.2 million (previous year: €15.9 million). This rise is primarily a consequence of restructuring activities during the consolidation of operating locations leading to expenditures in the amount of €2.1 million, mainly pursuant to a social plan for employees leaving the Company. Correspondingly, the personnel expenses ratio increased by 0.7 percentage points to 7.0% (previous year: 6.3%). Other operating expenses increased by 8.8% to €15.9 million (previous year: €14.6 million), primarily as a consequence of higher expenditures for advertising.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation) adjusted for the described restructuring activities – one of the most important management indicators in the Drillisch Group – improved by 7.9% to €35.5 million (previous year: €32.9 million). The adjusted EBITDA margin came to 13.6% (previous year: 13.1%). The EBITDA excluding the adjustment rose to €33.4 million (previous year: €32.7 million). Depreciation declined by 7.9% to €4.4 million (previous year: €4.7 million). As a consequence, the EBIT (earnings before interest and taxes) grew by 3.8% to €29.1 million (previous year: €28.0 million). The year-on-year EBIT margin remained unchanged at 11.1% (previous year: 11.1%).

In the previous year, the equity method was used to measure the participation in MSP and the shares that Drillisch holds directly in freenet. The results from this inclusion amounted to €67.7 million as per 30 September 2009. This figure mainly included write-ups on the shares in freenet AG and – to a much lesser extent – the portion of updated proportional equity that is effective for income. As in the annual accounts per 31 December 2009, the shares in freenet AG held by MSP and Drillisch AG are classified as “available for sale” in accordance with IAS 39 as per 30 September 2010, and changes in value are measured as non-operating results by means of the market evaluation provision in equity. The Other financial results of €3.4 million (previous year: €0 million) included primarily dividend payments from freenet AG per 30 September 2010. freenet AG did not distribute any dividends last year.

Assets, Liabilities and Financial Position

The scheduled repayment of bank loans and the good operating cash flow caused the interest result to improve by €125,000 to -€622,000 (previous year: -€747,000). Taxes on income rose by 8.9% to €8.0 million (previous year: €7.4 million). The increase in the tax ratio was primarily due to the fact that earnings from financial assets that were measured in the balance sheet using the equity method in the same period the previous year were not relevant for tax purposes. The consolidated results after third-party shares decreased to €12.1 million (previous year: €91.0 million) because the increase in value of the investment in MSP and of the freenet shares that are held directly by Drillisch AG was effective for earnings only in the previous year. Profit per share came to €0.45 (previous year: €1.74).

Cash flow

Cash flow from current business activities grew by €1.4 million to €27.0 million (previous year: €25.6 million). The most important factor here, in addition to the excellent results for the quarter, was the significant decline in receivables and other assets. Despite the dividend distribution of €16.0 million (previous year: €0) and the scheduled repayment of the financial loans in the amount of €10.0 million (previous year: €10.0 million), cash increased in comparison with the end of 2009 by €2.3 million to €29.2 million (previous year: increase of €12.4 million to €16.7 million) mainly as a result of the excellent operating cash flow and the dividend of €3.1 million received from freenet.

Assets, liabilities and financial position

The balance sheet total of the Drillisch Group declined by €27.6 million to €277.7 million as per 30 September 2010 (31 December 2009: €305.3 million). The equity ratio improved by 3.3% to 52.0% compared with year-end 2009 (31 December 2009: 48.7%).

Cash rose by €2.3 million to €29.2 million (31 December 2009: €26.9 million). Trade receivables declined by €12.5 million to €20.9 million (31 December 2009: €33.4 million) because of the closing date. All in all, current assets decreased by €13.5 million to €61.4 million (31 December 2009: €74.9 million).

Fixed assets declined by €14.1 million to €216.3 million (31 December 2009: €230.4 million). Other intangible assets declined by €1.9 million to €12.1 million (31 December 2009: €14.0 million) as a consequence of scheduled depreciation. The other financial assets decreased by €11.9 million to €134.1 million (previous year: €146.0 million). The reason for this is found in the share price of the freenet stock as per 30 September 2010, which was €0.76 lower than on 31 December 2009.

Thanks to the good business results, the accumulated deficit decreased by €7.8 million to €64.7 million (31 December 2009: €72.5 million) despite the dividend distribution in May 2010. The accumulated deficit resulted in 2008 from the change in the stock market evaluation of the freenet shares. The market valuation provision decreased as per 30 September 2010 by €11.6 million to -€7.2 million (31 December 2010: €4.4 million). It reflects the change in value of the Other financial assets as a non-operating result. The freenet stock held by Drillisch AG and MSP is a major component of the Other financial assets. In comparison with 31 December 2009, equity decreased by €4.0 million to €144.5 million (31 December 2009: €148.5 million).

Long-term liabilities declined by €60.0 million to €4.0 million (31 December 2009: €64.0 million). This is related to the scheduled repayment of €10.0 million in the middle of 2010 and the remaining term of the syndicate loan which is now shown under short-term liabilities due to banks.

Compared with year-end 2009, short-term liabilities rose by €36.4 million to €129.1 million (31 December 2009: €92.7 million). As a consequence of the balance sheet date, trade receivables declined by €4.5 million to €23.0 million (31 December 2009: €27.5 million) and tax liabilities by €4.6 million to €5.0 million (31 December 2009: €9.6 million). Short-term liabilities due to banks rose by €49.8 million to €69.8 million (31 December 2009: €20.0 million) for the reasons outlined above.

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 subsidiaries and Drillisch itself.

The risk situation – in comparison with the risks described in the annual report for the year 2009 – did not change significantly during the first nine months of fiscal year 2010. 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 2009

The previous syndicate loan with a term until 15 April 2011 was replaced by a new financing agreement on 15 October 2010. The new syndicate loan has a term running until 15 October 2014.

Outlook

Drillisch increases its forecast of an adusted EBITDA to €48 million in fiscal year 2010 (old: €46 million) following €43.5 million in fiscal year 2009 (adjusted).

CONSOLIDATED INTERIM ACCOUNTS
AS PER 30 SEPTEMBER 2010

Consolidated statement of comprehensive income

	I-III/2010	I-III/2009*	III/2010	III/2009*	II/2010	II/2009*	I/2010	I/2009*
	€k	€k	€k	€k	€k	€k	€k	€k
Sales	261,798	252,102	84,824	89,740	92,381	84,515	84,593	77,847
Other own work capitalised	1,632	1,529	540	496	604	550	488	483
Other operating income	1,896	1,767	735	595	393	466	768	706
Cost of materials/ Expenditures for purchased services	-197,733	-192,159	-62,919	-67,865	-71,259	-64,107	-63,555	-60,187
Personnel expenses	-18,246	-15,858	-7,492	-5,474	-5,445	-5,427	-5,309	-4,957
Other operating expenses	-15,919	-14,636	-5,288	-5,909	-4,623	-4,547	-6,008	-4,180
Amortisation and depreciation	-4,352	-4,723	-1,429	-1,511	-1,440	-1,497	-1,483	-1,715
Operating result	29,076	28,022	8,971	10,072	10,611	9,953	9,494	7,997
Result from financial investments shown in the balance sheet according to the equity method	0	67,684	0	25,671	0	40,054	0	1,959
Other financial results	3,356	0	3,356	0	0	0	0	0
Interest income	640	1,505	130	201	159	1,169	351	135
Interest and similar expenses	-1,262	-2,252	-387	-538	-467	-696	-408	-1,018
Financial result	2,734	66,937	3,099	25,334	-308	40,527	-57	1,076
Profit before taxes on income	31,810	94,959	12,070	35,406	10,303	50,480	9,437	9,073
Taxes on income	-8,036	-7,377	-2,108	-3,580	-3,090	-3,569	-2,838	-228
Consolidated results	23,774	87,582	9,962	31,826	7,213	46,911	6,599	8,845
Results attributable to minority interests	-1	-53	-2	-14	-21	-38	22	-1
Share of Drillisch AG share- holders in consolidated results	23,775	87,635	9,964	31,840	7,234	46,949	6,577	8,846
Change in attributable market value of financial assets availab- le for sale	-11,811	3,410	4,196	3,410	-12,277	0	-3,730	0
Taxes on income	-178	-52	64	-52	-186	0	-56	0
Other earnings after taxes	-11,633	3,358	4,132	3,358	-12,091	0	-3,674	0
Consolidated comprehensive results	12,141	90,940	14,094	35,184	-4,878	46,911	2,925	8,845
thereof total results attributable to minority interests	-1	-53	-2	-14	-21	-38	22	-1
thereof share of Drillisch AG shareholders in total results	12,142	90,993	14,096	35,198	-4,857	46,949	2,903	8,846
Profit per share (in €)								
Undiluted	0.45	1.74	0.19	0.63	0.14	0.93	0.12	0.18
Diluted	0.45	1.74	0.19	0.63	0.14	0.93	0.12	0.18

*The consolidated comprehensive income statement has also included the figures from the acquired subsidiary eteleon e-solutions AG since 01 March 2009.

Consolidated Balance Sheet

ASSETS	30.09.2010	31.12.2009
	€k	€k
Fixed assets		
Other intangible assets	12,074	14,044
Goodwill	67,206	67,206
Tangible assets	1,096	1,274
Other financial assets	134,149	145,960
Deferred tax reimbursements	1,788	1,877
Fixed assets, total	216,313	230,361
Current assets		
Inventories	6,877	6,267
Trade accounts receivable	20,884	33,434
Accounts due from affiliated companies	0	3
Tax reimbursement claims	0	877
Cash	29,239	26,915
Other current assets	4,415	7,410
Current assets, total	61,415	74,906
ASSETS, TOTAL	277,728	305,267

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2010	31.12.2009
	€k	€k
Shareholders' equity		
Subscribed capital	58,508	58,508
Capital surplus	126,469	126,469
Earnings reserves	31,123	31,123
Market evaluation provision	-7,194	4,439
Accumulated deficit	-64,660	-72,468
Equity to which Drillisch AG shareholders are entitled	144,246	148,071
Minority interests	291	445
Equity, total	144,537	148,516
Long-term liabilities		
Pension provisions	978	956
Deferred tax liabilities	2,780	3,500
Bank loans and overdrafts	0	59,531
Leasing liabilities	314	62
Long-term liabilities, total	4,072	64,049
Short-term liabilities		
Short-term provisions	1,975	2,096
Tax liabilities	4,966	9,567
Bank loans and overdrafts	69,795	20,003
Trade accounts payable	22,973	27,541
Payments received on account	22,558	26,169
Leasing liabilities	256	404
Other liabilities	6,596	6,922
Short-term liabilities, total	129,119	92,702
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	277,728	305,267

Consolidated Statement of Change in Capital

	Number of shares	Subscribed capital	Capital reserves	Earnings provision	Market valuation reserves	deficit	Amount equity to which Drillisch AG shareholders are entitled	Minority shares	Total
		€k	€k	€k	€k	€k	€k	€k	€k
Per 01/01/2009	49,732,347	54,706	119,480	31,123	0	-173,568	31,741	0	31,741
Change in own shares	945,263	1,039	-93	0	0	0	946	0	946
Change in consolidated companies		0	0	0	0	69	69	676	745
Consolidated comprehensive results		0	0	0	3,358	87,635	90,993	-53	90,940
Per 30/09/2009	50,677,610	55,745	119,387	31,123	3,358	-85,864	123,749	623	124,372
Per 01/01/2010	53,189,015	58,508	126,469	31,123	4,439	-72,468	148,071	445	148,516
Dividend payments		0	0	0	0	-15,957	-15,957	0	-15,957
Change in consolidated companies		0	0	0	0	-10	-10	-153	-163
Consolidated comprehensive results		0	0	0	-11,633	23,775	12,142	-1	12,141
Per 30/09/2010	53,189,015	58,508	126,469	31,123	-7,194	-64,660	144,246	291	144,537

Consolidated Capital Flow Statement

	I-III/2010	I-III/2009
	€k	€k
Consolidated results	20,666	87,582
Interest paid	-976	-2,252
Interest received	640	1,505
Results from interest	622	747
Results not affecting payments from financial assets shown in the balance sheet according to the equity method and other financial result	-248	-66,565
Income tax paid	-13,141	-8,704
Income tax received	1,548	95
Taxes on income	8,036	7,377
Amortisation and depreciation	4,352	4,723
Income from the disposal of tangible assets and intangible assets	-70	29
Change in inventories	-610	722
Change in receivables and other assets	16,767	-5,979
Change in trade payables and other liabilities and provisions	-6,978	379
Change in payments received on account	-3,611	5,963
Cash Flow from Current Business Activities	26,997	25,622
Investments in tangible and intangible assets	-2,063	-2,134
Payments for acquisitions less acquired cash	-126	-1,509
Payments for investments in financial assets that are reported according to the equity method and for investments in Other financial assets	0	-3,021
Dividends received	3,108	0
Cash flow from investment activities	919	-6,664
Change in own shares	0	-100
Dividend payments	-15,957	0
Outgoing payments for amortisation of loans	-10,000	-10,000
Incoming payments from the taking out of loans	261	4,089
Change in investment liabilities	104	-565
Cash flow from financing activities	-25,592	-6,576
Change in cash	2,324	12,382
Cash at beginning of period	26,915	4,325
Cash at end of period	29,239	16,707

Consolidated Notes

1. General

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1997. The business field of wireless services is the core business of the Drillisch Group and is situated primarily in the wholly-owned subsidiaries Drillisch Telecom GmbH and SIMply Communication GmbH. The Group holds service provider licences for the networks Telekom, Vodafone, E-Plus and O2 and markets wireless services products from the credit, debit and discount sectors. The address of Drillisch AG as the parent company of the group is Wilhelm-Röntgen-Strasse 1-5, 63477 Maintal. The registered office of Drillisch AG is 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 2010 have been taken into consideration. The same accounting and valuation methods used in preparation of the consolidated annual accounts as per 31 December 2009 were applied. These consolidated interim accounts as per 30 September 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting standards which are to be applied for the first time in fiscal year 2010 do not have any noteworthy effects on the presentation of the assets and liabilities, financial position and profit and loss of the Drillisch Group. The rate for the consolidated tax on income remains unchanged at 30.25%.

3. Profit per Share

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

	QIII/2010	QIII/2009
Consolidated profit allocated to Drillisch AG shareholders in €k	23,775	87,635
Weighted average, less own shares held	53,189,015	50,442,131
Consolidated profit per share in € (diluted/undiluted)	0.45	1.74

4. Explanatory Comments on Capital Flow Statement

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

5. 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 is shown along with the telecommunications segment.

The activities of the Group in the sector of wireless services are bundled in the telecommunications segment. The operating companies in the Drillisch Group market wireless services 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.

Consolidated Notes

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

	I-III/ 2010	I-III/ 2009
	€k	€k
Sales		
Telecommunications (sales with third parties)	261,708	252,015
Software services (sales with third parties)	90	87
Software services (in-house sales)	6,624	5,155
Consolidation	-6,624	-5,155
Group	261,798	252,102
Segment Results (EBITDA)		
Telecommunications	33,396	32,839
Software services	32	-94
Group	33,428	32,745

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 methods are identical for all of the segments.

The financial assets shown in the balance sheet according to the AFS method and their results are allocated to the telecommunications segment. The transfer prices correspond on principle to the prices determined by arm's length comparison. Since the Drillisch Group is active only in Germany, there are no geographic segments. The major segment expenditures without effect on payments are related to the allocations to the provisions.

Rollover

The rollover of the total of the segment profits (EBITDA) to the profit before taxes on income is determined as shown below:

	I-III/ 2010	I-III/ 2009
	€k	€k
Total segment profits (EBITDA)	33,428	32,745
Amortisation and depreciation	4,352	4,723
Operating result	29,076	28,022
Financial result	2,734	66,937
Profit before taxes on income	31,810	94,959

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Finance and Event Calendar*

Annual Shareholders Meeting

May 2011

* Subject to change

Publications

The 9-month Report 2010 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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Future-oriented Statements:

This report contains certain statements oriented to the future which are based on the current assumptions and projections of the management of the Drillisch Group. Various risks, uncertainties and other factors, both known and unknown, can cause the actual results, financial position, development or performance of the Company to deviate substantially from the assessments shown here. The factors described in our reports to the Frankfurt Stock Exchange and to the American Securities and Exchange Commission (incl. Form 20-F) are among such factors. The Company does not undertake any obligation to update such future-oriented statements and to adapt them to future events or developments.

