



DRILLISCH AG  
REPORT ON FIRST QUARTER 2011

## Key Indicators of the Drillisch Group

Drillisch-Konzern	Q1/2011	Q1/2010	Q1/2009*
Turnover in €m	80.3	84.6	77.8
Service Revenues	72.4	64.9	68.3
Other revenues**	7.9	19.6	9.6
EBITDA in €m	12.5	11.0	9.7
EBITDA, adjusted in €m	12.5	11.0	9.9
EBIT in €m	11.3	9.5	8.0
EBT in €m	14.6	9.4	9.1
Consolidated profits in €m	10.9	6.6	8.8
Profit/loss per share in €	0.21	0.12	0.18
EBITDA margin in % of turnover	15.5	13.0	12.5
EBITDA margin adjusted in % of turnover	15.5	13.0	12.7
EBIT margin in % of turnover	14.1	11.2	10.3
EBT margin in % of turnover	18.2	11.2	11.7
Consolidated profit margin in % of turnover	13.6	7.8	11.4
Equity ratio (equity % of balance sheet total)	49.5	50.6	21.7
Return of equity (ROE) (ratio Group result to equity)	7.2	4.4	21.0
Cash flow from current business operations in €m	3.2	12.3	1.1
Depreciation excluding goodwill in €m	1.2	1.5	1.7
Investments (in tangible and intangible fixed assets), adjusted, in €m	0.6	0.6	0.5
Staff as annual average (incl. Management Board)	332	385	359
Wireless services customers as per 31/03 (approx. in thousands)	2,473	2,258	2,310
Wireless services customers Debit	1,220	1,221	1,444
Wireless services customers Credit	1,253	1,037	866

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

\*\* Other revenues includes handsets and other revenues.

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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,

Drillisch got off to a successful start in the new year. With its attractive products and innovative marketing and sales concepts, all of the brands within Drillisch Group were able to take advantage of the ongoing dynamic growth in discount and mobile internet business.

The consolidated result for the first quarter 2011 represents a marked improvement compared with the same period last year and was generated with 2.473 million subscribers. The dynamic growth in the subscriber base continued into the first quarter 2011. Year on year, the subscriber base increased by 9.5 percent or 215,000 to 2.473 million. Postpaid business accounted for this growth in its entirety, gaining 216,000 subscribers to 1.253 million, equivalent to an increase of 20.8 percent. The number of prepaid subscribers dipped slightly by 0.1 percent, or 1,000 subscribers, to 1.220 million. As such, the ratio of postpaid to prepaid subscribers has improved significantly by year on year comparison, to 51 percent : 49 percent (Q1 2010: 46% : 54%).

The "service revenues" and the new customer acquisition revenues, essentially the income from the provision of the ongoing wireless services (voice and data transmission) and their settlement on the basis of the current customer relationships rose in the first quarter of 2011 by €7.5 million or 11.5 percent to €72.4 million (Q1 2010: €64.9m). Other revenues, which include low-margin business such as sales of devices, declined by €11.8 million to €7.9 million (Q1 2010: €19.6m). This is also the item where sales from the segment of software services in the amount of €44.8k (previous year: €52.0k) are reported. As such, total revenues decreased by €4.3 million or 5.1 percent overall to €80.3 million in the first quarter 2011 (Q1 2010: €84.6m).

Gross profit for the first quarter 2011 increased by some €1.7 million or 8.0 percent to €22.7 million compared with the first quarter 2010 (Q1 2010: €21.0 million). The gross profit margin improved by 3.4 percent points to 28.3 percent (Q1 2010: 24.9%) and even topped the excellent result for 2010 overall by 3.9 percent points (31 December 2010: 24.4%).

Compared with the same quarter the previous year, Group EBITDA increased by 13.7 percent or €1.5 million to €12.5 million (Q1 2010: €11.0 million). The EBITDA margin improved by 2.5 percent points to 15.5 percent (Q1 2010: 13.0%).

## Letter from the Management Board

The profits generated from ordinary business activities were some 54.5 percent higher, at €14.6 million) than the figure recorded for the same period last year (Q1 2010: €9.4 million). Consolidated profit improved by €4.3 million or 65.4 percent to €10.9 million (Q1 2010: €6.6 million). In addition to the improved operating result, the growth in consolidated profit was due primarily to cash flow-neutral income in the other financial result.


As per the end of the quarter, cash and cash equivalents amounted to €20.4 million (31 December 2010: €27.6 million). Net financing liabilities amounted to €60.0 million as per 31 March 2011; an increase of €19.5 million compared with the first quarter 2010. Relative to year-end 2010, this equated to an increase of €30.7 million (31 December 2010: €29.3 million) and was mainly due to debt-financed investments in other financial assets.

Mobile internet is, and will continue to be, the main driver of the German wireless services market. Nowadays, virtually one-fifth (18 percent) of all internet users in Germany surf by mobile phone, compared with just 10 percent one year ago, according to BITKOM and based on the ARIS Survey in March 2011. The surge in smartphone sales stimulated mobile internet growth even further. BITKOM assumes that more than ten million of these all-round multimedia talents will be sold in 2011. Total sales of mobile telephones are expected to reach 28.4 million in 2011, which means that one-third of all mobile phones that are sold will be smartphones.

Six years have now passed since we successfully established discount products with our brand simply in the German market for wireless services. In 2007, we started marketing the first mobile internet products. We shall continue to services these growth segments with innovative and low-cost products under our brand names in future and, in doing so, will actively shape the market. We revamped the online shops of our mobile phone brands during the first three months 2011. As a result, all of the discount brands under the Drillisch roof now offer, not just attractive wireless services products, but also a wide range of mobile phones from leading manufacturers. From simple entry-level phones right up to the very latest smartphones.

Our successful start to fiscal 2011 has put us on track to further increase the value of the company. We are therefore forecasting an improvement in EBITDA to €52 million in fiscal 2011 following €49.3 million in fiscal 2010 and an increase of our postpaid subscriber base.

Warmest regards from Maintal.



Paschalis Choulidis

and



Vlasios Choulidis

## Investor Relations Report

### The Capital Market – 1 January 2011 to 31 March 2011

The clouds covering the international skies of the capital markets did not really clear off during the first quarter. However, developments in the domestic economy were more positive, and the situation continued to improve in some sectors. From an international perspective, the German economy performed well as unemployment declined and interest rates continued to hover at a low level.

Despite the unresolved debt situation of many countries, the political turmoil in Arabian and African countries and the scope of the natural disaster in Japan, stock market indices in Germany moved in a positive direction. But there are no precedents in history for such a concentration of exceptional situations in politics and nature, which is why it is very difficult to make any predictions about their future impact.

The growing mistrust of government bonds and the subsequent search for investment alternatives are casting a favourable light on stocks as attractive investment opportunities in general, even before the current evaluations. That is the conclusion of many analysts and banking institutes.

In the first quarter, the German stock index DAX gained 127.12 points or 1.8%, rising to 7,041.31 points. The TecDAX rose by 9.4% from 850.67 to 930.61 points. At the end of the quarter, the TecAllShare Index reached 1,097.90 points. This is growth of 7.9% in comparison with the end of 2010.

### The Drillisch Stock in the First Quarter of 2011

	Close-out 2010	31 March 2011	% change
Drillisch	€ 6.10	€ 7.28	+ 19.3
TecDAX	850.67	930.61	+ 9.4
TecAllShare	1,017.33	1,097.90	+ 7.9

The highest price for the Drillisch stock in the first quarter of 2011 was noted at €7.35 on 8 March. The lowest price was recorded at €5.90 on 28 January. On the TecDAX, the Drillisch stock was ranked at 19th and 22nd place with respect to the most important indicators for inclusion in the index, market capitalisation and turnover, at the end of the first quarter 2011.

### Current Analyst Assessments (as per 31 March 2011)

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 31 March 2011)

Analysis	Rating	Price Target	Date
West LB	„Add“	€ 8.20	28 March 2011
Commerzbank	„Buy“	€ 7.90	28 March 2011
MM Warburg Research	„Buy“	€ 7.80	25 March 2011
Hauck & Aufhäuser	„Buy“	€ 8.20	18 February 2011
Kepler Capital Markets	„Buy“	€ 7.00	07 February 2011

## Investor Relations Report

### Agenda of the First Quarter – DGAP Ad-Hoc Reports

07 February 2011      Provisional consolidated results exceed forecast – Substantial dividend increase announced.

### Investor Relations Events

Talks were conducted with institutional investors at Company headquarters in Maintal during the first quarter of 2011. 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

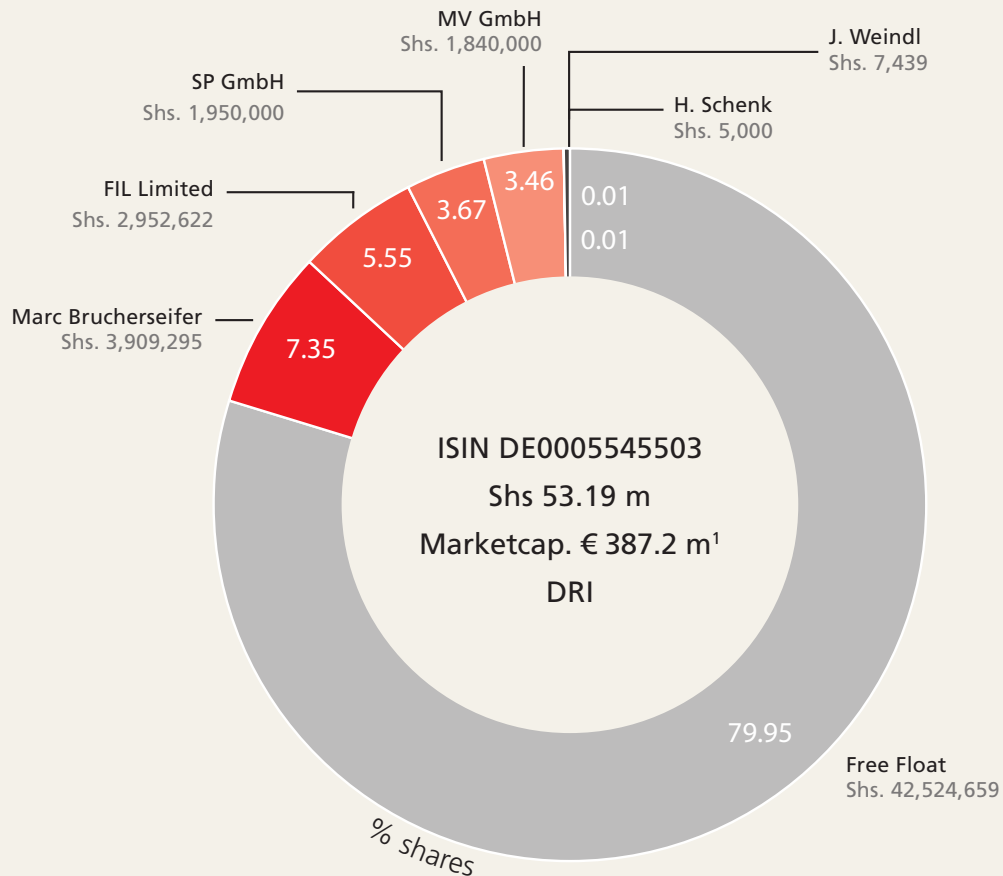
During the first quarter 2011, no directors’ dealings pursuant to Section 15 a WpHG (German Securities Trading Act) were reported to Drillisch AG.

### Directors’ Holdings as per 31 March 2011

Name	No-par shares
MV GmbH	1,840,000 → 3.46%
SP GmbH	1,950,000 → 3.67%
Supervisory Board Name	No-par shares
Dr Hartmut Schenk (Chairperson)	5,000 → 0.01%
Johann Weindl (Deputy Chairperson)	7,439 → 0.01%
Marc Brucherseifer	3,909,295 → 7.35%
Dr Horst Lennertz	0
Michael Müller-Berg	0
Dr Bernd Schmidt	0

# Investor Relations Report

## Shareholder Structure of Drillisch AG (Last revised 31 March 2011)



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 €7.28 on 31 March 2011. Free Float acc. to the rule of Dt. Boerse AG: 92.65%.



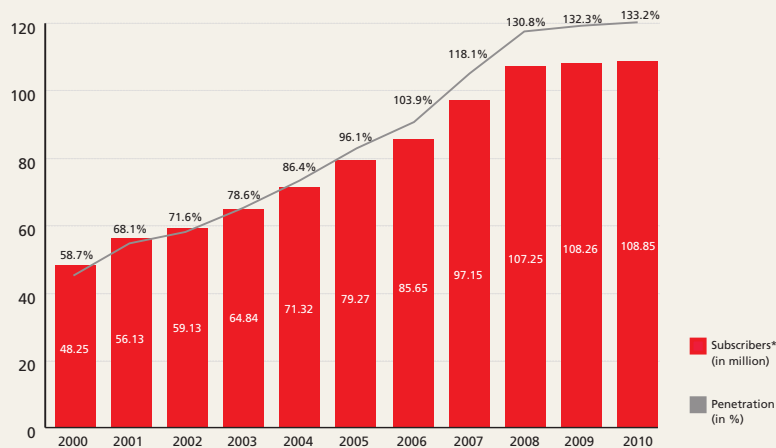


MARKET ENVIRONMENT

## The Wireless Services Market

The atmosphere in the telecommunications industry at the beginning of the year was clearly positive. One out of two companies in the industry expected business in this sector to develop better than in the general economy until 2013. This was the result of a study published by Steria Mummert Consulting in February 2011 entitled "Industry Compass 2011 Telecommunications", for which executives were asked for their opinions on trends in the industry and their investment targets by the forsa-Institut in October and November 2010. So the telecommunications market will continue to be the growth engine of the Germany economy. The mobile phone has become a constant companion, and its absence in daily life has become inconceivable. This was also documented by a representative survey conducted by the market researchers at ARIS on mobile phone use in Germany and presented by the industry association BITKOM at the end of March 2011.

### Subscriber and penetration rate in German mobile 2000 - 2010



Source: Bundesnetzagentur

\* sim-cards; user may own more than one.

Even though the annual report of the German Federal Network Agency published at the beginning of April showed that, for the first time, the number of mobile services subscribers rose only slightly in comparison with the previous year, significant growth was recorded in certain segments, especially SIM cards for use of mobile Internet. Another factor was that telecommunications providers removed inactive prepaid cards from their subscriber lists, resulting in a slight flattening of the growth curve. As in the previous year, there is an average of 1.3 SIM cards per person in Germany. The steadily rising number of connection minutes in wireless services – from 93.6 billion in 2009 to 101 billion in 2010 – as reported by the Federal Network Agency documents that more and more phone calls are being made with mobile phones. Yet another trend was noted: 41.3 billion text messages sent in 2010 translated into an increase in the number of text messages by 20 percent over the previous year.

## The Wireless Services Market

### Internet access by mobile phone doubles in one year

Mobile Internet is, and will remain, the growth driver on the wireless services market. In Germany, almost one out of five Internet users (18 percent) uses a mobile phone to go online. One year ago, this figure was only 10 percent. Within only one year, the number of people accessing the Web via mobile phone has risen by nine million, almost doubling. This was reported by BITKOM on the basis of the ARIS study in March 2011. It may come as a surprise to some: using a mobile phone to go online is not the exclusive domain of men. At 20 percent, women have the lead over men (16 percent). Or, as BITKOM Executive Committee member René Schuster expressed it during the presentation of the study: "The future of Internet use is mobile, and women are the trend-setters."

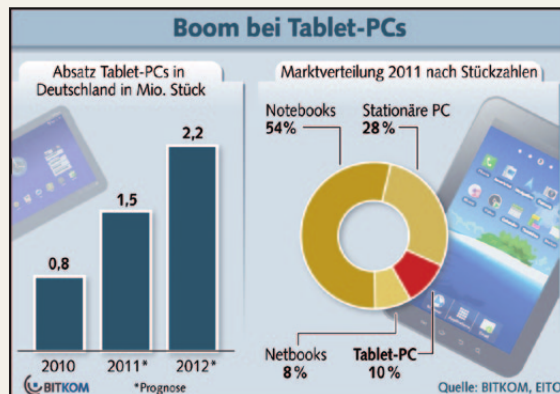
Additional impetus for growth in the mobile Internet also came from the rapidly increasing sale of smartphones. BITKOM estimates for 2011 that more than ten million of the multimedia all-rounders will be sold in Germany. In total, sales of mobile phones for 2011 are expected to reach about 28.4 million, i.e. one out of every three mobile phones sold will be a smartphone.

Even though the ARIS survey reveals that some Internet users are already going online exclusively with their mobile phones, the number of people using a mobile computer to go online while travelling is also clearly rising: one year ago, about 20 percent used their laptops, netbooks or tablet PCs for Internet access. Today, one out of four is doing so (24 percent). Women have made up a lot of ground here as well; their share rose from 15 percent to 24 percent in only one year.

### Sales of tablet PCs and turnover with data services still rising dynamically

Tablet computers are becoming firmly established alongside smartphones and the classic mobile end devices such as laptop and notebook as permanent denizens of the computer market and as an independent class of devices among end devices. Now entering the second year after their introduction, the portable, compact multimedia devices with touch screens have already reached a share of 10 percent of the total PC market in 2011. BITKOM presented these figures during the opening of the computer fair CeBIT at the end of February 2011. The sale of tablet PCs is expected to almost double to 1.5 million units in Germany in 2011. In the coming year, the BITKOM forecast foresees sales increasing by 46 percent to 2.2 million devices. Sales of tablet PCs this year are expected to increase by 70 percent to €770 million before presumably breaking the mark of one billion euros in the coming year.

Tablet PCs have a larger screen than smartphones and are even more useful for mobile surfing, reading e-mails or data-intensive applications such as video streaming. Like all mobile end devices, they require only a wireless services card in combination with a data plan for Internet access while on the go. As the number of these end devices sold rises, the turnover from mobile data services will also grow. According to estimates from BITKOM, this figure will rise by 12 percent to seven billion euros in 2011. These figures illustrate that the data quantity transmitted by German wireless services networks is also increasing rapidly. In the past year alone, it more than doubled to 70 million gigabytes.



# The Wireless Services Market

## Drillisch offers the ideal rate for every user type

Drillisch has added new highlights to the discount segment by revising the rate structure of the brand PHONEX, which was launched in 2009. The new all-in rates include all of the services at a low price. PHONEX offers rate packages with free minutes and free text messages at a low monthly fixed rate from €7.95 as well as Germany's lowest-priced three-way flat rate, PHONEX All-in Flat. Smartphone users, for example, can take the rate plan PHONEX All-in M for €9.95 a month – including data flat rate – and, by making optimal use of the 100 free minutes and 100 free text messages, phone for only 5 eurocents a minute or send messages for only 5 eurocents each.



## Germany's lowest smartphone rates: All-Net-Flat and cost-limit rates

PHONEX All-in Flat is a three-way flat rate with an indefinite term for calls to the German landline network and to all national wireless networks free of charge and an Internet flat rate with 200 MB high-speed volume monthly – at a monthly fixed price of only €27.90. Smartphone users will not find a lower price anywhere for unlimited phone calls and mobile surfing without cost risks. As early as autumn 2010, eteleon launched Deutschland-SIM, a complete rate with a cost limit at only €35. Additional data options featuring various high-speed volumes have supplemented this popular and flexible rate plan since February.



## One-stop shopping: new mobile phone shops with an even broader selection



All of the discount brands from Drillisch Group now offer a revised mobile phone shop for all mobile phone users who consider the choice of a new mobile phone or one of the latest smartphones to be of decisive importance even for prepaid rates without basic charges and minimum terms. Besides the low 8-eurocent rate with mobile phone surfing flat rates, customers at simply, maXXim and helloMobil can order the mobile phone of their personal dreams from a large selection of brands and models at attractive prices. Whether they are looking for a practical entry-level mobile starting at €1.46 a month or a fashionable clamshell or handy slider phone or a fully equipped smartphone with touch screen, customers can use the practical search filter criteria such as "Manufacturer" or "Price" to find exactly what they need quickly and easily. They can also decide to pay for the phone with a one-time payment or pay instalments over 6, 12, 18 or 24 months free of any financing costs.

A TV spot has been running on television in the prime advertising time immediately before the Tagesschau (popular daily news programme) since February as a means of raising awareness for the brand maXXim. The focus here is on demonstrating how simple and inexpensive maXXim is and that it is the ideal choice for all smartphone users because of the flat rate for mobile phone surfing. In addition, radio commercials have been purchased with radio stations with a large listener reach for maXXim and simply.

# The Software Industry

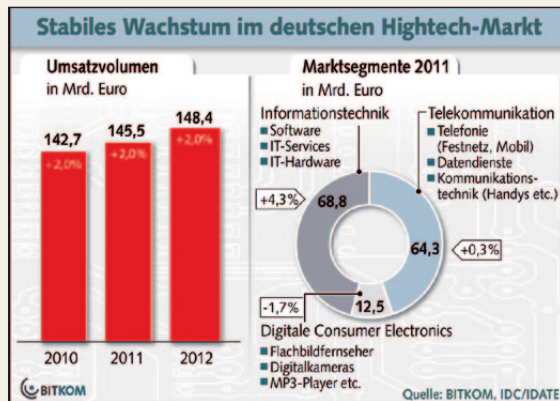
## New data rates for laptops, netbooks and tablet PCs

The brands simply data, maXXim data, McSIM data and discosurf have expanded their portfolio of strictly data rates for the laptop or netbook by the addition of new, even lower-priced entry-level rates. Every owner of a tablet PC will find fair and transparent data rates at Drillisch; featuring prices from €7.95 a month, they are among the lowest on the market. And anyone who doesn't yet have an Apple iPad can order the cult device at Drillisch for a unique €1.00 as part of a package with a genuine Internet flat rate for only €29.95 a month. No one will find a lower price anywhere for this multimedial all-rounder for reading newspapers or books, reading and writing e-mails, looking at photos or watching films.

## Strong economy generates significant rise in demand for software

According to forecasts from the industry association BITKOM, turnover with information technology (IT hardware, software, IT services) will grow by 4.3 percent to €68.8 billion in Germany this year.

In addition to hardware products – above all tablet PCs – the demand for software with a plus of 4.5 percent and for IT services with a plus of 3.5 percent will accelerate noticeably. Thanks to the economic upswing, companies are again investing substantially larger amounts in their IT infrastructure and software landscape.



COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP  
AS PER 31 MARCH 2011

## 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 ("network operators") active in Germany, primarily through subsidiaries. Besides the Internet, the most important sales channels are distribution and cooperation partners in the media sector, large retail chains and the classic wireless services specialist trade. Moreover, social media platforms such as Facebook or Twitter are used to target customers.

The services acquired from the network operators Telekom Deutschland GmbH ("Telekom"), Vodafone D2 GmbH ("Vodafone"), E-Plus Mobilfunk GmbH ("E-Plus") and Telefónica Germany GmbH & Co. OHG ("Telefonica") 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 "Wireless Services" business unit forms the core business of Drillisch. The scope of services includes all of the services, without exception, that are offered by the network operators relating to the transmission of voice, data and other content based on current standard transmission technologies. The significantly smaller business division "Software Services" has been concentrated in the subsidiary IQ-optimize Software AG ("IQ-optimize"), Maintal. This subsidiary performs IT services for all of the Group companies. Moreover, IQ-optimize markets its own workflow management software program.

### **Drillisch AG is the Group's holding**

Within the Drillisch Group ("Drillisch"), 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 wireless services providers Drillisch Telecom GmbH ("Drillisch Telecom"), Maintal, and SIMPLY Communication GmbH ("simply"), Maintal, handle mainly the operational wireless services business. MS Mobile Services GmbH ("MS Mobile"), Maintal, is a group company which successfully markets discount products under the brand name "maXXim". All of the IT expertise of Drillisch Group is concentrated in IQ-optimize. Working together with eteleon e-solutions AG ("eteleon"), Munich, a specialist for innovative sales solutions on the telecommunications market, the Company extends 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.

### **Drillisch Telecom – strong brands in mobile voice and data communications**

Drillisch Telecom is a wireless services provider with the brands McSIM, helloMobil, PHONEX, Telco, VICTORVOX and Alphatel. McSIM, helloMobil and PHONEX offer attractive discount rates – for voice telephony as well as for Internet surfing using a smartphone and mobile data communication via tablet PC or notebook. The established premium brand Telco is distributed primarily via specialist retailers. As in the past, Telco and VICTORVOX stand for traditional business with fixed-term contracts for which the Company's own, specifically calculated offers are developed to stand alongside the original network operator rates. Drillisch uses the brand Alphatel to offer cash cards, starter cards and bundles in prepaid business, together with cash codes via its own platform, g-paid – the only service provider in Germany to do so.

## Group Companies

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

simply – one of the discount pioneers in Germany – continues its success story for the sixth consecutive year without showing any signs of slowing down. simply markets wireless services at especially low prices via the Internet and cooperation with large retail chains. In addition to mobile phone calls at discount prices and flat rates, simply also offers a wide range of low-cost rates for mobile data communication, combined with attractive hardware offers, such as Apple iPads or iPhones. simply again demonstrated its innovative strength mid-2010 by offering Germany's first ever smartphone discount rate with double flat rate. simply and its subscribers have meanwhile received official confirmation that low prices, high quality and good service do not have to be mutually exclusive. Following a successful audit in September 2010, simply was awarded the DIN EN ISO 9001: 2008 certificate for quality management in the sectors online product marketing and customer service, the first provider of wireless services discount products to earn this distinction.

### **eteleon – new highlights on the wireless services discount market at 7.5 eurocents a minute**

discoTEL and discoPLUS are successful discount brands offered by the subsidiary eteleon. A new standard was set on the German wireless services discount market through an offered rate of 7.5 eurocents per minute.

### **IQ-optimize guarantees IT competence**

Drillisch has bundled its IT competence in its subsidiary IQ-optimize. The company performs all of the IT services for the Group firms and markets its own workflow management software.

### **Employees**

In the first three months of 2011, an average of 332 employees (previous year: 385), 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 40 (previous year: 37). Drillisch makes a significant contribution to the training of young people in qualified professions necessary to secure our future in Germany.



## Turnover and Earnings Position

### Turnover and earnings position

The first quarter 2011 marks Drillisch's seamless continuation of the record fiscal year 2010. This excellent business development is supported by the ongoing dynamic developments in the fields of wireless services-discount and mobile internet products. Drillisch is using innovative marketing and sales concepts to sustain its top position in the German telecommunications industry.

The "service revenues" and the new customer acquisition revenues, essentially the income from the provision of the ongoing wireless services (voice and data transmission) and their settlement on the basis of the current customer relationships rose in the first quarter of 2011 by €7.5 million or 11.5 percent to €72.4 million (Q1 2010: €64.9m). Other revenues, which include low-margin business such as sales of appliances, declined by €11.8 million to €7.9 million (Q1 2010: €19.6 million). This is also the item where sales from the segment of software services in the amount of €44.8k (previous year: €52.0k) are reported. As such, total revenues decreased by €4.3 million or 5.1 percent overall to €80.3 million in the first quarter 2011 (Q1 2010: €84.6m). Compared with year-end figures, the total number of postpaid customers increased by 5.2 percent to 1.253 million subscribers (31 December 2010: 1.191 million). The prepaid subscriber base was again cleared of inactive customers. Accordingly, the number of prepaid connections declined by 1.6 percent to 1.220 million (31 December 2010: 1.240 million). Postpaid connections increased to 51 percent – two percent more than registered at year-end 2010 (31 December 2010: 49 percent postpaid : 51 percent prepaid) as a result of the continuous expansion of postpaid business. As per 31 March 2010, the subscriber base of Drillisch totalled 2,473 (31 December 2010: 2.431 million).

The cost of materials decreased overproportionately to the decline in turnover during the first quarter of 2011, by 9.4 percent to €57.6 million (previous year: €63.6 million). Gross profit rose accordingly year on year by 8.0 percent to €22.7 million (previous year: €21.0 million). The gross profit ratio rose by 3.4 percent to 28.3 percent (previous year: 24.9 percent) and exceeded even the peak value of fiscal year 2010 by 3.9 percent (total for 2010: 24.4 percent). Personnel expenses decreased by 7.0 percent to €4.9 million (previous year: €5.3 million) as a result of the smaller headcount. The personnel expenses ratio remained more or less the same at 6.2 percent (previous year: 6.3 percent). In spite of a marked increase in advertising expenditure, the other operating expenses only rose by €0.1 million to €6.1 million (previous year: €6.0 million) thanks to ongoing improvements in the cost structure.

Consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), which is one of the most important management indicators in the Drillisch Group, improved by 13.7 percent to €12.5 million (previous year: €11.0 million). The EBITDA ratio improved by 2.5 percent to 15.5 percent (previous year: 13.0 percent). Depreciation declined by 20.7 percent to €1.2 million (previous year: €1.5 million). As a consequence, EBIT (earnings before interest and taxes) rose by 19.1 percent to €11.3 million (previous year: €9.5 million). The EBIT ratio improved by 2.9 percent to 14.1 percent (previous year: 11.2 percent).

Just as per 31 December 2010, 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 2011, and changes in value are measured as non-operating results by means of the market evaluation provision in equity. The other financial result of €3.7 million (previous year: €0.0 million) as per 31 March 2011 related mainly to earnings from derivative transactions.

Following the increase in interest rates and as a result of the lower average free cash balance by year on year comparison, the interest result declined by €0.4 million to -€0.5 million (previous year: -€0.1 million). Taxes on income rose by €0.9 million to €3.7 million (previous year: €2.8 million). The consolidated comprehensive result improved by €8.8 million to €11.7 million (previous year: €2.9 million). Profit per share came to €0.21 (previous year: €0.12).

## Assets, Liabilities and Financial Position

### Cash Flow

Cash flow from current business activities decreased by €9.1 million to €3.2 million (previous year: €12.3 million). This decrease was primarily due to the increased trade accounts receivable and other assets as per the balance sheet date, the decline in payments received on account and the higher tax burden compared with the same quarter the previous year. Overall, cash and cash equivalents declined by €7.2 million to €20.4 million compared with year-end 2010 (previous year: €12.2 million increase to €39.1 million).

### Assets, liabilities and financial position

The balance sheet total for the Drillisch Group rose by €32.7 million to €307.3 million as per 31 March 2011 (31 December 2010: €274.6 million). The equity ratio declined slightly, by 1.6 percent to 49.5 percent compared with year-end 2010 (31 December 2010: 51.1 percent).

Cash declined by €7.2 million to €20.4 million (31 December 2010: €27.6 million). Trade receivables increased by €3.5 million to €31.9 million (31 December 2010: €28.4 million) as a consequence of the balance sheet date. In total, current assets declined by €4.0 million to €66.4 million (31 December 2010: €70.4 million).

Long-term assets increased by €36.7 million to €241.0 million (31 December 2010: €204.2 million). As per 31 March 2011, they accounted for 78.4 percent of the balance sheet total (31 December 2010: 74.4 percent). 98.1 percent is financed by equity and long-term debt. Other intangible assets declined by €0.4 million to €10.9 million (31 December 2010: €11.3 million) as a result of scheduled depreciation. Other financial assets increased by €37.4 million to €160.2 million (previous year: €122.8 million), primarily as a result of investments.

Thanks to the good business results, the accumulated deficit decreased by €10.9 million to €46.6 million (31 December 2008: €57.5 million). The accumulated deficit in 2008 resulted primarily from the change in the stock market evaluation of the freenet AG shares. The market valuation provision increased as per 31 March 2011 by €0.8 million to -€17.6 million (31 December 2010: -€18.4 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 2010, equity increased by €11.7 million to €152.1 million (31 December 2010: €140.4 million).

Long-term liabilities rose to €84.4 million (31 December 2010: €60.9 million). This increase was primarily due to the increase in liabilities to banks following the investments in other financial assets. They account for 27.5 percent of the balance sheet total (31 December 2010: 22.2 percent).

Short-term liabilities decreased with respect to the end of fiscal 2010 by €2.4 million to €70.9 million (31 December 2010: €73.3 million). Their share in the balance sheet total fell to 23.1 percent (31 December 2008: 26.7 percent). Trade accounts payable rose by €3.4 million to €28.2 million (31 December 2010: €24.8 million) as a consequence of the balance sheet date. Payments received on account declined by €2.1 million to €23.4 million (31 December 2010: €25.5 million) and other liabilities by €3.6 million to €10.5 million (31 December 2010: €14.1 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.

The risk situation – in comparison with the risks described in the annual report for the year 2010 – did not change appreciably during the first three months of fiscal year 2011. 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 2011

Effective 3 May 2011, Drillisch subsidiary MSP Holding GmbH agreed a purchasing contract with Bank of America, N.A. in respect of the acquisition of a total of 6,440,000 shares of no par value in the share capital of freenet AG at a price of €55,384,000. Upon execution of the purchasing agreement, Drillisch will increase its share in the share capital of freenet from currently about 15.20 percent to about 20.23 percent. MSP Holding GmbH will finance the price payable for the shares purchased from Bank of America, N.A. MSP Holding GmbH through a loan with liability limitation that will be hedged against share price fluctuations.

## Outlook

Drillisch is aiming to increase consolidated EBITDA to €52 million in fiscal 2011 (fiscal 2010: €49.3 million).

CONSOLIDATED INTERIM ACCOUNTS  
AS PER 31 MARCH 2011

## Consolidated Statement of comprehensive income

	I/2011	I/2010
	€k	€k
Sales	80,308	84,593
Other own work capitalised	617	488
Other operating income	211	768
Cost of materials / Expenditures for purchased services	-57,593	-63,555
Personnel expenses	-4,940	-5,309
Other operating expenses	-6,122	-6,008
Amortisation and depreciation	-1,176	-1,483
<b>Operating result</b>	<b>11,305</b>	<b>9,494</b>
Other financial results	3,743	0
Interest income	141	351
Interest and similar expenses	-606	-408
<b>Financial result</b>	<b>3,278</b>	<b>-57</b>
<b>Profit before taxes on income</b>	<b>14,583</b>	<b>9,437</b>
Taxes on income	-3,669	-2,838
<b>Consolidated results</b>	<b>10,914</b>	<b>6,599</b>
Consolidated results attributable to non-controlling shareholders	7	22
<b>Share of Drillisch AG shareholders in consolidated results</b>	<b>10,907</b>	<b>6,577</b>
Change in attributable market value of financial assets available for sale	792	-3,730
Income taxes	12	-56
Other earnings after taxes	780	-3,674
<b>Consolidated comprehensive results</b>	<b>11,694</b>	<b>2,925</b>
thereof comprehensive results attributable to non-controlling shareholders	7	22
thereof share of Drillisch AG shareholders in total results	11,687	2,903
<b>Profit per share (in €)</b>		
Undiluted	0.21	0.12
Diluted	0.21	0.12

## Consolidated Balance Sheet

<b>ASSETS</b>	<b>31.03.2011</b>	<b>31.12.2010</b>
	€k	€k
<b>Fixed assets</b>		
Other intangible assets	10,923	11,271
Goodwill	67,206	67,206
Tangible assets	1,203	1,402
Other financial assets	160,154	122,758
Deferred taxes	1,465	1,573
<b>Fixed assets, total</b>	<b>240,951</b>	<b>204,210</b>
<b>Current assets</b>		
Inventories	7,080	7,705
Trade accounts receivable	31,944	28,413
Tax reimbursement claims	62	437
Cash	20,395	27,591
Other current assets	6,905	6,229
<b>Current assets, total</b>	<b>66,386</b>	<b>70,375</b>
<b>ASSETS, TOTAL</b>	<b>307,337</b>	<b>274,585</b>

## Consolidated Balance Sheet

<b>SHAREHOLDERS' EQUITY AND LIABILITIES</b>	<b>31.03.2011</b>	<b>31.12.2010</b>
	€k	€k
<b>Equity</b>		
Subscribed capital	58,508	58,508
Capital surplus	126,469	126,469
Earnings reserves	31,123	31,123
Market evaluation provision	-17,633	-18,413
Accumulated deficit	-46,603	-57,510
<b>Equity to which Drillisch AG shareholders are entitled</b>	<b>151,864</b>	<b>140,177</b>
Non-controlling shareholders	208	201
<b>Equity, total</b>	<b>152,072</b>	<b>140,378</b>
<b>Long-term liabilities</b>		
Pension provisions	499	499
Deferred tax liabilities	3,011	2,771
Bank loans and overdrafts	80,415	56,930
Leasing liabilities	466	681
<b>Long-term liabilities, total</b>	<b>84,391</b>	<b>60,881</b>
<b>Short-term liabilities</b>		
Short-term provisions	2,109	1,353
Tax liabilities	6,276	7,196
Trade accounts payable	28,234	24,757
Payments received on account	23,388	25,482
Leasing liabilities	404	457
Other liabilities	10,463	14,081
<b>Short-term liabilities, total</b>	<b>70,874</b>	<b>73,326</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>307,337</b>	<b>274,585</b>

## Consolidated Statement of Change in Capital

	Number of shares	Subscribed capital	Capital reserve	Earnings reserves	Market valuation reserve	Accumulated loss	Equity to which Drillisch AG shareholders are entitled	Non-controlling shareholders	Equity Total
		€k	€k	€k	€k	€k	€k	€k	€k
<b>As per 1.1.2010</b>	<b>53,189,015</b>	<b>58,508</b>	<b>126,469</b>	<b>31,123</b>	<b>4,439</b>	<b>-72,468</b>	<b>148,071</b>	<b>445</b>	<b>148,516</b>
Consolidated comprehensive results		0	0	0	-3,674	6,577	2,903	22	2,925
<b>As per 31.3.2010</b>	<b>53,189,015</b>	<b>58,508</b>	<b>126,469</b>	<b>31,123</b>	<b>765</b>	<b>-65,891</b>	<b>150,974</b>	<b>467</b>	<b>151,441</b>
<b>As per 1.1.2011</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>
Consolidated comprehensive results		0	0	0	780	10,907	11,687	7	11,694
<b>As per 31.3.2011</b>	<b>53,189,015</b>	<b>58,508</b>	<b>126,469</b>	<b>31,123</b>	<b>-17,633</b>	<b>-46,603</b>	<b>151,864</b>	<b>208</b>	<b>152,072</b>



## Consolidated Capital Flow Statement

	I/2011	I/2010
	€k	€k
Consolidated results	10,914	6,599
Other financial results	-3,743	0
Interest paid	-689	-408
Interest received	141	333
Results from interest	465	57
Income tax paid	-3,403	-2,105
Taxes on income	3,669	2,838
Amortisation and depreciation	1,176	1,483
Income from the disposal of tangible assets and intangible assets	0	-82
Change in inventories	625	-2,523
Change in receivables and other assets	-3,724	15,126
Change in trade payables and other liabilities and provisions	-89	-7,117
Change in payments received on account	-2,094	-1,900
<b>Cash flow from Current Business Activities</b>	<b>3,248</b>	<b>12,301</b>
Investments in tangible and intangible assets	-630	-551
Payments for investments in other financial assets	-32,862	0
<b>Cash flow from investment activities</b>	<b>-33,492</b>	<b>-551</b>
Outgoing payments for amortisation of loans	-7,822	0
Incoming payments from the taking out of loans	31,138	0
Change in investment liabilities	-268	401
<b>Cash flow from financing activities</b>	<b>23,048</b>	<b>401</b>
<b>Change in cash</b>	<b>-7,196</b>	<b>12,151</b>
Cash at beginning of period	27,591	26,915
Cash at end of period	20,395	39,066

## Consolidated Notes

### 1. General information

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1997. Wireless services form the core business of Drillisch Group; this business 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 Telefonica and markets wireless services products from the credit, debit and discount sectors. 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 IFRS that are compulsorily applicable from 1 January 2011 onwards and that have been adopted by the EU were applied. The same accounting and valuation methods used in preparation of the consolidated annual accounts as per 31 December 2010 were applied. These consolidated interim accounts as per 31 March 2011 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 2011 do not have any noteworthy effects on the presentation of the assets and liabilities, financial position and profit and loss of the Drillisch Group. The rate for the consolidated tax on income remains unchanged at 30.25%.

### 3. Profit per Share

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

	I/2011	I/2010
Consolidated profit allocated to shareholders in €k	10,907	6,577
Weighted average, less own shares held	53,189,015	53,189,015
<b>Consolidated Profit per Share in €</b>	<b>0.21</b>	<b>0.12</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, shown under cash in the consolidated balance sheet.

### 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 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 operational companies within Drillisch Group market wireless services offered by all four of the wireless service providers operating in Germany. The services acquired from the network operators Telekom Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica Germany GmbH & Co. OHG are sold on to the end consumers for the Company's own account and at rates established by Drillisch on the basis of its own calculations.

## Consolidated Notes

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

	I/2011	I/2010
	€k	€k
<b>Sales</b>		
Telecommunications (sales with third parties)	80,263	84,541
Software services (sales with third parties)	45	52
Software services (in-house sales)	2,676	2,064
Consolidation	-2,676	-2,064
<b>Group</b>	<b>80,308</b>	<b>84,593</b>
<b>Segment result (EBITDA)</b>		
Telecommunications	12,457	10,950
Software services	24	27
<b>Group</b>	<b>12,481</b>	<b>10,977</b>

All relations within and/or between the segments are eliminated in the course of consolidation. These relations mainly relate to offsetting intra-Group expenses and earnings. Identical accounting methods are used for all segments.

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

### Rollover

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

	I/2011	I/2010
	€k	€k
Total segment profits (EBITDA)	12,481	10,977
Amortisation and depreciation	1,176	1,483
Operating result	11,305	9,494
Financial result	3,278	-57
<b>Profit before taxes on income</b>	<b>14,583</b>	<b>9,437</b>

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

### Finance and Event Calendar\*

1st quarter report 2011	Thursday, 12 May
Annual General Meeting	Friday, 27 May
Semi-annual Report 2011	Friday, 12 August
3rd quarter report 2011	Friday, 11 November
DVFA Analyst Event	November

\* Subject to change

### Publications

The present report on the first quarter 2011 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).

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### Information and Order Service

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**Future-oriented Statements:**

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

