



DRILLISCH AG  
REPORT ON FIRST HALF-YEAR 2012

## Key Indicators of the Drillisch Group

Drillisch Group	I - II/2012	I - II/2011	I - II/2010
Turnover in €m	167.6	160.4	177.0
Service Revenues	155.0	145.9	135.6
Other revenues*	12.7	14.5	41.4
EBITDA in €m	33.2	25.7	23.0
EBIT in €m	31.7	23.8	20.1
EBT in €m	10.0	21.2	19.7
Consolidated profits in €m	6.8	17.7	13.8
Profit/loss per share in €	0.13	0.33	0.26
EBITDA margin in % of turnover	19.8	16.0	13.0
EBIT margin in % of turnover	18.9	14.8	11.4
EBT margin in % of turnover	6.0	13.2	11.2
Consolidated profit margin in % of turnover	4.0	11.0	7.8
Equity ratio (equity % of balance sheet total)	28.8	38.2	49.1
Return of equity (ROE) (ratio Group result to equity)	5.0	11.8	10.6
Cash flow from current business operations in €m	-8.3	5.5	14.9
Depreciation excluding goodwill in €m	1.5	1.9	2.9
Investments (in tangible and intangible fixed assets), adjusted, in €m	1.6	1.4	1.4
Staff as annual average (incl. Management Board)	331	331	384
Wireless services customers as per 30/06 (approx. in thousands)	1,866	2,501	2,290
Wireless services customers Debit	274	1,185	1,206
Wireless services customers Credit	1,592	1,316	1,084

\* Other revenues includes handsets and other revenues.

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## 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,

Once again, for the tenth year in succession, we have posted the best results ever for the first half of the year and are well on our way to adding additional chapters to the long-term success story of our company. It is highly important for our commercial success that Drillisch products can set themselves apart from the competition in a positive sense within the framework of a sustained drive for higher quality and are not only known as the price leaders.

With this in mind, we contracted TÜV Saarland to conduct an independent study testing our products and services during the first half of the year and were delighted by the outstanding values which were documented. All of the Drillisch brands were rated as "Excellent" or "Good" in the category of "Good value for money". We are especially pleased by the willingness of our customers to recommend the brands, and a score of up to 89% demonstrated the high degree of satisfaction with our products and services.

As our objective is to exploit the potential of the wireless services market in the long term, we offer simple and transparent rate plans. Every single subscriber will find in our portfolio of rate plans the lowest-price service on the market, whether with or without smartphone, which is a perfect fit for his or her individual and personal needs.

Among them:

- Attractive "voice to go" rates with the lowest prices per minute and text message in Germany
- Budget rates with the best value for money such as the All-in M rate for voice, text messages and mobile internet, Germany's price leader in its segment
- Flat rates for all wireless and landline networks as well as access to the mobile internet in high-speed quality

Another criterion for the company's success is security for internet shoppers, and the award of the s@fer-shopping seal has confirmed the security of our services. s@fer-shopping is an initiative for secure shopping on the internet and is recommended by the German Federal Ministry of Justice and others.

Our innovative products and the highest level of transparency and security have positioned us well to take advantage of the opportunities and to meet the challenges of the market, and we can once again report excellent results.

## Letter from the Management Board

Revenues rose by 4.5% to €167.6 million (HY1 2011: €160.4m) during the first six months of 2012. The performance indicator service revenues – the billing of wireless services on the basis of existing customer relationships – which is more important for operating profit rose even more strongly (by 6.2%) and reached €155.0 million (HY1 2011: €145.9m).

Gross profit during the first half of 2012 improved overproportionately to the rise in revenues, increasing by 8.9% to €51.3 million (HY1 2011: €47.1m). Gross profit margin broke the mark of 30% for the first time and posted a new record of 30.6% (HY1 2011: 29.4%).

The consolidated EBITDA in the first half of the year increased by 29.3% (€7.5 million) to €33.2 million (HY1 2011: €25.7m). The EBITDA margin improved by 3.8% to 19.8% (HY1 2011: 16.0%).

The dynamic development of the numbers of postpaid subscribers continued throughout the entire first half of the year, rising by 21.0% (276,000 subscribers) over the same period last year to a total of 1.592 million. As a consequence of the deliberate removal and sale of prepaid subscribers, the share of postpaid subscribers has now risen to 85% (HY1 2011: 52.6%).

### Important events in the first half of the year

By issuing non-subordinate debenture bonds vested with the right to convert to current shares of equity stock in freenet AG in a volume of €125 million, we have for the first time taken advantage of the capital market as a means of obtaining financing for our company and secured financial flexibility long-term at a very favourable rate of interest.

The options tied to these bonds as well as other derivatives for hedging a large part of the holdings in freenet AG, Büdelsdorf, are disclosed under the item Financial Liabilities in the balance sheet and must be revaluated per every closing date. Depending on the development of the share price of the freenet stock, this value is subject to changes which can result in expenditures or income not affecting cash and which are reflected in the financial result. The valuation per 30 June 2012 for this item results in an expenditure not affecting cash in the amount of €16.7 million (HY1 2011: €10.5 million). However, the positive development in the value of the freenet stock (increase by 14.6%) does not have a corresponding effect in the valuation of our financial assets because of the disclosure under equity in the balance sheet. This led to hidden reserves of about €76.9 million as of the quarterly closing date.

Thanks to the successful course of business in the first half of 2012, we are in an excellent position and can confirm our EBITDA forecast for 2012, which we have already increased, of €60 million to €61 million (previous year €52.6m). Although increased investments consequent to the new MVNO business model will soon be required, we believe that, in view of the operating success in the first half of the year, we will be able to propose payment of a dividend for the coming year of at least the same level as in fiscal year 2011 (€0.70), subject to approval by the Supervisory Board.

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.

Faithfully yours,

Vlasios Choulidis

and

Paschalis Choulidis

## Investor Relations Report

### The Capital Market – 01 April 2012 to 30 June 2012

Doubts about economic development and problems in the banking sector have led to a significant sense of gloom on the capital markets. While interest rates in Germany stubbornly remain at record low levels, substantial risk premiums must be paid in a number of countries in southern Europe. The ongoing debt crisis and concerns about the economy resulted in major declines in prices on the stock markets during the second quarter of the year, cutting almost in half the price gains of the first quarter.

While the DAX lost 530.55 points or 7.6% to 6,416.28 points (31/03: 6,946.83 points) during the second quarter, the TecDAX lost 55.13 points or about 7%, declining to 734.74 points (31/03: 789.87 points) in this period. The TecAllShare Index, which has a broader scope, also closed out the second quarter with losses, dropping 50.95 points or about 5.3% to 916.67 points (31/03: 967.62).

### The Drillisch Stock in the first half of 2012

	Close-out 2011	30 June 2012	% change
Drillisch	€7.11	€7.55	+ 6.1%
TecDAX	685.06	734.74	+ 8.6%
TecAllShare	852.65	916.67	+ 7.5%

### An attractive dividend value in the TecDAX

At the end of the second quarter 2012, Drillisch shares ranked 14th in terms of market capitalisation and 11th 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 report on the current views on our IR home page. On 25 May, the General Annual Meeting adopted a resolution to pay a dividend of €0.70 per voting share; the previous year's dividend was €0.50.

### Current analyst assessments (as per 30 June 2012)\*

Analysis	Rating	Price Target	Date
Hauck & Aufhäuser	"Buy"	€12.20	21 June
Warburg Research	"Hold"	€10.00	21 June
LBBW	"Hold"	€9.20	16 May
West LB	"Buy"	€10.90	11 May
Commerzbank	"Buy"	€10.50	11 May
Kepler Capital Markets	"Buy"	€11.50	11 May
Macquarie	"Outperform"	€13.40	11 April
HSBC	"Neutral"	€10.00	11 April

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

### Agenda of the Second Quarter – DGAP ad-hoc reports

19 April 2012	Closing of the proceedings against members of the Management Board and management of Drillisch Group
24 May 2012	Increase of EBITDA guidance from €58 million to €60–€61 million

## Investor Relations Report

### Investor Relations Events

Talks were again conducted with institutional investors at Company headquarters in Maintal during the second quarter of 2012. Private investors are also utilising the opportunities to obtain information directly more and more. Following tradition, the analyst conference about Q1 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.

### Directors' Dealings

Directors' dealings pursuant to Section 15a Securities Trading Act were reported to Drillisch AG in Q2 2012.

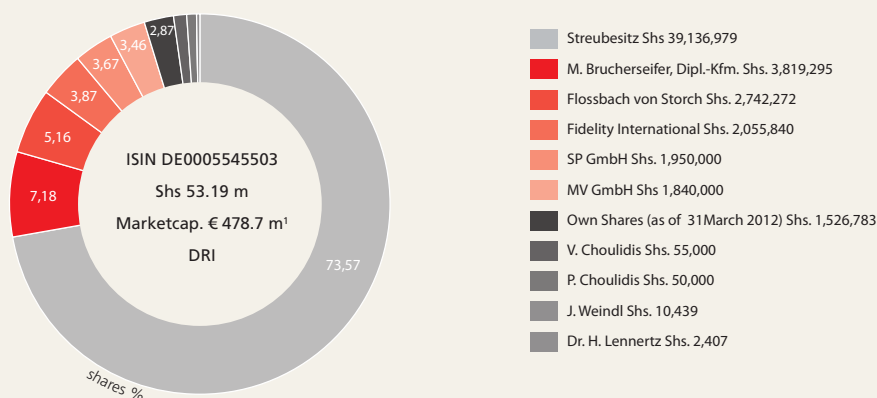
#### Directors' Dealings

Date	Name	Position	Purchase/Sale	Shares	Price/€
06 June 2012	Colonia Private Equity	Supervisory Board	Sale	90,000	7.48

#### Directors' Holdings (as of 30 June 2011)

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)	3,819,295 → 7.18%
Johann Weindl, Dipl.-Kfm. (Deputy Chair)	10,439 → 0.02%
Horst Lennertz, Dr.-Ing.	2,407 → 0.01%
Michael Müller-Berg, Dipl.-Kfm., Dr Bernd Schmidt, Dr Susanne Rückert	0

### Shareholder Structure (as per 01 July 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 €7.55 on 30 June 2012. Free Float acc. to the rule of Dt. Boerse AG: 89.95%.

## MARKET ENVIRONMENT



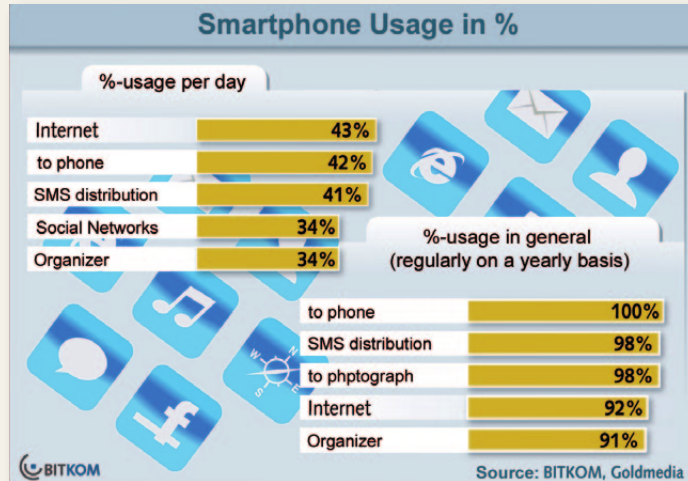
## The Wireless Services Market

### 20 years of wireless services in Germany – from voice to data

The first digital wireless services in Germany began operations in June and July 1992. That was the starting shot for the triumph of mobile communications. At the end of the first decade, there were about 60 million mobile phone users; over the course of the second decade, this number almost doubled. The German Federal Network Agency refers to more than 114 million wireless services subscriptions in Germany in its annual report published in May. The penetration rate of 140% means that today on the average every resident of Germany has 1.4 SIM cards. This is an indication of a clear trend: the sale of classic mobile phones used almost exclusively for voice and SMS is declining steadily while smartphone sales are booming. The worldwide sales of these digital all-rounders increased by almost 45% to 114.4 million devices during the first quarter. In Germany, the Society for Entertainment and Communications Electronics (gfu) expects 18 million smartphones to be sold in 2012, more than twice as many as the number of simple mobile phones. As of today, 38% of all men and 26% of all women have a device of this type.

### Internet usage is more important for smartphone users than phoning

The way people use these devices has also changed as the success of smartphones has continued unabated. The market researchers from Goldmedia conducted a survey on behalf of the industry association BITKOM in June 2012 and determined that 43% of the smartphone owners access the internet daily with their mobile devices, but only 42% make phone calls while on the go every day. For the first time, internet access has become the most important function for smartphone owners – just ahead of phoning and sending text messages (41%).



There is no question: mobile access to the internet is no longer a luxury – it has become one of the top priorities for consumers when selecting a mobile terminal device and concluding a contract for wireless services. According to the study presented by Nordlight Research at the end of June 2012 called "Mobile Internet Usage 2012", only 38% of respondents replied that mobile internet was an important reason for buying a device; this figure has risen to 64% in this year. The number of heavy users has also risen significantly in recent years: they

made up only 37% in 2010, but the number of heavy users had risen to 48% in 2011 and as of today it has reached 64%. Never before has the acceptance of the mobile internet been greater in this country; according to Nordlight Research, one out of two users (53%) is unreserved in his/her enthusiasm for mobile internet.

One of the most important reasons for this trend:

- ➔ Reasonable internet flat rates which serve customers' interests have allayed consumers' fears of having no control over their expenditures. Drillisch Group is a market leader by virtue of its rate plans – in performance as well as in price. The results of tests conducted by impartial appraisers (Stiftung Warentest and TÜV Süd) regularly document this.

# The Wireless Services Market

Based on age, the following groups can be distinguished with respect to their usage.

1. "Digital natives": Users born after 1980 use mobile internet services especially frequently. About 58% of them use their smartphones to go online every day.
2. "Digital immigrants": These are people in the age group from 32 to 50; mobile internet is a regular element of their daily lives. 41% of the people in this group access the internet from their mobile devices every day.
3. "Silver Surfers": The consumers of "Generation 50-plus" are no strangers to the mobile internet. 20% of these people are online at least once a day.

### From smart shoppers to smartphone shoppers

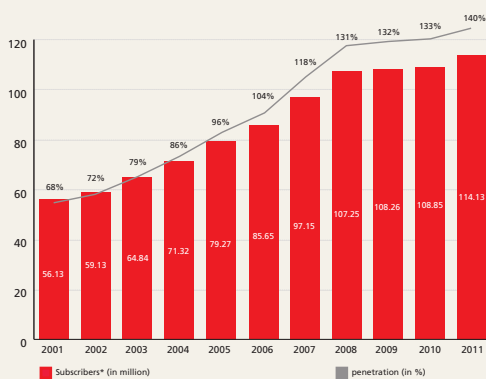
More and more powerful smartphones with bigger and bigger displays and the diversification of multimedia functions join with user-friendly rate plans for mobile internet usage and the individual supplementary programs – the apps – to contribute to the success of the mobile internet. These apps simplify access to news and information services, just as one example, opening the door to direct communication in social networks, or offer navigation aid and price comparisons for daily life. Apps encourage mobile shopping, as evidenced by the fact that more and more Germans use their smartphones to place orders on the internet. In the 2012 edition of its annual Online Shopping Survey (OSS), the GfK (Society for Consumer Research) determined that 2.9 million people in age ranging from 14 to 69 ordered products or services via their mobile phone last year, an increase in the size of the group of mobile phone shoppers of 114% between 2010 and 2011. In general, the age group 18 to 29 is especially active in the use of smartphones for shopping as it makes up 49.2% of all shoppers.

Despite the rapid development of the mobile internet, text messages (SMS) last year recorded growth of 30% in comparison with the previous year. The figure of 55 billion text messages sent was a new record. Even classic telephony continues to grow: 107 billion minutes of phone calls from wireless services networks corresponded to a plus of 5% in comparison with the previous year. As the number of connection minutes from landline services declined at the same time, the trend towards use of mobile phones as a substitute for landline remained very much in evidence.

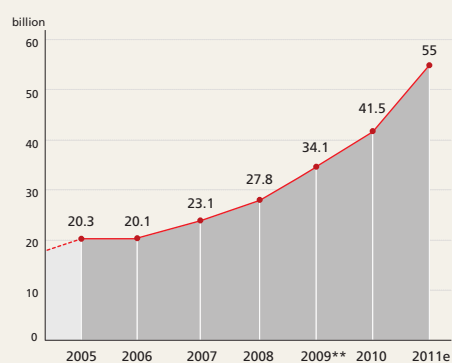
### Subscribers and Penetration in the German market 2001-2011

#### SMS development (send in billion) 2005-2011

Subscribers and Penetration in the German market 2001-2011



SMS development (send in billion) 2005-2011



Source: Bundesnetzagentur, Annual report, April 2012, Consumer Electronics Marktindex Deutschland Germany

\* Contractual relationships. Per user more variable contracts are possible.

\*\* net present value

## The Wireless Services Market

### Drillisch remains price leader for wireless services rate plans

#### Drillisch offers flat rates at low prices for all networks

Drillisch continues to be determined in pursuit of its strategy, established at an early stage, to be a contributory factor to the dynamic smartphone boom by offering attractive rate plans combining voice and data usage. Since March, Drillisch Group has been offering especially attractive combination flat rates for unlimited calls to landline phones and to all wireless networks and an internet flat rate featuring 500 MB of high-speed volume along with the lowest economy rate at a standard price of 6 eurocents per minute and text message and lucrative package plans with many included services for occasional and heavy users.

A monthly price of €19.75 positions Drillisch at the top of the competing all-net flat rates and once again is a highlight on the German wireless services market. Customers can choose all-net flat rates as options when they first order a service or retroactively for a current contract (e.g. the popular All-in M rate) for virtually all of the Group's brands. New subscribers can order this as a complete rate package known as Yourflat right from the start. In addition, customers of the Drillisch AG brands have the choice between a lower-priced variant with a fixed term or a flexible service without a fixed term. Anyone who wants to surf on mobile devices more frequently and for longer periods of time can book a supplementary data upgrade to 1 GB of high-speed volume.



#### Every type of user finds the ideal rate plan, including smartphones from €0.00, at Drillisch

While flat rate plans are practical, anyone who only occasionally makes a phone call or sends a text message can save substantially more money by selecting other rate plans. So Drillisch does not rely on only one product for its brands, but instead offers its customers a multifaceted portfolio of rates, starting with 50 minutes of phone calls and the sending of 50 text messages along with an internet flat rate for €6.95 a month. People who use their mobile terminals even more irregularly will find a classic rate plan based on charges by the minute to be ideal. Every type of user will find the ideal rate plan, tailored to specific needs, at Drillisch.

Mobile communication without smartphones is unimaginable in today's world. That is why Drillisch does not stop with its offers of low-priced and efficient rate plans (SIM only), but goes on to feature attractive complete packages featuring modern state-of-the-art smartphones. Customers receive a practical entry-level smartphone for €0.00 without any additional charge to the monthly package price when they select the most popular 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. Customers of the brands simply and maXXim can choose their device of choice from among five top smartphones of the latest generation for a small supplementary charge between €5 and €10 a month.

#### Independent TÜV surveys document outstanding value for money and a high level of customer satisfaction for all Drillisch AG brands



In June 2012, TÜV Saarland conducted a broadly designed survey of the customers using simply, maXXim, helloMobil, McSIM and smartmobil.de and measured customers' satisfaction with the products and service on the basis of a detailed questionnaire with as many as 20 specific criteria. Within the scope of this certification, all of the brands scored outstanding values

# The Wireless Services Market The Software Industry



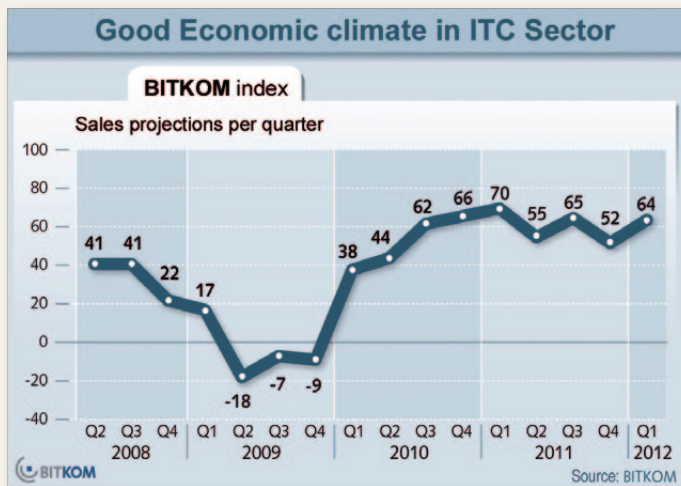
and met the strict requirements of the well-known expert organisation. All of the brands were awarded the TÜV seal and given the ratings “Excellent” or “Good” for the most important single rating criterion, “Value for money”. The willingness of our customers to recommend the brands is especially noteworthy as a score of up to 89% demonstrated the high degree of satisfaction with the Drillisch Group products.

There was also praise for the simple and secure ordering process on the internet in combination with the certification in the form of the s@fer shopping seal, the validation by impartial judges of the high level of quality and security for online customers. It is based on a comprehensive list of criteria comprising more than 100 specific criteria. The most important features are the professional competence and friendliness of the customer assistants. s@fer shopping is recommended by the Initiative D21, Europe’s largest partnership between public authorities and business for the information society, and the German Federal Ministry of Justice.

These outstanding results are conclusive evidence of the success achieved by Drillisch AG with its product portfolio and constant adherence to its strategy of quality and service.

## ITC industry grows significantly faster than the overall economy

The business climate in the high-tech sector remained largely stable during the second quarter of the year. According to the latest BITKOM Barometer, 69% of the IT and telecommunications providers expect rising revenues in comparison with the same quarter of the previous year. IT service providers and software houses display above-average levels of optimism. The BITKOM Index registers 56 points and remains at a very high level, substantially above the business climate index of the Ifo Institute. Almost three-fourths (73%) of the companies expect growing revenues for the year as a whole. At the time of its annual convention in the middle of June, the high-tech association confirmed its forecast for the year, and it predicts growth of presumably 1.6% to about €151 billion for the ITC industry in this year. The ITC markets remain unscathed by the debt crisis in Europe and the turmoil on the financial markets. Even more: the ITC sector will presumably grow significantly faster than the economy as a whole in this year.



**COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP  
AS PER 30 JUNE 2012**

## Group Companies

### Commercial Development of the Drillisch Group as per 30 June 2012

The dynamic development of the Company and the excellent business results of the first half of 2012 are the consequence of the strategic reorientation.

Beginning with standardised and unbundled advance services from the wireless network providers Telefónica O<sub>2</sub> Germany GmbH & Co. OHG ("O<sub>2</sub>") and Vodafone D2 GmbH ("Vodafone"), we can develop flexible services on the basis of our own product ideas, giving us the opportunity to respond to changes in the market as well as to contribute actively to the definition of the wireless services market with our innovative rate plans. This strategic reorientation goes hand in hand with a significant improvement in our own long-term planning security.

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 issue for May 2012, 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 even more opportunities to tailor their rate plans to suit their individual usage behaviour, 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, package prices or duration of use 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, maX-Xim, helloMobil and McSIM. Subscribers surveyed by TÜV Saarland praised the customer-friendly ordering process, the short delivery times and the expertise and friendliness of the customer service personnel as well as the innovative rate models and the outstanding value for money. The excellent results from this representative customer survey have given us confirmation from an impartial source of the outstanding value for money and the excellent service.

In addition, it offers our subscribers confirmation from an impartial source of the high level of transparency and security they enjoy when shopping in the webshops on the internet. The Drillisch brands McSIM, PHONEX and helloMobil have undergone the certification process conducted by TÜV Süd and have been awarded the quality seal "s@fer-shopping". s@fer-shopping is recommended by Initiative D21, Europe's largest partnership between politics and business for the information society, and by the German Federal Ministry of Justice. So Drillisch offers the highest level of transparency and security as well as market-leading wireless solutions at attractive terms and conditions.

Sustainability and climate protection are subjects supported by Drillisch Group, 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 CO<sub>2</sub> emissions from the transports.

Drillisch has created attractive packages to meet the growing demand for smartphones (estimate from Bitkom: increase in sales in 2012 by 35% in comparison with 2011) such as the combination of sophisticated smartphones with the lowest rates from smartmobil.de or in the All-in Flat Smart rate plan. 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.

The most important sales channels are the sales and cooperation partners along with our own webshops on the internet; moreover, the classic wireless services specialist trade continues to be an important pillar. Social media platforms such as Facebook or Twitter offer customers new forms of communication which make it possible to address them specifically.

## Group Companies

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.

### Drillisch AG is the Group's holding

Within 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; SIMply Communication GmbH ("simply"), 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. All of 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; per 30 June 2012, this affiliate and Drillisch AG together held just under 25% of the share capital of freenet AG.

### 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 and PHONEX and the premium brands VICTORVOX and Telco. The latest smartphones, tablet PCs or notebooks for use with these plans are available from the online shops for each of the brands. At the end of March 2012, Drillisch Telecom proved that low-cost 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. Since April 2012, Drillisch Telecom has also been offering to subscribers of the brands PHONEX and Telco 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, 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 as well as low-cost shopping in the Company's own webshops. In short: Drillisch Telecom offers the highest level of transparency and security as well as market-leading wireless solutions.

### MS Mobile – smart rates featuring smart service

Examined and found to be smart. MS Mobile and smartmobil.de offer outstanding 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. Not long after it first appeared on the market in April 2011, it was named "UMTS Provider of the Year" by the independent rating portal "Tariftipp.de". In February 2012, 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 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. 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 mes-

## Group Companies

sages at low cost, while an optional mobile phone surfing flat rate provides access to the mobile internet.

### **simply – low-cost line and award-winning quality of products and service**

simply continued its consistent success story in this year as well. simply makes use of webshops on the internet along with sales and cooperation partners to market wireless services at especially favourable terms and conditions. In addition to rate plans at discount prices, simply offers a broad and low-cost portfolio for utilisation of the mobile internet in combination with attractive hardware offers such as the iPhone from Apple and popular products from other well-known manufacturers under the names simply clever and the all-inclusive smartphone savings plan All-in M. simply 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. This makes Yourflat the price leader on the German market.

Pursuant to an agreement ending the disputes between the Drillisch AG subsidiaries and Deutsche Telekom AG, simply sold a part of its active prepaid subscribers who were still using the Telekom network. There will not be any major effects on the future earning power of simply as a consequence.

### **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 easily the right smartphone. 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 serve the continuing high demand for smartphones. During the first quarter of 2012, eteleon launched new sales cooperation projects with the TV broadcaster Sport1 and the Springer-Verlag in Hamburg. Rate plans tailored to fit the needs of new smartphone users in particular are part of eteleon's "Sport1-Tarif powered by DeutschlandSIM" and the promotional offer for Computerbild readers. eteleon is expanding its sales activities in specific directions by placing wireless service products in the Zalando Lounge, conducting live shopping campaigns with Groupon or engaging in TV sales activities with Brands4friends.

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

TÜV Süd awarded the quality seal "s@fer-shopping" to the Drillisch brands smartmobil.de, PHONEX, maXXim, simply, McSIM and helloMobil after they successfully completed the certification process in Q1 2012. The award is verification that the Drillisch brands offer to their subscribers the highest level of security and transparency as well as the best possible customer service. Drillisch subscribers have already had official confirmation that low prices and high quality, good service and security in online shopping do not have to be mutually exclusive; in 2010 and 2011, respectively, simply and MS Mobile were ISO-certified in accordance with DIN EN ISO 9001:2008 for outstanding quality management in the sectors online product marketing and customer service.

### **IQ-optimize guarantees IT expertise**

Drillisch has 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 just under 25% of the share capital in freenet AG.



## Turnover and Earnings Position

### Employees

In the first six months of 2012, Drillisch Group had an average headcount of 331 employees (previous year 331), including the two members of the Management Board. The number of vocational trainees, who are not included in the above figure, was 55 (previous year: 35). 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 half of 2012 by significant growth in revenue and 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 half of 2012 by €9.1 million (6.2%) to €155.0 million (previous year: €145.9m). Other revenues, which include low-margin business such as sales of devices, declined by €1.8 million to €12.7 million (previous year: €14.5m). This is also the item where sales from the segment of software services in the amount of €49k (previous year: €47k) are reported. As such, total revenues in the first half of 2012 increased by €7.2 million (4.5%) to €167.6 million (previous year: €160.4m). The subscriber base in the significantly more profitable postpaid business rose by 80,000 (5.3%) in comparison with the end of 2011 to 1.592 million subscribers (31 December 2011: 1.512 million). The number of subscribers in the prepaid sector was reduced to 274,000 (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. Overall, the ratio of postpaid to prepaid subscribers has improved to 85% to 15%, an increase of 26% compared to the end of 2011 (31 December 2011: 59% postpaid to 41% prepaid). The total number of subscribers has been reduced by 684,000 to 1.866 million (31 December 2011: 2.550 million).

In the first half of 2012, the cost of materials increased underproportionately to the rise in revenue, by 2.7% to €116.3 million (previous year: €113.3 million). So the gross profit rose by 9.0% to €51.3 million (previous year: €47.1 million) in comparison with the first half of 2011. The gross profit ratio rose by 1.2% to 30.6% (previous year: 29.4%) and exceeded even the peak value of fiscal year 2011 (total for 2011: 29.4%). Personnel expenses increased by 8.1% to €10.7 million (previous year: €9.9 million). The personnel expenses ratio remained more or less the same at 6.4% (previous year: 6.2%). Other operating expenses rose by €1.5 million to €14.9 million (previous year: €13.4 million). This increase is essentially a result of increased costs for third-party services which were utilised in the course of the migration of the clientele to the MVNO model and an increase 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 29.3% to €33.2 million (previous year: €25.7 million). The EBITDA ratio improved by 3.8% to 19.8% (previous year: 16.0%). Depreciation declined by 19.8% to €1.5 million (previous year: €1.9 million). As a consequence, the EBIT (earnings before interest and taxes) rose by 33.3% to €31.7 million (previous year: €23.8 million). The EBIT ratio improved by 4.1% to 18.9% (previous year: 14.8%).

The shares in freenet AG held by MSP and Drillisch AG were valued according to the equity method per 30 June 2012, just as in the first half of 2011, because of the significant influence on the company from the voting rights quota. The results from this inclusion amounted to €16.7 million (previous year: €9.5 million) per 30 June 2012. The Other financial result of €-34.1 million results for the most part from a payment obligation of €17.4 million (previous year: €0.0 million) agreed within the framework of a financing transaction and from the valuation on the closing date of hedging transactions and financial derivatives concluded within the framework of the financing of the acquisition of the freenet stock in 2011 and in

## Turnover and Earnings Position

the second quarter of 2012 (€14.6 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 June 2012 led to liabilities in the amount of €31.6 million (previous year: €6.5 million) and assets in the amount of €8.0 million (previous year: €0.0 million).

The interest result declined by €2.7 million to €-4.2 million (previous year: €-1.5 million). The decline in the interest result was essentially caused by the utilisation of bank loans during 2011 at the end of the first quarter and during the second quarter, meaning that the charge to the interest result was only pro rata temporis. Taxes on income fell by €0.2 million to €3.3 million (previous year: €3.5 million). Consolidated profit amounted to €6.8 million (previous year: €17.7 million). Consolidated profit adjusted for the effects from the disclosure under equity in the balance sheet and the market valuation of hedging transactions and derivatives amounted to €22.9 million in the first half of 2012 (previous year: €19.9m). The profit per share amounted to €0.13 (previous year: €0.33) or, when adjusted, €0.44 (previous year: €0.38).

### Cash flow

Cash flow from current business activities in the first half of 2012 amounted to €-8.3 million (previous year: €5.5 million). However, there was substantial improvement to €14.3 million (previous year: €2.3 million) in comparison with Q1 2012 and with the same period last year. It was therefore possible to compensate a major part of the one-off effects from Q1 2012 because operating business was good. The primary cause of the worsening in Q1 2012 was the ongoing change in the business model which brought with it a major change in some of the balance sheet items during the first three months of fiscal year 2012. In the first half of 2012, the decline in prepaid business from the reduction in the number of subscribers and, above all, substantially reduced sales of vouchers in total made a major contribution to a significant reduction in trade liabilities and other liabilities and provisions of €19.6 million (previous year: decline by €7.0 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 €10.0 million (previous year: decline of €4.4 million).

Cash flow from investment activities totalling €-38.5 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 incoming payments from received dividends of €38.4 million. In addition, there were payments for investments in other tangible and intangible assets.

A total inflow of funds in the amount of €54.1 million (previous year: inflow of funds of €84.7 million) came from financing activities in the first half of 2012, resulting 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: €+111.6 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

### Assets, liabilities and financial position

The balance sheet total for Drillisch Group rose by €71.6 million to €465.3 million per 30 June 2012 (31 December 2011: €393.7 million). The equity ratio per 30 June 2012 came to 28.8% (31 December 2011: 41.9%). The change was essentially caused by the rise in the balance sheet total as a consequence of investments in Q2 2012 and the dividend payment.

Cash rose by €7.3 million to €28.0 million (31 December 2011: €20.7 million). Trade receivables declined by €3.9 million to €37.8 million (31 December 2011: €41.7 million). In total, current assets increased by €6.8 million to €82.0 million (31 December 2011: €75.2 million).

Fixed assets rose by a total of €64.7 million to €383.2 million (31 December 2011: €318.5 million). Other intangible assets remained virtually constant at €10.8 million (31 December 2011: €10.9 million). The financial assets shown in the balance sheet according to the equity method, on the other hand, increased by €53.6 million to €290.0 million (31 December 2011: €236.4 million) and comprise basically the participation in freenet AG. Drillisch AG, together with MSP, holds just under 25% 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 June 2012 was €11.465 a share. This led to hidden reserves of about €76.9 million as of the quarterly closing date.

As a consequence of the dividend distribution, balanced by the results of the first half of 2012, the accumulated deficit rose by €29.4 million to €72.5 million (31 December 2011: €43.1 million). The accumulated deficit resulted in 2008 primarily 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 €31.1 million to €133.9 million (31 December 2011: €165.0 million).

Long-term liabilities rose by €133.5 million to €296.5 million (31 December 2011: €163.0 million). One primary 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 June 2012, the bonds had a value of €117.3 million. 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 June 2012 resulted in a liability totalling €31.6 million (31 December 2011: €6.5 million). Liabilities due to banks declined per 30 June 2012 by €11.2 million to €140.0 million (31 December 2011: €151.2 million) and comprise exclusively long-term loan liabilities of MSP Holding GmbH 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.

Short-term liabilities declined by a total of €30.8 million to €34.9 million in comparison with the end of fiscal year 2011 (31 December 2011: €65.7 million). Trade payables decreased by €14.6 million to €10.5 million (31 December 2011: €25.1 million) as a consequence of the balance sheet date. Tax liabilities declined by €4.4 million to €1.3 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 liabilities from vouchers which have not been used to top up cards, by a total of €10.0 million to €12.4 million (31 December 2011: €22.4 million).

## Opportunities and Risks of the Future Business Development

### Risk report

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

All of the civil litigation pending between Telekom and Drillisch was settled by an agreement concluded at the end of March 2012. In addition, the Drillisch AG Management Board was notified on 19 April 2012 that the Hanau public prosecutor's office, with the approval of the presiding court, had finally closed the investigation proceedings against members of the Management Board and management of the Drillisch AG subsidiaries.

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 half 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 June 2012

No important events occurred after 30 June 2012.

### Outlook

The results of the first half of 2012 and the continuation of positive business development in July 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.

Although increased investments consequent to the new MVNO business model will soon be required, the Management Board believes that, in view of this positive background of projected business development, payment of a dividend for the coming year of at least the same level as in fiscal year 2011 (€0.70) will be possible, subject to approval by the Supervisory Board.

**CONSOLIDATED INTERIM ACCOUNTS  
AS PER 30 JUNE 2012**

## Consolidated Comprehensive Income Statement

	I-II/2012	I-II/2011	II/2012	II/2011	I/2012	I/2011
	€k	€k	€k	€k	€k	€k
Sales	167,639	160,416	83,443	80,108	84,196	80,308
Other own work capitalised	1,058	1,177	554	560	504	617
Other operating income	6,377	678	6,083	467	294	211
Cost of materials/ Expenditures for purchased services	-116,330	-113,320	-59,840	-55,727	-56,490	-57,593
Personnel expenses	-10,707	-9,908	-5,312	-4,968	-5,395	-4,940
Other operating expenses	-14,852	-13,379	-6,532	-7,257	-8,320	-6,122
Amortisation and depreciation	-1,533	-1,912	-759	-736	-774	-1,176
<b>Operating result</b>	<b>31,652</b>	<b>23,752</b>	<b>17,637</b>	<b>12,447</b>	<b>14,015</b>	<b>11,305</b>
Result from financial assets shown in balance sheet according to the equity method	16,701	9,493	9,324	9,493	7,377	0
Other financial results	-34,096	-10,532	-19,965	-14,275	-14,131	3,743
Interest income	434	261	191	120	243	141
Interest and similar expenses	-4,643	-1,761	-3,213	-1,155	-1,430	-606
<b>Financial result</b>	<b>-21,604</b>	<b>-2,539</b>	<b>-13,663</b>	<b>-5,817</b>	<b>-7,941</b>	<b>3,278</b>
<b>Profit before taxes on income</b>	<b>10,048</b>	<b>21,213</b>	<b>3,974</b>	<b>6,630</b>	<b>6,074</b>	<b>14,583</b>
Taxes on income	-3,291	-3,497	-42	172	-3,249	-3,669
<b>Consolidated results</b>	<b>6,757</b>	<b>17,716</b>	<b>3,932</b>	<b>6,802</b>	<b>2,825</b>	<b>10,914</b>
Consolidated results attributable to non-controlling shareholders	0	21	0	14	0	7
<b>Share of Drillisch AG shareholders in consolidated results</b>	<b>6,757</b>	<b>17,695</b>	<b>3,932</b>	<b>6,788</b>	<b>2,825</b>	<b>10,907</b>
<b>Market valuation of the assets available for sale</b>						
Change not affecting results	0	28,188	0	27,396	0	792
Realisation of market valuation provision affecting results	0	-9,493	0	-9,493	0	0
Taxes on income	0	-282	0	-270	0	-12
Other earnings after taxes	0	18,413	0	17,633	0	780
<b>Consolidated comprehensive results</b>	<b>6,757</b>	<b>36,129</b>	<b>3,932</b>	<b>24,435</b>	<b>2,825</b>	<b>11,694</b>
thereof comprehensive results attributable to non-controlling shareholders	0	21	0	14	0	7
thereof share of Drillisch AG shareholders in total results	6,757	36,108	3,932	24,421	2,825	11,687
<b>Profit per share (in €)</b>						
Undiluted	0.13	0.33	0.08	0.12	0.05	0.21
Diluted	0.13	0.33	0.08	0.12	0.05	0.21

## Consolidated Balance Sheet

<b>ASSETS</b>	<b>30.06.2012</b>	<b>31.12.2011</b>
	€k	€k
<b>Fixed assets</b>		
Other intangible assets	10,838	10,869
Goodwill	67,206	67,206
Tangible assets	1,373	1,237
Financial assets shown in balance sheet according to equity method	289,946	236,359
Other financial assets	8,027	33
Deferred tax reimbursements	5,839	2,794
<b>Fixed assets, total</b>	<b>383,229</b>	<b>318,498</b>
<b>Current assets</b>		
Inventories	7,146	8,922
Trade accounts receivable	37,768	41,696
Tax reimbursement claims	2,178	1,468
Cash	27,976	20,688
Other current assets	6,957	2,417
<b>Current assets, total</b>	<b>82,025</b>	<b>75,191</b>
<b>ASSETS, TOTAL</b>	<b>465,254</b>	<b>393,689</b>

## Consolidated Balance Sheet

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>30.06.2012</b>	<b>31.12.2011</b>
	€k	€k
<b>Shareholders' equity</b>		
Subscribed capital	56,828	57,093
Capital surplus	118,421	119,917
Earnings reserves	31,123	31,123
Accumulated deficit	-72,515	-43,108
<b>Equity, total</b>	<b>133,857</b>	<b>165,025</b>
<b>Long-term liabilities</b>		
Pension provisions	560	546
Deferred tax liabilities	6,924	4,378
Bank loans and overdrafts	140,033	151,189
Bonds	117,323	0
Financial liabilities	31,570	6,536
Leasing liabilities	121	349
<b>Long-term liabilities, total</b>	<b>296,531</b>	<b>162,998</b>
<b>Short-term liabilities</b>		
Short-term provisions	1,568	746
Tax liabilities	1,330	5,730
Trade accounts payable	10,465	25,103
Payments received on account	12,355	22,373
Financial liabilities	1,361	0
Leasing liabilities	495	529
Other liabilities	7,292	11,185
<b>Short-term liabilities, total</b>	<b>34,866</b>	<b>65,666</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>465,254</b>	<b>393,689</b>



## 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
<b>As per 01/01/2011</b>	<b>53,189,015</b>	<b>58,508</b>	<b>126,469</b>	<b>31,123</b>	<b>-18,413</b>	<b>-57,510</b>	<b>140,177</b>	<b>201</b>	<b>140,378</b>
Dividend payments		0	0	0	0	-26,595	-26,595	0	-26,595
Change in own shares		0	0	0	0	0	0	0	0
Consolidated comprehensive results		0	0	0	18,413	17,695	36,108	21	36,129
<b>As per 30/06/2011</b>	<b>53,189,015</b>	<b>58,508</b>	<b>126,469</b>	<b>31,123</b>	<b>0</b>	<b>-66,410</b>	<b>149,690</b>	<b>222</b>	<b>149,912</b>
<b>As per 01/01/2012</b>	<b>51,902,424</b>	<b>57,093</b>	<b>119,917</b>	<b>31,123</b>	<b>0</b>	<b>-43,108</b>	<b>165,025</b>	<b>0</b>	<b>165,025</b>
Dividend payments		0	0	0	0	-36,164	-36,164	0	-36,164
Change in own shares	-240,192	-265	-1,496	0	0	0	-1,761	0	-1,761
Consolidated comprehensive results		0	0	0	0	6,757	6,757	0	6,757
<b>As per 30/06/2012</b>	<b>51,662,232</b>	<b>56,828</b>	<b>118,421</b>	<b>31,123</b>	<b>0</b>	<b>-72,515</b>	<b>133,857</b>	<b>0</b>	<b>133,857</b>

## Consolidated Capital Flow Statement

	I-II/2012	I-II/2011
	€k	€k
Consolidated results	6,757	17,716
Other financial results	34,119	10,532
Result not affecting payments from financial assets shown in the balance sheet according to equity method	-16,701	-9,493
Interest paid	-2,544	-1,342
Interest received	434	261
Results from interest	4,209	1,501
Income tax paid	-7,058	-5,765
Income tax received	1,445	0
Taxes on income	3,291	3,497
Amortisation and depreciation	1,533	1,912
Change in inventories	1,776	-108
Change in receivables and other assets	-6,005	-1,794
Change in trade payables and other liabilities and provisions	-19,560	-7,029
Change in payments received on account	-10,018	-4,352
<b>Cash flow from current business activities</b>	<b>-8,322</b>	<b>5,536</b>
Investments in tangible and intangible assets	-1,637	-1,351
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	6,433
Incoming payment from the sale of other financial assets	0	8,167
<b>Cash flow from investment activities</b>	<b>-38,523</b>	<b>-101,236</b>
Change in own shares	-1,761	0
Dividend payments	-36,164	-26,595
Outgoing payments for amortisation of loans	-98,460	-7,822
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	-262	-353
<b>Cash flow from financing activities</b>	<b>54,133</b>	<b>84,658</b>
<b>Change in cash</b>	<b>7,288</b>	<b>-11,042</b>
Cash at beginning of period	20,688	27,591
Cash at end of period	27,976	16,549

## 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, SIMply Communication GmbH (all in Maintal) and b2c.de GmbH (Munich). The Group holds service provider licences for the networks O<sub>2</sub>, Vodafone, Telekom and E-Plus and markets wireless services products in the sectors postpaid and prepaid, largely on the basis of the MVNO model, for the O<sub>2</sub> 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 used in preparation of the consolidated annual accounts as per 31 December 2011 were applied. This interim report per 30 June 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 in the 1st half of 2012 is €-14,597k 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 amounts 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 has been set at €14.7719, 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.

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 (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.

## Consolidated Notes

### 3. Profit per Share

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

	I-II/2012	I-II/2011
Consolidated profit allocated to shareholders in €k	6,757	17,695
Weighted average, less own shares held	51,689,436	53,189,015
<b>Consolidated Profit per Share in €</b>	<b>0.13</b>	<b>0.33</b>

### 4. 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.

### 5. Segment presentation

The segment report is based on the internal organisation and reporting structure. It differentiates among the products and services offered by the various segments of 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 handles advance wireless service performances 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 O<sub>2</sub> 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

	I-II/2012	I-II/2011*
	€k	€k
<b>Sales</b>		
Telecommunications (sales to third parties)	167,590	160,369
Equity participation	0	0
Software services (sales to third parties)	49	47
Software services (in-house sales)	3,372	5,217
Consolidation	-3,372	-5,217
<b>Group</b>	<b>167,639</b>	<b>160,416</b>
<b>Segment Results (EBITDA)</b>		
Telecommunications	33,204	25,653
Equity interest	0	0
Software services	-19	11
<b>Group</b>	<b>33,185</b>	<b>25,664</b>
<b>Segment Results (equity interest)</b>		
Telecommunications	0	0
Equity interest	16,701	9,493
Software services	0	0
<b>Group</b>	<b>16,701</b>	<b>9,493</b>

\* Adjusted

With the exception of the equity interest of €289.9 million, the financial liabilities of €290.3 million, the equity result of €16.7 million and the other financial results plus interest expenses of €-38.7 million, the assets and liabilities as well as expenses and income of the Group 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.

## Consolidated Notes

### Rollover

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

	I-II/2012	I-II/2011*
	€k	€k
Total segment profits (EBITDA)	33,185	25,664
Amortisation and depreciation	-1,533	-1,912
Operating result	31,652	23,752
Total segment results (equity results)	16,701	9,493
Financial results (excluding equity results)	-38,305	-12,032
<b>Profit before taxes on income</b>	<b>10,048</b>	<b>21,213</b>

\* Adjusted

### 6. Relations to Relatives and Companies

As per 30 June 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 rented office space in Maintal to Drillisch Group. The lease runs until 30 June 2015. Rent in the first half of 2012 amounted to €254k.

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

The company Flexi Shop GmbH, Frankfurt am Main (shareholder Mr Jannis Choulidis), realised sales in the amount of €92k with Drillisch Group in the first half of 2012.

Drillisch Group realised revenues for mediation activities in the amount of €9,758k with freenet AG, Büdelsdorf, in the first half of 2012. The amount of €545k was due from this company per 30 June 2012.

## Certificate of Review

To Drillisch Aktiengesellschaft

We have reviewed the condensed consolidated interim financial statements - comprising statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and selected explanatory notes - together with the interim group management report of Drillisch AG, Maintal, for the period from 1 January 2012 to 30 June 2012, which are components of the semi-annual financial report pursuant to Sec. 37w German Securities Trading Act ("WpHG"). The preparation of the condensed consolidated interim financial statements in accordance with the interim financial reporting IFRS which are applicable in the EU, and of the interim group management report in accordance with the applicable WpHG provisions is the responsibility of the Company's legal representatives. Our responsibility is, based on our review, to issue a review report on the condensed consolidated interim financial statements and the interim group management report.

We have conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements (issued by IDW, the Institute of Sworn Public Auditors & Accountants in Germany). Those standards require that we plan and perform the review so that we can exclude through critical evaluation, with a moderate level of assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been formulated, in every material respect, in conformity with the WpHG provisions applicable to interim group management reports. A review is limited primarily to interviewing the Company's staff and to analytical procedures and thus provides less assurance than an audit. Since we have not been engaged to perform a statutory audit, we cannot issue an auditor's opinion.

Based on our review, nothing has come to our attention that would cause us to assume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the interim group management report has not been formulated, in every material respect, in conformity with the WpHG provisions applicable to interim group management reports.

Düsseldorf, 10 August 2012

BDO AG  
Wirtschaftsprüfungsgesellschaft

signed Dr. Gorny	signed ppa. Meier
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

## Affirmation Statement of the Legal Representatives

### Declaration according § 37y WpHG in connection with § 37w Sec. 2 Nr. 3 WpHG

We warrant, to the best of our knowledge, that the consolidated interim accounts, in accordance with the applicable accounting principles for interim reporting, present a true and fair view of the assets and liabilities, financial position and profit and losses of the Group, and that the course of business described in the consolidated interim management report, including the results of business activities and the Group's position, is presented in such a manner as to give a true and fair view thereof as well as of the major opportunities and risks of the foreseeable development of the Group during the remainder of the business year.

Maintal, 10 August 2012



Vlasios Choulidis

and



Paschalis Choulidis



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

### Finance and Event Calendar\*

Semi-annual Report 2012	Friday, 10 August
3rd quarter Report 2012	Friday, 09 November
DVFA Analyst Event	November

\* Subject to change

### Publications

The present half-year 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](http://www.drillisch.de).

### Your Contacts

We will be glad to help with any questions about our publications or about Drillisch AG:

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### Information and Order Service

Please use our online order service under the heading Investor Relations on our website. Naturally, we would also be happy to send you the desired information by post or by fax. We will be glad to help you with any personal queries by telephone.

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Drillisch AG

### Management Board:

Paschalis Choulidis (Spokesperson)  
 Vlasios Choulidis

### Supervisory Board:

Marc Brucherseifer (Chairman), Dipl.-Kfm.  
 Johann Weindl (Deputy Chairperson), Dipl.-Kfm.  
 Dr Horst Lennertz, Ingenieur  
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### Disclaimer:

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

### Future-oriented Statements:

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



