

Half Year Report 2012

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Cheap Calls – talk more for less

Empfehen Sie "cheap-calls-günstig" Ihre Liebsten in fast allen Ländern dieser Welt auf dem Festnetz und auch auf dem Handy.

Ab Startpaket erhalten Sie einmalig 50 Cent Bonus Guthaben. Mit diesem Guthaben können Sie unseren Dienst sofort testen und zum Beispiel 45 Minuten ins Festnetz von Neubestand befreieren!

Füllen Sie Ihr Konto mit noch mehr Guthaben auf, indem Sie für jede erfolgreiche Weiterempfehlung von Cheap Calls eine Gutschrift in Höhe von 5 Euro erhalten.*

Wegen der Netzfreiheit garantieren wir Ihnen beste Sprachqualität, ohne Ihren Akku zu belasten, denn alle App-Verbindungen sind automatisch über eine deutsche Einzelnummer und nicht über VoIP, WLAN oder Satellit wie bei anderen Anbietern wie zum Beispiel Skype. Die Handhabung ist kinderleicht und funktioniert ohne Eingabe irgendwelcher Nummern oder mehrmaliges Einlösen des Nummerns. Sie wählen direkt die Nummer aus Ihrer Kontaktliste aus oder geben diese über den Ziffernblock ein.

Vor jedem Anruf können Sie sich den Tarif anzeigen lassen. Sollte Cheap Calls die Nummer Ihres Gesprächspartners nicht unterstützen, erhalten Sie einen entsprechenden Hinweis, ohne dass der Anruf ausgerechnet wird. Ein klassischer Anruf kostet für Auswahlsysteme genau wie nach Cheap Calls zukünftig nicht mehr an und das alles ohne Monatsgebühr und ohne Mindestsumme!

**** Neue Applikation ebnet Branche: Unversicherte Gebühren für Auslandsanrufe können sich Mobilfunkprovider dank Cheap Calls künftig abschneiden. ** Euro am Sonntag**

**** Ein echt kostenloses Programm. So machen auch Ferngespräche wieder Spaß. Wirklich empfehlenswert! ** Kundenstimme**

Features

- **Supergünstige Telefonate ins Ausland.**
- **Keine Monatsgebühren und kein Mindestsumme.**
- **Gespräche in über 70 Ländern ins Festnetz und aufs Handy.**
- **Startguthaben und Weiterempfehlungsbonus.**
- **Einfache Bedienung.**
- **Kostentransparent und werbefrei.**

Weitere Infos

- Bitte beachten Sie, dass für die Verbindung über die Einzelnummer Kosten anfallen können, falls es keine Festnetz-Plätze haben.
- Die von der App gewählten Einzelnummern werden für Ihre Gespräche dynamisch vergeben. Wählen Sie diese Telefonnummern nie direkt an, Sie erhalten ansonsten nur eine Festnetzansage.
- Roaming (die Verwendung von Cheap Calls außerhalb Deutschlands) wird aktuell nicht unterstützt. Verwenden Sie Cheap Calls daher stets im Ausland.

(*) Eine erfolgreiche Weiterempfehlung bedeutet, dass Ihr Freund, dem Sie diese App weiterempfehlen haben, sich bei uns registriert und Guthaben aufgeladen hat.

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Financial Key Figures

	30.06.2012 in k€	30.06.2011 in k€
Net revenues *)	722	1,137
Earnings before interest, tax, depreciation and amortisation / EBITDA *)	-2,382	-6,524
Earnings before interest and tax / EBIT *)	-2,472	-6,620
Income before tax / EBT *)	-2,437	-6,597
Net loss *)	-2,437	-6,597
Net profit/loss	1,562	-4,721
Earnings per share (EPS) *)	-0.36	-0.99
Net cash flow	179	-3,920
Equity	2,675	686
Total assets	3,507	3,983

*) referring to continuing operations

Letter from the Management Board

Dear Shareholders,

In the first and second quarter of 2012, we have concentrated our business operations on the further development and realignment of our online telephone service PeterZahlt.de and the Cheap Calls smartphone application. Both products now support fee-based calls to almost all international destinations and networks worldwide. PeterZahlt.de currently covers connections to more than 160 countries and, since the beginning of this year, has also included low-price calls to cell phone networks in all of these countries. With the exception of calls within Germany, we now also charge for calls to the countries' fixed-line networks. While we have not yet realized any appreciable revenue here during the first quarter of the present year, we have seen a continuous upward trend in account registrations and credit top-ups.

We achieved five-figure revenue in the second quarter, and six-figure revenue should be an attainable goal in the third and fourth quarter. We now have more than 15,000 registered customers. In the future, we will continue to increase the numbers of paying customers with country-specific campaigns, referral marketing and offers based around national holidays. We believe the future potential of PeterZahlt lies in going international with this product, especially in markets whose call-by-call fixed-line environment is not as competitive as the one in Germany.

At the end of the first quarter, we also added major international destinations and networks to Cheap Calls, our mobile telephony application for iPhones and Android smartphones. Thanks to Cheap Calls, smartphone users can now make low-cost calls to almost all mobile or fixed-line networks without sacrificing the standard of voice quality they are accustomed to. We launched a performance-oriented marketing campaign via mobile advertising networks at the start of the second quarter.

The intended internationalization of Cheap Calls was introduced at the end of the second quarter and extended gradually such that Cheap Calls can now be used world-wide. Activities include creating multilingual versions of the app, supporting different currencies and payment systems, offering the app through global app stores such as iTunes and GooglePlay and marketing it via global ad networks. We expect these measures to significantly boost the solution's profile as well as user numbers and revenue figures.

Complementing this progress made in operational business, our Management Board has also made every effort to secure access to cell phone numbers to be able to implement the full 118000 connection service as intended. Deutsche Telekom continues to delay this process, with the result that a date for securing technical access remains open. In parallel to the solution involving all major German cell phone network providers, the Management Board is also working on an alternative scenario.

In the third quarter of 2012, we want to take further steps to assure the future of 118000 AG. Alongside strategic decisions, these will also include the development of other profitable services surrounding PeterZahlt and Cheap Calls.

I thank you for your continued trust,



Ihr Dr. Klaus Harisch
Vorstandsvorsitzender

Consolidated Balance Sheet

ASSETS	30.06.12 k€	31.12.11* k€	30.06.11 k€
Non-current assets			
Property, equipment	621	688	791
Intangible assets	305	318	331
Financial assets	8	8	8
Deferred tax assets	0	409	8
Other non-current assets	72	93	116
Total non-current assets	1,006	1,516	1,246
Current assets			
Trade and other receivables	1,818	104	470
Other current assets	180	173	561
Restricted Cash	141	172	172
Cash and cash equivalents	362	183	1,534
Total current assets	2,501	632	2,737
Disposal group	0	52	0
Total assets	3,507	2,200	3,983

LIABILITIES AND SHAREHOLDERS' EQUITY			
Equity			
Share capital 6.697.069 shares outstanding (30.06.2011: 6.697.069)	6,697	6,697	6,697
Additional paid-in capital	45,124	45,102	45,077
Retained earnings	-49,146	-51,749	-51,860
Non controlling interests	0	1,041	772
Total equity	2,675	1,091	686
Non-current liabilities			
Non-current other payables	0	0	101
Total non-current liabilities	0	0	101
Current liabilities			
Trade and other payables	791	1,012	1,725
Provisions for other liabilities and charges	41	85	1,448
Current income tax liabilities	0	12	23
Total current liabilities	832	1,109	3,196
Total liabilities	832	1,109	3,297
Total equity and liabilities	3,507	2,200	3,983

* Financial Statements 2011 not yet approved and without auditor's opinion

Consolidated Statement of Other Comprehensive Income

	Q2-2012 k€	Q2-2011 k€	1.HJ-2012 k€	1.HJ-2011 k€
Net revenues	345	504	772	1,137
Cost of sales	-424	-795	-906	-1,516
Gross profit	-79	-291	-184	-397
Selling and marketing expenses	-220	-837	-349	-3,262
Administrative expenses	-775	-1,033	-1,483	-2,337
Research and development expenses	-207	-359	-445	-627
Other gains	0	0	0	34
Other losses	-6	-49	-11	-49
Operating loss	-1,287	-2,569	-2,472	-6,620
Interest income	29	10	39	23
Interest expense	0	0	-4	0
Financial result	29	10	35	23
Income before income tax	-1,258	-2,559	-2,437	-6,597
Income tax	0	0	0	0
Net loss continuing operations	-1,258	-2,559	-2,437	-6,597
Net income from discontinued operations	48	746	3,999	1,876
Net profit/loss	-1,210	-1,813	1,562	-4,721
Gains/losses recognised directly in equity	0	0	0	0
Total comprehensive income for the year	-1,210	-1,813	1,562	-4,721
Thereof owners of 118000 AG:				
Net income/loss / Total comprehensive income continuing operations	-1,258	-2,559	-2,437	-6,597
Net income/loss / Total comprehensive income discontinued operations	48	704	3,999	1,755
Net income/loss / Total comprehensive income of owners of 118000 AG	-1,210	-1,855	1,562	-4,842
Thereof non-controlling interests:				
Net income/loss / Total comprehensive income continuing operations	0	0	0	0
Net income/loss / Total comprehensive income discontinued operations	0	42	0	121
Net income/loss / Total comprehensive income non-controlling interests	0	42	0	121
Net income per share (basic) in € continuing operations	-0.19	-0.38	-0.36	-0.99
Net income per share (basic) in € discontinued operations	0.01	0.11	0.60	0.26
Net income per share (basic) in € total	-0.18	-0.28	0.23	-0.72
Net income per share (diluted) in € continuing operations	-0.19	-0.38	-0.36	-0.99
Net income per share (diluted) in € discontinued operations	0.01	0.11	0.60	0.26
Net income per share (diluted) in € total	-0.18	-0.28	0.23	-0.72

Consolidated Statement of Cash Flows

Cash flows from operating activities:	1.HJ-2012 k€	1.HJ-2011 k€
Net profit/loss	1,562	-4,721
Gain from sale of GoYellow operations including brand	-4,411	0
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation on intangible assets	12	24
Depreciation on property and equipment	78	133
Other non-current assets	21	21
Change of deferred tax asset	409	0
Change in valuation allowance on doubtful accounts	0	6
Change of non-current other payables	0	-24
Interest income	-10	-23
Granted share options	22	28
Changes in Working Capital:		
Trade and other receivables	36	-85
Restricted Cash	31	0
Trade and other payables	-168	573
Provisions	-44	278
Other current assets	8	-71
Current income tax liabilities	3	107
Paid taxes	-20	-165
Net cash used in operating activities	-2,471	-3,919
Received interest	10	23
Cash from sale of GoYellow operations including brand	2,650	0
Cash from disposal of fixed assets	2	28
Capital expenditures	-12	-52
Net cash provided by/used in investing activities	2,650	-1
Net cash provided by financing activities:	0	0
Net increase/decrease in cash and cash equivalents	179	-3,920
Cash and cash equivalents, beginning of year	183	5,454
Cash and cash equivalents, end of period	362	1,534

Consolidated Statement of Changes in Stockholders' Equity

k€	Shares of Common Stock	Common Stock	Additional Paid-in Capital	Income/Expense recognized directly in equity	Retained Earnings	Minority Interests	Total
Balance at January 1, 2011	6,697	6,697	45,049	0	-47,018	651	5,379
Total comprehensive income 01.01. - 30.06.2011					-4,842	121	-4,721
Issue of share options			28				28
Total equity changes directly recognised in equity							28
Total equity changes 01.01.-30.06.2011							-4,693
Balance at June 30, 2011	6,697	6,697	45,077	0	-51,860	772	686
Balance at January 1, 2012	6,697	6,697	45,102	0	-51,749	1,041	1,091
Total comprehensive income 01.01. - 30.06.2012					1,562	0	1,562
Issue of share options			22				22
Purchase non-controlling interest					1,041	-1,041	0
Total equity changes directly recognised in equity							22
Total equity changes 01.01.-30.06.2012							1,584
Balance at June 30, 2012	6,697	6,697	45,124	0	-49,146	0	2,675

Report By Market Segment 1/2

Q2-2012 k€	Telephony Services	Media Portals	Total	Reconciliation IRFS 8.28	Group
Third party revenues	345	0	345	0	345
Group revenues by other segments	0	0	0	0	0
Total revenues	345	0	345	0	345
EBIT	-1,287	0	-1,287	0	-1,287
Financial result	29	0	29	0	29
Income before income tax	-1,258	0	-1,258	0	-1,258
Income tax	0	48	48	-48	0
net loss continuing operation	-1,258	0	-1,258	0	-1,258
net income discontinuing operation	0	48	48	0	48
Net loss/profit	-1,258	48	-1,210	0	-1,210
Depreciation	-45	0	-45	0	-45

Q2-2011 k€	Telephony Services	Media Portals	Total	Reconciliation IRFS 8.28	Group
Third party revenues	326	1,905	2,231	-1,905	326
Group revenues by other segments	316	25	341	-163	178
Total revenues	642	1,930	2,572	-2,068	504
EBIT	-2,250	453	-1,797	-772	-2,569
Financial result	15	-5	10	0	10
Income before income tax	-2,235	448	-1,787	-772	-2,559
Income tax	0	-26	-26	26	0
net loss continuing operation	-2,235	0	-2,235	-324	-2,559
net income discontinuing operation	0	442	442	324	746
Net loss/profit	-2,235	442	-1,813	0	-1,813
Depreciation	-49	-26	-75	26	-49

Report By Market Segment 1/2

1.HJ-2012 k€	Telephony Services	Media Portals	Total	Reconciliation IRFS 8.28	Group
Third party revenues	722	0	722	0	722
Group revenues by other segments	0	0	0	0	0
Total revenues	722	0	722	0	722
EBIT	-2,472	4,411	1,939	-4,411	-2,472
Financial result	35	0	35	0	35
Income before income tax	-2,437	4,411	1,974	-4,411	-2,437
Income tax	0	-412	-412	412	0
net loss continuing operation	-2,437	0	-2,437	0	-2,437
net income discontinuing operation	0	3,999	3,999	0	3,999
Net loss/profit	-2,437	3,999	1,562	0	1,562
Depreciation	-90	0	-90	0	-90

1.HJ-2011 k€	Telephony Services	Media Portals	Total	Reconciliation IRFS 8.28	Group
Third party revenues	813	3,863	4,676	-3,863	813
Group revenues by other segments	569	76	645	-322	324
Total revenues	1,382	3,939	5,321	-4,185	1,137
EBIT	-5,968	1,331	-4,637	-1,983	-6,620
Financial result	34	-11	23	0	23
Income before income tax	-5,934	1,320	-4,614	-1,983	-6,597
Income tax	0	-107	-107	107	0
net loss continuing operation	-5,934	0	-5,934	-663	-6,597
net income discontinuing operation	0	1,213	1,213	663	1,876
Net loss/profit	-5,934	1,213	-4,721	0	-4,721
Depreciation	-96	-60	-156	60	-96

Notes to the Interim Consolidated Financial Statements as of 30 June 2012

The consolidated interim report of 118000 AG comprises interim consolidated financial statements and an interim management report of the Group pursuant to the provisions of § 37w para. 3 German Securities Trading Act. The consolidated interim report was prepared by observing the applicable provisions of the German Securities Trading Act. It was not reviewed by an auditor in accordance with Section 37w para 5 WpHG.

These condensed interim consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, and in accordance with the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB) and its interpretations as applicable in the European Union (EU IFRS).

Liquidity

As of 30 June 2012, the Group had freely available cash and cash equivalents of € 362k (30.06.2011: € 1,534k).

Discontinued Operations

On 2 January 2012, the sale of the GoYellow operation and the associated brands/domain names was completed and income totaling € 4.4 million realized. The result from this discontinued operation is comprised as follows for the first half of 2012:

Proceeds from the sale of brands/domain names	€ 3,000k
Proceeds from the sale of the GoYellow operation	€ 1,400k
Accounting profit from transferred assets/equity and liabilities	€ 11k
Tax expense (of which deferred taxes: € 409k)	€ -412k
Income from discontinued operation	€ 3,999k

The income of € 1,876k from the discontinued GoYellow operation in the first half of 2011 was generated from operating activities (net revenues: € 3,939k; expenses: € 1,956k; tax expense: € 107k).

As contractually agreed, the acquirer of the discontinued operation until 30 June 2012 has paid an installment of € 2,650k (brand/domain names: € 1,250k; GoYellow operation: € 1,400k), which is attributable to investing activities in the consolidated statement of cash flows. In the first half of 2011, the cash flow from the discontinued operation was € 2k, of which € 5k were attributable to operating activities and € -3k to investing activities.

The previous year's figures were adjusted in the consolidated statement of comprehensive income and the discontinued operation is shown separately. The following disclosures on the consolidated statement of comprehensive income refer to the continuing operation, i.e. telephony services and data editing services.

Consolidated Statement of Comprehensive Income

Net revenues in the second quarter of 2012 totaled € 345k (previous year: € 504k; H1/2012: € 722k; H1/2011: € 1,137k). An advertising campaign for the 118000 connection service was conducted in the first quarter of 2011; it was discontinued because of delays in the availability of non-public cell phone numbers. This is the major cause for the year-on-year decline in revenues in the first two quarters of 2012. This decline was partially offset by net revenues from data editing work provided for the acquirer of the GoYellow division, our own telecommunications network and the new fee-based telephony products CheapCalls and PeterZahlt.

Cost of sales in the second quarter of 2012 decreased from € 795k to € 424k year on year (H1/2012: € 906k; H1/2011: € 1,516k), mainly due to lower expenditure for staff and data costs.

The advertising campaign for the 118000 service was suspended in April 2011 because access to the mobile phone number had not yet been achieved. This drove down selling and marketing expenses from € 837k in the second quarter of 2011 to € 220k in the second quarter of 2012 (H1/2012: € 349k; H1/2011: € 3,262k). Marketing costs for the fee-based CheapCalls and PeterZahlt services were incurred for the first time in the second quarter of 2012.

Administrative expenses fell from € 1,033k in the second quarter of 2011 to € 775k in the second quarter of 2012 (H1/2012: € 1,483k; H1/2011: € 2,337k). This decrease is mainly due to lower staff and consulting costs.

Research and development expenses in the second quarter of 2012 decreased from € 359k to € 207k compared to the second quarter of 2011 (H1/2012: € 445k; H1/2011: € 627k). Again, this decrease is due to lower staff costs.

The savings achieved in staff and material costs and the negative effect of the advertising campaign carried out in the previous year boosted EBIT from continuing operations from € -2,569k in the second quarter of 2011 to € -1,287k in the second quarter of 2012 (H1/2012: € -2,472k; H1/2011: € -6,620k).

No tax expense was incurred in continuing operations in the reporting period and the previous year.

The income from the discontinued GoYellow operation was € 48k the second quarter and € 3,999k in the first half of 2012 (proceeds from the sale after taxes – composition see above).

Overall, the Group posted negative consolidated comprehensive income of € -1,210k in the second quarter of 2012 (previous year: € -1,813k). Due to the positive effect on earnings of the GoYellow operation, which was sold in January 2012, consolidated comprehensive income for the first half of 2012 was positive at € 1,562k (H1/2011: € -4,721k).

Acquisition of non-controlling interests

In January 2012, 118000 AG acquired the remaining 10 percent of the equity interests in 118000 Beteiligungs GmbH (formerly: GoYellow GmbH) at a price of € 16 and now owns 100 percent of its shares.

Earnings per Share

Diluted and basic earnings per share (EPS) for the second quarter of 2012 amounted to € -0.18 (previous year: € -0.28). Of this, € -0.19 (previous year: € -0.38) were attributable to the continuing operation and € +0.01 (previous year: € +0.11) to the discontinued operation. Diluted and basic earnings per share (EPS) for the first half of 2012 amounted to € 0.23 (previous year: € -0.72). Of this, € -0.36 (previous year: € -0.99) were attributable to the continuing operation and € +0.60 (previous year: € +0.26) to the discontinued operation.

Segment Reporting

The Media Portals segment represents the discontinued operation. EBIT of € 4,411k in the first half of 2012 mainly comprises the proceeds from selling the GoYellow operation and the associated brand/domain names. In addition to the actual tax expense of € 3k, the tax expense of the Media Portals segment also includes the reversal through profit and loss of the deferred tax asset on loss carryforwards in the amount of € 409k as of 31 December 2011. In the previous year, EBIT of the discontinued operation, which was generated exclusively from operating activities, was € 1,331k and the tax expense was € 107k. In the second quarter of 2012, the discontinued operation did not post EBIT but tax income of € 48k as a result of a tax adjustment (Q2/2011: EBIT € 453k; tax expense € -26k).

The Telephony segment comprises the continuing operation. EBIT improved from € -2,250k in the second quarter of 2011 to € -1,287k in the second quarter of 2012 (H1/2012: € -2,472k; H1/2011: € -5,968k). While the advertising campaign for the 118000 connection service depressed earnings in the previous year, the decrease in staff and material costs lifted earnings in the current financial year.

Staff

As of 30 June 2012, the Group had 51 employees (30.06.2011: 90 employees). The decrease is due to staff reductions both in the Greifswald call center and the company's headquarters in Munich.

Stock Options

As of 30 June 2012, a total of 236,140 stock options were outstanding, of which 87,634 were attributable to members of the Management Board and 148,506 were attributable to employees.

Events after the 30 June 2012 Reporting Date

On the basis of the Federal Supreme Court ruling on 16 July 2012, the subsidiary 118000 Innovations GmbH, the successor company of Telix AG, was reimbursed data costs totaling € 584k.

Munich, 31 August 2012



Dr. Klaus Harisch



Christian Mooser

Interim Management Report of the Group for the 1st Half-Year 2012

Report on Cash Flows, Financial Position and Profit or Loss

118000 AG posted positive consolidated comprehensive income of € 1,562k in the first six months of 2012 (previous year: € -4,721k). After executing the respective agreement on 02 January 2012, the income of € 4,411k (after taxes: € 3,951k) from the sale of the GoYellow division including the associated brands/domain names was realized in the first quarter of 2012.

Freely available cash and cash equivalents as at 30 June 2012 were € 362k (30 June 2011: € 1,534k). The cash flow in the first six months of the 2012 financial year totaled € +179k (previous year: € -3,920k), with cash flow from operating activities amounting to € -2,471k (previous year: € -3,919k) and cash flow from investing activities amounting to € +2,650k (previous year: € -1k). The payments totaling € 2,650k that were received from the acquirer of the GoYellow operations and the brands/domain names are allocated to the cash flow from investing activities.

Equity increased from € 1,091k as of 31 December 2011 to € 2,675k as of 30 June 2012 (30 June 2011: € 686k) due to the positive consolidated comprehensive income. The equity ratio as of 30 June 2012 was 76.3% (30 June 2011: 17.2%).

In January 2012, 118000 AG acquired the remaining 10 percent of the equity interests in 118000 Beteiligungs GmbH (formerly: GoYellow GmbH) at a price of € 16 and now owns 100 percent of its shares.

Report on Risks and Opportunities

Liquidity Risks

According to the Group's current planning, no liquidity bottlenecks are expected in the medium term if the revenue and earnings targets for 118000 AG and its subsidiaries are met and the scheduled € 3.3 million capital increase can be implemented. The solvency of the companies included in the consolidated financial statements of 118000 AG is largely contingent on achievement target figures. In this respect, we expressly refer to the presentation in the "Anticipated developments" chapter of the material assumptions underlying our planning.

Missing targets can lead to liquidity bottlenecks that can only be resolved through the infusion of funds. Savings in general overhead costs were already initiated during the 2011 financial year (personnel reductions, restructuring of the leases); cost-cutting measures will continue in 2012 and the next years.

Operational Risks

Our planning envisages the following major new product launches:

- Implementation and marketing of international, fee-based telephone services for mobile networks (Cheap Calls: mobile application for smartphones) and fixed-line networks (Call Green: online browser-supported application)
- Implementation and marketing of an internationally available mobile telephony application for smartphones aimed at second line substitution.
- Implementation and operation of an editing system for managing public subscriber data (data related to telephone connections).

The introduction of these products may entail operational risks. Please also see our further disclosures in the “Anticipated developments” section. In the view of the Management Board, however, these new product launches also offer an opportunity.

Market Risks

While our new business models for telephony applications must first be accepted by the market, our experience to date with PeterZahlt+ (the German version of the Call Green telephony application, which will be available internationally in the future) on the peterzahlt.de portal and with Cheap Calls is promising. The marketing of this international offering of low-cost phone calls from and to mobile networks and/or fixed-line networks will be supported through performance-based marketing campaigns, referral marketing, and customer-friendly loyalty programs. For successful international expansion of the telephony applications, market-specific functions such as currently the USD support and the option of alternative payment methods will be continuously evaluated and implemented.

Legal Risks

In a ruling on 31 May 2012, Hamburg District Court dismissed the action brought by Deutsche Telekom AG seeking compensation of € 8.6 million for the five-week use of subscriber data.

Opportunities Report

Sales Potential

Due to continuously falling revenues in the online advertising market, steps were taken toward the end of 2011 to turn the PeterZahlt.de telephony portal, which for many years had been free and financed through online advertising, into a prepaid program. In order to implement an e-payment option for customers, international destinations and networks were successively added to the PeterZahlt offering in 2012. The national success and the international market potential in times of globalization, especially in less competitive call-by-call markets such as Germany, will lead to the internationalization of Peterzahl+ under the secured domain CallGreen.com.

To meet the requirements of the internationally growing smartphone market and reconcile customers' expectations of OTT (over the top) services with the services offered by their cell phone providers, the Cheap Calls smartphone application was also enhanced in the first half of 2012 by adding an e-payment option and over 150 internationally reachable destinations (fixed-line and mobile networks); independent mobile marketing via ad networks was begun around the end of April 2012. The product, which is currently based on the iOS and Android operating systems, will be distributed through Apple's App Stores (iTunes), Google (GooglePlay), and various other providers. Aside from marketing within Germany, there are plans to internationalize Cheap Calls in the second half of 2012, which involves the placement of the app in all available iTunes and GooglePlay Stores worldwide and requires the implementation of market-specific language, currency, and functional aspects. Country-specific advertising, which exclusively comprises mobile and online marketing, for example through Google AdMob & AdSense, will only be implemented in previously analyzed markets and is largely based on performance-oriented models. In addition, methods for referral marketing, a scout program, and various customer loyalty programs will be introduced and implemented internationally to build up confidence in the product.

The launch of a new mobile application tailored to the continuously growing second line market is planned for around the beginning of the third quarter of 2012. According to data published by the Federal Network Agency on 24 August 2012, people in Germany already have an average of 1.4 SIM cards, which according to the German Association for Information Technology, Telecommunications and New Media (Bitkom) meant that 29 million Germans had more than one cell phone by 2011. The regulatory decoupling of SIM cards and cell phone numbers marked the start of the implementation of the „2nd line“ project for us, entailing the virtualization of the second line on smartphones. The app, which is also available for downloading in the different App Stores, is designed to replace the full functionality of a second cell phone, thus enabling low-cost VoIP-based telephony on the first smartphone with the user's own mobile number without a SIM card. Additional potential arises for the users of different tablets (such as the iPad) who are currently unable to access telephone services on their devices. Like Cheap Calls, its business model is based on a prepaid model. National mobile marketing is scheduled to begin around the end of 2012. Successive international expansion is set to follow in 2013 in the markets that have fulfilled the regulatory conditions.

The 118000 connection service offers consumers an entirely new product for which there is a market and demand, generally speaking. This is illustrated in European markets in which the regulatory requirements have already been met, such as Finland. One of the basic premises of the connection service is the option of accessing unpublished contact data (such as mobile subscriber data) for creating a service that is not subject to data protection constraints, like the one 118000 is already implementing in a three-stage process. At present, however, the regulatory requirements for accessing mobile phone data in Germany have still not been implemented, which meant that advertising of the 118000 number had to be suspended. The workaround of a text message-based notification service discussed within the scope of a sector initiative has also been unable to go live owing to the ongoing negotiations between a cell phone company and the independent data intermediary. As a consequence, the business model of 118000 is on hold until the services resolved in the sector initiative have been implemented.

The Carrier Data System (CDS) provides an alternative that has been specially developed from start to finish and is already operational in the current German monopoly market dominated by Telekom Deutschland. CDS implements the import, comparison, and management as well as the export of subscriber data in accordance with Section 47 of the German Telecommunications Act (directory data) as legally required of the providers of telecommunication services in Germany. The product has already been presented to several telecommunications companies as a lower-cost, higher-quality solution and has generated a great deal of interest. The Management Board assumes that CDS will be used in the German market.

Events after the Reporting Period

On the basis of the Federal Supreme Court ruling on 16 July 2012, the subsidiary 118000 Innovations GmbH, the successor company of Telix AG, was reimbursed data costs totaling € 584k.

Anticipated Developments

The net assets, financial position and profit or loss of 118000 AG and its subsidiaries depends on the financial success of current as well as planned new business models:

- In the field of telephony applications, the Company has expanded its offerings of low-cost phone calls to international destinations. Since April 2012, it has been possible to call international numbers not only through the peterzahlt.de portal but also via smartphones by downloading Cheap Calls.App from a variety of stores.
- Toward the end of 2012, the Company plans to launch a new mobile application for smartphones that will completely substitute the steadily growing number of second lines in mobile communications.
- Building on the knowledge acquired in relation to the development, marketing, and operation of internationally available mobile applications for smartphones, a key focus again in the coming years will be the implementation of mobile apps. This expertise can be used both for the implementation of proprietary business models and for external contract work.
- Competing with Telekom Deutschland, the Company has developed a system for managing public subscriber data (directory data) called CDS, for which it expects to close its first contract before the end of 2012.

- The editorial, operational, and technical expertise built up from CDS will also be offered to customers in future years in an effort to expand the customer base.
- Marketing of the 118000 connection service can only continue when access has been granted to unpublished subscriber data such as mobile phone data. The text notification solution developed as part of the sector initiative is still being negotiated by the data intermediary and a mobile phone company.

Launching or establishing the business models described in the foregoing is fraught with uncertainties. Both the Group parent and its subsidiaries will be exposed to going-concern risks if one or more of the business models in question are not accepted by the market at all or only with a delay, if costs exceed budgets or if the Company's funding by means of a capital increase cannot be implemented.

The following will help to ensure the funding of 118000 AG and its subsidiaries through the end of 2013:

- Sale of the GoYellow business operations (€ 1.4 million) via 118000 Beteiligungs GmbH (formerly: GoYellow GmbH) as well as of the brand and the domain names by 118000 AG (€ 3.0 million); closing of binding service contracts for the 2012 financial year (€ 1.0 million).
- On the basis of the Federal Supreme Court ruling on 16 July 2012, the subsidiary 118000 Innovations GmbH, the successor company of Telix AG, was reimbursed data costs totaling € 584k in August 2012.
- The Management Board believes it is probable that by mid-November 2012 the Company will receive financing commitments from investors for capital increases totaling € 3.3 million to be implemented by mid-2013.

If the assumptions underlying our planning come to fruition, the Company's management expects revenues of € 1.9 million in the 2012 financial year and around € 6 million in the 2013 financial year. The sale of the GoYellow division and the service contracts that were closed in connection with the sale, will generate proceeds of € 5.4 million and thus EBIT of around € +0.1 million for the 2012 financial year, as planned. We are anticipating EBIT of around € -3 million in the 2013 financial year.

Munich, 31 August 2012

The Management Board



Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Munich, 31 August 2012



Dr. Klaus Harisch



Christian Mooser