



DRILLISCH AG
REPORT ON FIRST QUARTER 2010

Key Indicators of the Drillisch Group

Drillisch-Group	Q1/2010	Q1/2009*	Q1/2008
Turnover in €m	84.6	77.8	84.6
EBITDA in €m	11.0	9.7	9.5
EBITDA, adjusted in €m	11.0	9.9	9.5
EBIT in €m	9.5	8.0	8.0
EBT in €m	9.4	9.1	8.0
Consolidated profits in €m	6.6	8.8	5.8
Profit/loss per share in €	0.12	0.18	0.11
EBITDA margin in % of turnover	13.0	12.5	11.3
EBIT margin in % of turnover	11.2	10.3	9.4
EBT margin in % of turnover	11.2	11.7	9.4
Consolidated profit margin in % of turnover	7.8	11.4	6.9
Equity ratio (equity % of balance sheet total)	50.6	21.7	75.3
Return of equity (ROE) (ratio Group result to equity)	4.4	21.0	2.5
Cash flow from current business operations in €m	12.3	1.1	8.0
Depreciation excluding goodwill in €m	1.5	1.7	1.6
Investments (intangible and intangible fixed asset) adjusted in €m	0.6	0.5	0.7
Staff as annual average (incl. Management Board)	385	359	351
Wireless services customers as per 31/03 (approx. in thousands)	2,258	2,310	2,236
Wireless services customers Debit	1,221	1,444	1,409
Wireless services customers Credit	1,037	866	827

*Q1 2009 figures include 1 month of eteleon e-solutions AG being acquired in March 2009.

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Letter from the Management Board



Management Board

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

Vlasios Choulidis
Director of Sales, Marketing and Customer Care

Dear Sir or Madam,

Although the economic recovery in Europe and Germany has been modest, Drillisch AG began the new year with growth in turnover and profit. The excellent result of the first quarter came from the continued dynamics in the sectors Discount and Mobile Internet and was proactively paralleled by innovative marketing and sales concepts.

Turnover in the first quarter rose by 8.7% or €6.8 million to €84.6 million (Q1-2009: €77.8 million). This revenue was realised from 2.258 million subscribers. While the number of subscribers in the prepaid sector declined in comparison with the end of 2009 by 47,000 subscribers or 3.7% to 1.26 million, the number of subscribers in the postpaid business rose by 5.6% or 55,000 subscribers to 1.037 million in comparison with the end of the year. This expansion of the higher-value postpaid business led to a rise in the share of postpaid subscribers in the Group to the current 46%, two percentage points more than at the end of 2009.

In the first quarter of 2010, gross profit improved by about €3.4 million or 19.1% in comparison with the first quarter of 2009 to €21.0 million (Q1-2009: €17.7 million). The gross profit margin rose by 2.2% to 24.9% (Q1-2009: 22.7%) and even exceeded the excellent year-end value for 2009 by 1.4% (31/12/2009: 23.5%).

The consolidated EBITDA increased by 13.0% or €1.3 million to €11 million in comparison with the same quarter last year (Q1-2009: €9.7 million). The EBITDA margin increased by 0.5% to 13.0% (previous year: 12.5%).

The income from ordinary business activities exceeded the previous year's value by about 4%, amounting to €9.4 million (Q1-2009: €9.1 million). As a consequence of higher taxes on income in the amount of €2.8 million (Q-1 2009: €0.2 million), the consolidated profit of €6.6 million was about €2.2 million below the results of the same quarter last year (Q1-2009: €8.8 million).

Cash and cash equivalents at the end of the first quarter amounted to €39.1 million. This is a substantial increase of €29.5 million in comparison with the first quarter of 2009 (Q1-2009: €9.5 million) and of €12.2 million in comparison with the end of 2009 (31/12/2009: €26.9 million). Owing to the sustained high cash flow, the net financing liabilities in the first quarter of 2010 were reduced by €12.1 million or 23% in comparison with the end of the year 2009 to €40.5 million (31/12/2009: €52.6 million).

It has now been five years since we established the first discount products under the name simply on the German wireless services market. During these five years, the wireless services market in Germany has grown steadily thanks to its consumer-friendly prices. We have seen a similar development in the sector mobile Internet since its launch in 2007. More and more people want to use the mobile Internet, fast and

Letter from the Management Board

at low cost, as well as enjoy telephone service wherever they may be. We will serve both of these growth segments in the future as well by providing innovative and low-price products, playing a proactive role in shaping the market. At the same time, an important goal is to break through the existing inhibitions among mobile phone users by offering simple and transparent rate plans. We counter the fear of a cost risk for mobile surfing with our attractive flat rates.

During the first three months of the year 2010, we launched the first 8-eurocent voice services rate with a mobile phone surfing flat rate, helloMobil, on the market. The new rate schedule is aimed especially at smartphone owners who want to phone at low cost and use the mobile Internet without constant worries about costs. We have realised the newstarif for the publishers Augsburgener Allgemeine and sh:z Schleswig-Holsteinischer Zeitungsverlag, a rate schedule which allows mobile phone users to surf the mobile portals of their regional newspaper free of charge.


New rate schedules, new cooperative ventures and new distribution channels have laid the foundation for a further increase in company value. That is why we expect an increase in the EBITDA for fiscal year 2010 to €46 million from the €43.5 million in 2009.

Faithfully yours,



Paschalis Choulidis

and



Vlasios Choulidis

Investor Relations Report

The start to 2010 – from a capital market viewpoint – was not an easy one. The prevailing attitude over the first two months was one of scepticism, prompting extensive profit-taking on the stock exchanges. Yet the sceptics were not looking so much at the reports from the companies as they were worried about a possible collapse of Greece and the consequent destabilisation of the financial systems. Moreover, the first rise in interest rates in China triggered speculation as to whether this was the starting shot for a round of interest rate increases worldwide. As the proposals for a solution to the Greek crisis took on concrete form and the fears related to interest rates began to abate, the generally positive reports coming from the companies moved to the forefront of discussion on the stock exchanges. A cash-driven upswing developed from this starting point, and by the end of the first quarter, all of the major indices had reached new high marks for the year.

In the first quarter, the German stock index DAX gained 196.12 points or 3.29%, rising to 6,153.55 points. The TecDAX lost 0.20%, falling from 817.58 to 815.97 points. By the end of the quarter, the TecAllShare Index reached 932.93 points, a gain of 2.58% in comparison with the end of 2009.

The Drillisch Stock in the First Quarter of 2010

	Close-out 2009	31 March 2010	% change
Drillisch	€5.05	€5.35	+ 5.94
TecDAX	817.58	815.97	- 0.20
TecAllShare	932.93	957.01	+ 2.58

The highest price for the Drillisch stock in the first quarter of 2010 was noted at €6.039 on 16 March. The lowest price was noted at €4.246 on 8 February. On the TecDAX, the Drillisch stock was ranked at 21st and 18th place with respect to the most important indicators for inclusion in the index, market capitalisation and turnover, at the end of the first quarter 2010. Since it was first included in the TecDAX in 2009, the Drillisch stock has been able to continuously improve its position in terms of these indicators.

Current Analyst Assessments (as per 14 April 2010)

On the capital market, the Drillisch stock is regarded as a promising investment. An updated overview of the analysts' recommendations can be found on the IR home page.

Current Analyst Assessments (as per 14 April 2010)

Analysis	Rating	Price Target	Date
SES Research	„Buy“	€6.80	14 April 2010
Commerzbank	„Hold“	€4.80	25 March 2010
Kepler Capital Markets	„Buy“	€6.00	25 March 2010
LBBW	„Buy“	€6.50	12 March 2010
WestLB	„Buy“	€6.10	11 February 2010

Agenda of the First Quarter – DGAP Ad-Hoc Reports

10 February	The provisional consolidated profit amounts to €101.2 million ...
09 March	Dividend proposal for 2009 €0.30 per share

Investor Relations Report

Investor Relations Events

Talks were conducted with institutional investors at Company headquarters in Maintal during the first quarter of 2010. The balance sheet press conference was held in Frankfurt, the traditional site for the event. Private investors are also utilising the opportunities to obtain information directly more and more. 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.

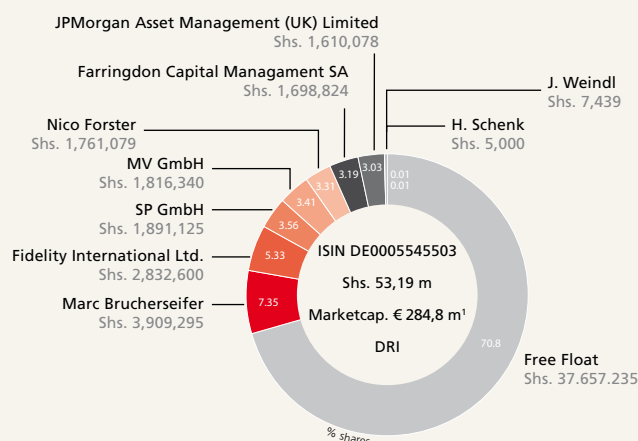
Directors' Dealings 2010

During the first quarter 2010, no directors' dealings pursuant to Section 15 a WpHG (German Securities Trading Act) were reported to Drillisch AG.

Directors' Holdings as per 31 March 2010

Unternehmen	
Name	No-par shares
MV GmbH	1,816,340 → 3.41%
SP GmbH	1,891,125 → 3.56%
Supervisory Board	
Name	No-par shares
Dr. Hartmut Schenk	5,000 → 0.01%
Johann Weindl	7,439 → 0.01%
Marc Brucherseifer	3,991,850 → 7.51%
Nico Forster	1,761,079 → 3.31%
Dr. Horst Lennertz	0
Michael Müller-Berg	0

Shareholder Structure of Drillisch AG (Last revised 31 December 2010)



Source: Disclosures by the corporations pursuant to sections 21 ff German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and unless the company was not informed of a more recent figure.

1) On the basis of the XETRA closing price € 5.35 on 31 March 2010. Free Float acc. to the rule of Dt. Boerse AG: 92.65%



MARKET ENVIRONMENT

The Wireless Services Market

Mobile Internet is the trend of 2010

Consumer-friendly prices for mobile telephony and surfing are continuing to drive growth on the wireless services market in Germany. This is the conclusion of the most recent annual report from the German Federal Network Agency which appeared at the end of March 2010. More and more people want to have access to the Internet, fast and at low cost, as well as enjoy telephone service wherever they may be. So it is no wonder that the volume of data transmitted via wireless networks in Germany almost trebled last year to 33.5 million gigabytes. Worldwide, the volume of data traffic on wireless networks from just under 400 million users exceeded the volume of voice traffic from more than four billion subscribers for the first time in December 2009. The network equipment manufacturer Ericsson expects data traffic to double every year over the next five years.

At the end of 2009, there were more than 108 million wireless services contracts in Germany – a mathematical average of 1.3 subscriptions per German. The growth of about one per cent in comparison with the previous year resulted primarily from the sale of SIM cards for data transmission. As of today, 2.6 million SIM cards are registered in Germany solely for the use of mobile Internet. The disclosed growth in subscribers was slowed down only by the removal of inactive prepaid customers from the books of some of the network operators.

Sale of mobile end devices showing strong growth this year

Mobile Internet remains the growth trend on the German telecommunications market. The end devices are becoming more and more powerful and less and less expensive. The high-tech association BITKOM expects the sale of notebooks, netbooks and tablet PCs in Germany to grow by 11% to 9.7 million units in 2010. Estimates for smartphones foresee a rise in sales figures of 47% to 8.2 million units. The triumph of these multi-talented devices and extensive, attractive applications is accompanied by the growth in turnover with mobile data services. The forecast by BITKOM sees income in 2010 increasing by about 8% to €5.8 billion.

Mobile communication is becoming less and less expensive. Last year, the prices for wireless services in Germany declined by an average of over 11%. The trend towards falling prices will continue; experts are in agreement on this point. The classic landline telephone jack at home could soon turn out to be superfluous. In view of the high level of performance capability of mobile voice and data traffic, more and more people are doing away with their landline service and are mobile even when at home. As preparation for the coming demands, network operators are focused on the auction of new wireless frequencies which started in April and the expansion of the transmission technology LTE (long-term evolution). Even though the Federal Network Agency describes the expansion of the current UMTS network, especially in dense urban areas, as highly advanced, BITKOM nevertheless expects further growth of over 40% to 22.7 million for UMTS subscriptions in this year.

Drillisch expands its portfolio in the discount segment and extends its cooperative ventures

During the first three months of 2010, Drillisch AG once again demonstrated its innovative strengths by introducing four ground-breaking products. New rate schedules, new cooperative ventures with network operators and new distribution channels have laid the foundation for even more increase in company value.

The Wireless Services Market

Cleverly score points as well as phone at low rates with fiotel



Right at the start of the year, fiotel entered the market as the first discount rate schedule with an innovative bonus system. fiotel's motto is "cleverly score points and phone at low rates"; in addition to paying only 8 eurocents for every call minute and every text message, every fiotel customer collects fio points worth cash with every call and every text message. The bonus points are credited as soon as a phone volume of only €6 per month has been reached; customers decide themselves whether to redeem the points for free minutes or free text messages. As of €20 in phone volume, people who speak on the phone a lot essentially pay only 7.5 eurocents per telephone minute or per text message.

helloMobil – the first 8-eurocent rate with a flat rate for mobile phone surfing



Drillisch has launched a new prepaid product on the market, helloMobil, which for the first time combines mobile telephony and mobile phone surfing at no cost risk in one rate. This makes Drillisch the first service provider with discount products for three wireless networks. In addition to a simple rate for mobile phoning (8 eurocents to all networks and for every text message) and attractive prices for mobile Internet (starting at €4.95 a month), helloMobil customers profit from the high-performance mobile O² broadband network.

During the introduction of the new brand, Drillisch simultaneously set off on new paths of customer communication. In view of the special focus on low-price surfing on mobile phones, it was only logical to address target groups with an affinity for the Internet via involvement in the sector of social media – social networks such as "Facebook" or the micro-blogging service Twitter. Thanks to a solid concept, provision of regular information to interested customers about general wireless services topics as well as special social media campaigns, Drillisch was able to gather a remarkable number of "friends" at Facebook and "followers" at Twitter within only a short period of time.

Weltbild Mobil & newstarif – two new products attract additional target groups



New distribution channels have been opened for the Drillisch AG discount segment through the cooperation with a well-known company in the book and media business. Since March 2010, Weltbild Mobil is offering, a discount-priced voice rate (minute/text message price: 8 eurocents) which is offered in the catalogue of the Weltbild Group and on the Internet site www.weltbild-mobil.de and can be ordered by customers in writing, by phone or online. The marketing of the wireless services product in selected book stores belonging to the publishing corporation will begin shortly.



Besides the book trade, yet another cooperative venture in the discount segment has been concluded in the media sector. The middle of March saw the start of "newstarif" in cooperation with the Augsburg Allgemeine Zeitung and sh:z Schleswig Holsteinischer Zeitungsverlag GmbH & Co.; customers can make mobile phone calls for 9 eurocents and use their mobile phones to surf the mobile portals of the publishers free. Readers can see the latest news from around the world, local news, sports or weather on their mobile phones free of charge. Outside of the specific portals, mobile surfing costs a low 35 eurocents per downloaded megabyte. By adding "newstarif" to its line – realised by simply, the pioneer brand on the wireless services discount market – Drillisch has continued to pursue its distribution strategy and opened new sales channels in addition to grocery retailers, distributors and the book trade and concluded new partnerships. Moreover, the publishers receive support for their development from print medium to multi-media brand, and the market test enables the participating partners to learn about the acceptance of paid services for mobile applications in the middle term.

The Wireless Services Market · The Software Industry

Tested by TÜV: maXXim provides good customer service and high customer satisfaction



maXXim proved in February that low-priced discount offers and customer-friendly, competent service are not a contradiction in terms. As part of a service rating, the TÜV Saarland conducted a customer survey in January 2010, asking about approximately 20 individual criteria related to customer satisfaction. maXXim was awarded the seal "Service tested" with an overall rating of "Good". So maXXim is not only the first provider which charges only 8 eurocents per call minute

and text message from a mobile phone to all networks, but is also the first wireless services discount provider whose rate models, the order process as a whole, customer service and customer satisfaction, and not just the online shop itself, have been tested by an independent assessment organisation and been given a positive rating. maXXim scored above-average results – with respect to the overall rating – particularly for the criteria simplicity, friendliness and understandability and good value for money.

Software and IT service providers give wings to the German economy

The software and IT service provider sector in Germany is developing into a significant economic factor; its gross generated value and employment will double over the next two decades. These are the key conclusion of a BITKOM study published by the Karlsruhe Fraunhofer Institute for System and Innovation Research ISI. This sector is still underappreciated as a driving economic force and crossover function by some. Nevertheless – the software and IT service provider sector in Germany is growing steadily. In recent years, this industry has developed more positively than the economy as a whole and, in addition to rising gross value generation, can also point to a rise in turnover, production scope and number of jobs. During the first quarter of 2010, 59% of the IT and telecommunications companies expect turnover to grow. BITKOM expects turnover with information technology in Germany to amount to €64.4 billion for 2010 as a whole, an increase of 1.4%.

COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP
AS PER 31 MARCH 2010

Group Companies

In its own estimation, Drillisch is one of the most profitable and innovative wireless services providers in Germany. The Company markets the wireless services offered by all four of the wireless network operators active in Germany, primarily through subsidiaries. The most important sales channels are the Internet, large retail chains and about 400 specialist retailers. The services acquired from the network operators are sold further to end consumers for the Company's own account and at rates that Drillisch itself defines, based on its own calculations. The "Wireless Services" business unit forms the core business of Drillisch. The scope of the services includes all of the services offered by the network operators for the transmission of voice, data and other content. The significantly smaller business division "Software Services" has been concentrated in the subsidiary IQ-optimize. This subsidiary performs IT services for all of the Group companies. Moreover, IQ-optimize markets its own workflow management software program.

Life is mobile

Within the Drillisch Group, Drillisch AG, the parent company, concentrates on holding tasks such as management, finances and accounting, controlling, cash management, human resources, risk management, corporate communications and investor relations. The wireless services providers Drillisch Telecom and simply handle primarily the operating wireless services business. MS Mobile is a group company which successfully markets the discount products with the brand name "maXXim". Working together with eteleon, a specialist for innovative sales solutions, the Company intends to extend sales activities via e-commerce and additional distance trade channels, to expand the product line and, by doing so, to intensify efforts to acquire new customers. On 31 March 2010, MSP Holding held 5,000,000 shares in freenet AG. All of the IT know-how of the Drillisch Group has been collected in IQ-optimize. Moreover, IQ-optimize acts as a service provider to operate and market the brand fioon.

Represented by five strong brands in postpaid and prepaid business

Drillisch Telecom is a wireless services provider represented by the five strong brands Telco, VICTORVOX, Alphatel, McSIM and helloMobil. The premium brand Telco is distributed via specialist retailers. Drillisch has specialised in select forms of distribution and wide-area marketing under the brand name VICTORVOX. Both of these brands stand primarily for postpaid business. The Company's own, individually calculated product offers are developed alongside the classic network operator rates. McSIM expands the discount products of Drillisch with wireless services into the Vodafone network. Drillisch uses the brand Alphatel to offer in prepaid business, the only service provider in Germany to do so, cash cards and cash codes via its own platform, g-paid, as well as starter cards and bundles.

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

simply – one of the discount pioneers in Germany – became five years old in April 2010. simply markets wireless service rates in the Telekom Deutschland (formerly T-Mobile) network at especially favourable terms and conditions via the Internet and in cooperation with large retail chains. discoTEL is the newest of the simply discount brands and is offered by the subsidiary eteleon. discoTEL introduced a rate of 7.5 eurocents a minute in 2009, yet another highlight on the German wireless services discount market. At the beginning of the year, the Stiftung Warentest ranked the rate as the lowest in the D1 network in both the category "Normal telephone users" and the category "Message fan". In the previous year, maXXim was long the price leader, offering a rate of 8 eurocents. Drillisch has established its own brand in the strategic expansion segment of the mobile Internet under the name fioon. fioon allows mobile high-speed working and surfing as well as phone calls at a low discount rate.

Group Companies · Turnover and Earnings Position

Employees

In the first three months of 2010, an average of 385 employees (previous year: 359), including the two members of the Management Board, was on the payroll of the Drillisch Group. The number of vocational trainees, which is not included in the above figure, was 37 (previous year: 25). Drillisch makes a significant contribution to the training of young people in qualified professions necessary to secure the future of all of us in Germany.

Turnover and earnings position

Drillisch continued the strong growth from the record fiscal year 2009 into the first quarter of 2010 without the slightest bump. The excellent development in our business is being driven by the continuing dynamics of the sectors wireless services discount and mobile Internet. Drillisch makes use of innovative marketing and distribution concepts to defend its leading position in the German telecommunications industry.

During the first quarter of 2010, the consolidated turnover rose by 8.7% to €84.6 million (previous year: €77.8 million) in comparison with the same period last year. The item Sales includes €52k (previous year: €44k) from the segment Software Services and €84.5 million (previous year: €77.8 million) wireless services sales from the departments Prepaid and Postpaid, earnings from network operator commissions and bonuses and sales from the merchandise business (sale of wireless devices, prepaid bundles and starter cards). This growth was realised from 2.258 million subscribers (31 December 2009: 2.250 million). The number of customers in the postpaid sector increased by 5.6% in comparison with the end of the year to 1.037 million subscribers (previous year: 0.982 million). The removal of inactive customers from the subscriber lists in the prepaid sector was continued, which is why the number of prepaid subscribers declined by 3.7% to 1.221 million (previous year: 1.268 million). Thanks to the expansion of the postpaid sector with its higher margins, the share of postpaid subscribers continued to increase to the current 46% – 2% more than at the end of 2009 (31 December 2009: 44% postpaid to 56% prepaid).

The cost of materials rose, underproportionately to the increase in turnover, in the first quarter 2010 by 5.6% to €63.6 million (previous year: €60.2 million). So the gross profit rose by 19.1% to €21.0 million (previous year: €17.7 million) in comparison with the corresponding quarter last year. The gross profit ratio rose by 2.2% to 24.9% (previous year: 22.7%) and exceeded even the peak value of fiscal year 2009 by 1.4% (total for 2009: 23.5%). Owing to the increased number of employees, personnel expenses rose by 7.1% to €5.3 million (previous year: €5.0 million), but this rise was not as sharp as the percentage growth in turnover. As a consequence, the personnel expenses ratio declined by 0.1% to 6.3% (previous year: 6.4%). Other operating expenses increased by €1.8 million to €6.0 million (previous year: €4.2 million), primarily as a consequence of higher expenditures for advertising amongst others.

The consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators in the Drillisch Group, rose by 13.0% to €11.0 million (previous year: €9.7 million). The EBITDA ratio improved by 0.5% to 13.0% (previous year: 12.5%). Depreciation declined by 13.5% to €1.5 million (previous year: €1.7 million). As a consequence, the EBIT (earnings before interest and taxes) rose by 18.7% to €9.5 million (previous year: €8.0 million). The EBIT ratio also improved by 0.9% to 11.2% (previous year: 10.3%).

The participation in MSP and the shares in freenet held directly by Drillisch AG were valued according to the equity method in the first quarter of the previous year. The results from this inclusion amounted to €2.0 million as per 31 March 2009. As in the annual accounts per 31 December 2009, the shares in freenet AG held by MSP and Drillisch AG are classified as "available for sale" in accordance with IAS 39 as per 31 March 2010, and changes in value are measured as non-operating results by means of the market evaluation provision in equity.

Turnover and Earnings Position

Assets, Liabilities and Financial Position

The decline in interest rates in comparison with the previous year resulted in an improvement of interest results of €0.8 million to -€0.1 million (previous year: -€0.9 million). Taxes on income rose by €2.6 million to €2.8 million (previous year: €0.2 million). The substantially higher tax rate was caused above all by the fact that income from the financial assets shown in the balance sheet according to the equity method in the first quarter of the previous year was not to be taken into account for tax purposes. The consolidated income according to third-party shares decreased by €2.3 million to €6.6 million (previous year: €8.8 million) owing to the differences in taxation of the profits in 2009 and 2010. Profit per share came to €0.12 (previous year: €0.18).

Cash flow

Cash flow from current business activities grew by €11.2 million to €12.3 million (previous year: €1.1 million). The most important factor here, in addition to the excellent results for the quarter, was the significant decline in receivables and other assets. Total cash rose by €12.2 million to €39.1 million (previous year: increase by €5.2 million to €9.5 million) in comparison with the end of 2009.

Assets, liabilities and financial position

The balance sheet total of the Drillisch Group declined by €5.8 million to €299.5 million (31 December 2009: €305.3 million) as per 31 March 2010. The equity ratio improved by another 1.9% to 50.6% in comparison with the end of 2009 (31 December 2009: 48.7%).

Cash increased by €12.2 million to €39.1 million (31 December 2009: €26.9 million). Trade receivables declined by €10.2 million to €23.2 million (31 December 2009: €33.4 million) because of the closing date. All in all, current assets decreased by €1.3 million to €73.6 million (31 December 2009: €74.9 million).

Fixed assets declined by €4.5 million to €225.9 million (31 December 2009: €230.4 million). Their share of the balance sheet total as of 31 March 2010 is 75.4% (31 December 2009: 75.5%). 95.5% is financed by equity and long-term debt. Other intangible assets declined by €0.8 million to €13.3 million (31 December 2009: €14.0 million) as a consequence of scheduled depreciation. The other financial assets decreased by €3.7 million to €142.2 million (previous year: €146.0 million). The reason for this is found in the slightly lower share price of the freenet stock as per 31 March 2010 in comparison with the price on 31 December 2009.

Thanks to the good business results, the accumulated deficit decreased by €6.6 million to €65.9 million (31 December 2009: €72.5 million). The accumulated deficit resulted in 2008 from the change in the stock market evaluation of the freenet shares. The market evaluation provision declined by €3.7 million as per 31 March 2010 (31 December 2009: €4.4 million). It reflects the change in value of the Other financial assets as a non-operating result. The freenet stock held by Drillisch AG and MSP is a major component of the Other financial assets. In comparison with 31 December 2009, equity increased by €2.9 million to €151.4 million (31 December 2009: €148.5 million).

Long-term liabilities rose slightly to €64.2 million (31 December 2009: €64.0 million). The share in the balance sheet total amounts to 21.4% (31 December 2009: 21.0%).

Short-term liabilities declined in comparison with the end of fiscal year 2009 by €8.9 million to €83.8 million (31 December 2009: €92.7 million). Their share in the balance sheet total fell to 28.0% (31 December 2009: 30.4%). As a consequence of the closing date, the trade liabilities declined by €4.2 million to €23.3 million (31 December 2009: €27.5 million), and the payments received on account decreased by €1.9 million to €24.3 million (31 December 2009: €26.2 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 subsidiaries and Drillisch itself.

The risk situation – in comparison with the risks described in the annual report for the year 2009 – did not change appreciably during the first three months of fiscal year 2010. In the opinion of the Management Board, adequate precautions have been taken to counter all of the identified risks.

Important Events Occurring after 31 March 2010

No important events occurred after 31 March 2010.

Outlook

We are aiming for an increase in the consolidated EBITDA to €46 million for fiscal year 2010 (fiscal year 2009: €43.5 million).

**CONSOLIDATED INTERIM ACCOUNTS
AS PER 31 MARCH 2010**

Consolidated statement of comprehensive income

	Q1/2010	Q1/2009*
	€k	€k
Sales	84,593	77,847
Other own work capitalised	488	483
Other operating income	768	706
Cost of materials/ Expenditures for purchased services	-63,555	-60,187
Personnel expenses	-5,309	-4,957
Other operating expenses	-6,008	-4,180
Amortisation and depreciation	-1,483	-1,715
Operating result	9,494	7,997
Result from financial assets shown in balance sheet according to the equity method	0	1,959
Interest income	351	135
Interest and similar expenses	-408	-1,018
Financial result	-57	1,076
Profit before taxes on income	9,437	9,073
Taxes on income	-2,838	-228
Consolidated results	6,599	8,845
Results attributable to minority interests	22	-1
Share of Drillisch AG shareholders in consolidated results	6,577	8,846
Change in attributable market value of financial assets available for sale	-3,730	0
Taxes on income	-56	0
Other earnings after taxes	-3,674	0
Consolidated comprehensive results	2,925	8,845
thereof total results attributable to minority interests	22	-1
thereof share of Drillisch AG shareholders in total results	2,903	8,846
Profit per share (in €)		
Undiluted	0.12	0.18
Diluted	0.12	0.18

* The figures for Q1-2009 include 1 month for the subsidiary eteleon e-solutions AG which was acquired in March 2009

Consolidated Balance Sheet

ASSETS	31.03.2010	31.12.2009
	€k	€k
Fixed assets		
Other intangible assets	13,258	14,044
Goodwill	67,206	67,206
Tangible assets	1,293	1,274
Other financial assets	142,230	145,960
Deferred tax reimbursements	1,889	1,877
Fixed assets, total	225,876	230,361
Current assets		
Inventories	8,791	6,267
Trade accounts receivable	23,228	33,434
Accounts due from affiliated companies	3	3
Tax reimbursement claims	44	877
Cash	39,066	26,915
Other current assets	2,476	7,410
Current assets, total	73,608	74,906
ASSETS, TOTAL	299,484	305,267

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.03.2010	31.12.2009
	€k	€k
Shareholders' equity		
Subscribed capital	58,508	58,508
Capital surplus	126,469	126,469
Earnings reserves	31,123	31,123
Market evaluation provision	765	4,439
Accumulated deficit	-65,891	-72,468
Equity to which Drillisch AG shareholders are entitled	150,974	148,071
Minority interests	467	445
Equity, total	151,441	148,516
Long-term liabilities		
Pension provisions	956	956
Deferred tax liabilities	3,341	3,500
Bank loans and overdrafts	59,560	59,531
Leasing liabilities	340	62
Long-term liabilities, total	64,197	64,049
Short-term liabilities		
Short-term provisions	2,232	2,096
Tax liabilities	8,824	9,567
Bank loans and overdrafts	20,000	20,003
Trade accounts payable	23,334	27,541
Payments received on account	24,269	26,169
Leasing liabilities	527	404
Other liabilities	4,660	6,922
Short-term liabilities, total	83,846	92,702
EQUITY AND LIABILITIES, TOTAL	299,484	305,267

Consolidated Statement of Change in Capital

	Number of shares	Capital sub-scribed	Capital surplus	Earnings reserves	Market valuation reserves	Accumulate deficit	Equity of Drillisch AG to which shareholders are entitled	Minority interests	Shareholders equity Total
		€k	€k	€k	€k	€k	€k	€k	€k
As per 01/01/2009	49,732,347	54,706	119,480	31,123	0	-173,568	31,741	0	31,741
Change in own shares	776.671	854	-123	0	0	0	731	0	731
Change in consolidated companies		0	0	0	0	0	0	858	858
Consolidated comprehensive results		0	0	0	0	8,846	8,846	-1	8,845
As per 31/03/2009	50,509,018	55,560	119,357	31,123	0	-164,722	41,318	857	42,175
As per 01/01/2010	53,189,015	58,508	126,469	31,123	4,439	-72,468	148,071	445	148,516
Consolidated comprehensive results		0	0	0	-3,674	6,577	2,903	22	2,925
As per 31/03/2010	53,189,015	58,508	126,469	31,123	765	-65,891	150,974	467	151,441

Consolidated Capital Flow Statement

	Q1/2010	Q1/2009
	€k	€k
Consolidated results	6,599	8,845
Interest paid	-408	-1,018
Interest received	333	135
Results from interest	57	883
Result not affecting payments from financial assets shown in the balance sheet according to equity method and other financial results not affecting payments	0	-1,959
Income tax paid	-2,105	-5,193
Income tax received	0	0
Taxes on income	2,838	228
Amortisation and depreciation	1,483	1,715
Income from the disposal of tangible assets and intangible assets	-82	38
Change in inventories	-2,523	-292
Change in receivables and other assets	15,126	-3,312
Change in trade payables and other liabilities and provisions	-7,117	988
Change in payments received on account	-1,900	88
Cash Flow from Current Business Activities	12,301	1,146
Investments in tangible and intangible assets	-551	-540
Payments for acquisitions less acquired cash	0	417
Outgoing payments for investments in financial assets shown in the balance sheet according to equity method and investments in other financial assets	0	-518
Earnings from the disposal of financial assets and other financial assets shown in the balance sheet according to the equity method	0	822
Cash flow from investment activities	-551	181
Change in own shares	0	-101
Incoming payments from the taking out of loans	0	4,297
Change in investment liabilities	401	-311
Cash flow from financing activities	401	3,885
Change in cash	12,151	5,212
Cash at beginning of period	26,915	4,325
Cash at end of period	39,066	9,537

Consolidated Notes

1. General

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1997. The business field of wireless services is the core business of the Drillisch Group and is situated primarily in the wholly-owned subsidiaries Drillisch Telecom GmbH and SIMply Communication GmbH. The Group holds service provider licences for the networks Telekom, Vodafone, E-Plus and O2 and markets wireless services products from the credit, debit and discount sectors. The address of Drillisch AG as the parent company of the group is Wilhelm-Röntgen-Strasse 1-5, 63477 Maintal. The registered office of Drillisch AG is Maintal, Germany. The Company is registered at the Hanau Local Court under HRB 7384.

2. Applied accounting Principles

The consolidated interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU. All of the applicable IFRS which have been adopted by the EU and become mandatory as of 01 January 2010 have been taken into consideration. The same accounting and valuation methods were applied as with the consolidated annual accounts as per 31 December 2009. Consequently, these consolidated interim accounts as per 31 March 2010 have been prepared in accordance with IAS 34, "Interim Financial Reporting". The accounting standards which are to be applied for the first time in fiscal year 2010 do not have any noteworthy effects on the presentation of the assets and liabilities, financial position and profit and loss of the Drillisch Group. The rate for the consolidated tax on income amounts to 30.25%.

3. Profit per Share

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

	Q1/2010	Q1/2009
Consolidated profit allocated to shareholders in €k	6,577	8,846
Weighted average, less own shares held	53,189,015	49,976,437
Consolidated Profit per Share in €	0.12	0.18

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.

5. Segment Presentation

The segment reporting is oriented to the structure of the internal organisational and reporting structure, which differentiates among the various products and services offered by the various segments of the Drillisch Group. The Software Services segment is shown along with the Telecommunications segment.

The activities of the Group in the sector of wireless services are bundled in the Telecommunications segment. The operating companies in the Drillisch Group market wireless services from all four of the wireless services network operators active in Germany. The services acquired from the network operators Telekom Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica O2 Germany GmbH & Co. OHG are sold further to the end consumers for the Company's own account and at rates established by Drillisch on the basis of its own calculations.

Consolidated Notes

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

	Q1/2010	Q1/2009
	€k	€k
Sales		
Telecommunications (sales with third parties)	84,541	77,803
Software services (sales with third parties)	52	44
Software services (in-house sales)	2,064	1,827
Consolidation	- 2,064	-1,827
Group	84,593	77,847
Segment Results (EBITDA)		
Telecommunications	10,950	9,721
Software services	27	-9
Group	10,977	9,712

The consolidation includes the elimination of the business relationships within or between the segments. Such relationships are essentially the offsetting of the expenses and income within the Group. The accounting methods are identical for all of the segments.

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

Rollover

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

	Q1/2010	Q1/2009
	€k	€k
Total segment profits (EBITDA)	10,977	9,712
Amortisation and depreciation	1,483	1,715
Operating result	9,494	7,997
Financial result	-57	1,076
Profit before taxes on income	9,437	9,073

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Finance and Event Calendar*

Annual General Meeting	Friday, 28 May 2010
German Corporate Conference, Deutsche Bank, Frankfurt	May 2010
Semi-Annual Report	Thursday, 12 August 2010
9-Month Report	Thursday, 11 November 2010

* Subject to change

Publications

The present report on the first quarter 2010 is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about Drillisch AG at www.drillisch.de.

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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 and to the American Securities and Exchange Commission (incl. Form 20-F) are among such factors. The Company does not undertake any obligation to update such future-oriented statements and to adapt them to future events or developments.

