



DRILLISCH AG
REPORT ON FIRST QUARTER 2012

Key Indicators of the Drillisch Group

Drillisch-Konzern	Q1/2012	Q1/2011	Q1/2010
Turnover in €m	84.2	80.3	84.6
Service Revenues	75.3	72.4	64.9
Other revenues*	8.9	7.9	19.6
EBITDA in €m	14.8	12.5	11.0
EBITDA, adjusted in €m	14.8	12.5	11.0
EBIT in €m	14.0	11.3	9.5
EBT in €m	6.1	14.6	9.4
Consolidated profits in €m	2.8	10.9	6.6
Profit/loss per share in €	0.05	0.21	0.12
EBITDA margin in % of turnover	17.6	15.5	13.0
EBITDA margin adjusted in % of turnover	17.6	15.5	13.0
EBIT margin in % of turnover	16.6	14.1	11.2
EBT margin in % of turnover	7.2	18.2	11.2
Consolidated profit margin in % of turnover	3.4	13.6	7.8
Equity ratio (equity % of balance sheet total)	41.7	49.5	50.6
Return of equity (ROE) (ratio Group result to equity)	1.7	7.2	4.4
Cash flow from current business operations in €m	-22.6	3.2	12.3
Depreciation excluding goodwill in €m	0.8	1.2	1.5
Investments (in tangible and intangible fixed assets), adjusted, in €m	0.9	0.6	0.6
Staff as annual average (incl. Management Board)	328	332	385
Wireless services customers as per 31/03 (approx. in thousands)	2,427	2,473	2,258
Wireless services customers Debit	865	1,220	1,221
Wireless services customers Credit	1,562	1,253	1,037

*Other revenues includes handsets and other revenues.

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Letter from the Management Board



Management Board

Vlasios Choulidis
Director of Sales, Marketing and Customer Care

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

Dear Sir or Madam,

Drillisch got off to a successful start in the new year. Drillisch Group's transformation from the previous classic service provider to an MVNO (mobile virtual network operator) has proven to be the right strategic decision to assure the continuation of qualitative growth over a period of many years.

As was reported in our consolidated annual report for fiscal year 2011, we were able to bring the legal disputes with Deutsche Telekom to a close on 21 March. Moreover, the investigations of the Management Board members and the managing directors of Drillisch AG subsidiaries, initiated because of the charges filed by Deutsche Telekom, have been closed finally by the public prosecutor's office with the approval of the presiding court.

In addition to our regular business activities, we transferred the remaining subscribers who were using the Telekom network to the wireless services networks of Telefónica O₂ and Vodafone wherever this was permissible in accordance with contracts during the first four months of this year.

In accordance with the agreement concluded with Deutsche Telekom, simply sold about 450,000 prepaid subscribers to Telekom or to a third party to be designated by Telekom. It was contractually not possible to transfer these subscribers to other wireless services networks.

The remaining subscribers covered by the current contracts will be able to utilise the Telekom network without any restrictions until the end of 2013, at which time they can be transferred to other networks if no other provisions have been agreed with Deutsche Telekom by that time.

The conclusion of the contractual agreement described above is scheduled for May 2012.

On 5 April, we issued an exchangeable bond for €125 million on freenet AG shares. This transaction enhances the financial and strategic flexibility of our Company and assures us of a low interest rate long term. The income from the issue will be utilised for a partial refinancing of current liabilities and for general business purposes.

The industry association BITKOM is predicting a slight increase in sales for 2012. The driving force here will above all be in mobile data services; the association forecasts growth of about 10% to €8.2 billion in this year. This push in growth is in a consequence of the continuing rise in demand for high-quality multimedia mobile phones. (Source: BITKOM February 2012) Sales of modern touch screen mobile phones are expected to increase by 35% to 15.9 million units in the current year – which BITKOM regards as a "turning point" on

Letter from the Management Board

the mobile phone market. According to a survey conducted by the opinion research company ARIS in April 2012, one out of three Germans has a smartphone, and half of the people in the age group under 30 have one. Additional stimulus is coming from tablet computers which have now, about two years after their first appearance on the market, become firmly established. These digital companions are highly popular as a second mobile device. BITKOM expects an increase in sales of 29% to 2.9 million devices this year.

We can confirm this trend.

Along with the increase in service revenues, i.e. the income generated by ongoing wireless services, by €2.9 million or 4.0% to €75.3 million (Q1 2011: €72.4m), other sales rose during the first quarter of 2012 as well by €1.0 million to €8.9 million (Q1 2011: €7.9m) because more and more of our customers are also purchasing smartphones in the webshops of our various brands. Total revenues increased by €3.9 million or 4.8% to €84.2 million in the first quarter 2012 (Q1 2011: €80.3m).

Gross profit improved by 22% to €27.7 million (Q1 2011: €22.7m) during the first quarter of 2012. The gross profit margin broke the barrier of 30% for the first time in our Company's history, rising by 4.6% to 32.9% (Q1 2011: 28.3%), seamlessly continuing the progress of fiscal year 2011 (29.4%).

Compared with the same quarter of the previous year, consolidated EBITDA increased by 18.5% or €2.3 million to €14.8 million (Q1 2011: €12.5m). The EBITDA margin improved by 2.1% to 17.6% (Q1 2011: 15.5%).

The dynamic growth in the postpaid subscriber base continued unabated into the first quarter 2012. The qualitative improvement in the subscriber base in comparison with the same quarter of the previous year is evidenced by the increase in postpaid subscribers by 24.7% or 309,000 subscribers to 1.562 million subscribers concomitant with the deliberate avoidance of the prepaid business and its weak margins; moreover, a total of 355,000 inactive subscribers have been removed from the latter segment, leaving a base of 865,000 customers here. As a consequence, the ratio of postpaid to prepaid subscribers improved by 13% in the year-on-year comparison to 64% to 36% (Q1 2011: 51% to 49%).

The financial result in the first quarter 2012 amounted to €-7.9 million (Q1 2011: €+3.3m). This was a consequence, on the one hand, of the direct effect from the disclosure in the balance sheet of the freenet holding as equity at €+7.4 million from the beginning of 2012. This reflects the proportionate positive development of freenet AG, balanced against the write-offs resulting from the purchase price allocation. On the other hand, a hedging transaction was concluded along with the acquisition of a freenet stock package in 2011; it is shown separately in the balance sheet and must be subjected to a market valuation on every closing date. Owing to an increase in the market price of the freenet stock which had risen by more than 20% since the beginning of the year, the value of this hedging transaction per 31 March 2012 has declined by €14.1 million; while this appeared as a negative Other financial result, it has no impact on liquidity. The positive value effect of this price development for our stock package, however, does not receive any analogous consideration because it is shown in equity in the balance sheet. When write-offs in the amount of €-0.8m (Q1 2011: €-1.2m) and the tax result of €-3.2m (Q1 2011: €-3.7m) are taken into account, the consolidated result comes to €2.8m (Q1 2011: €10.9m). The consolidated result adjusted for the effects of the disclosure in equity in the balance sheet and the market valuation of the hedging transaction came to €8.9m (Q1 2011: €8.3m). The profit per share amounts to €0.05 (Q1 2011: €0.21) or, when adjusted, €0.17 (Q1 2011: €0.16).

Seven years have now passed since we successfully established simply as the first provider of discount products in the German market for wireless services, and telecommunications have been in a constant state of transformation over this entire period. In the meantime, mobile internet has developed into a daily commodity and is no longer a luxury item. We have played a decisive part in this development.

Customers using the Drillisch Group products can find the most powerful and lowest-cost services on the German wireless services market to match their specific requirements.

Letter from the Management Board

- Customers selecting the attractive budget rates "All-in 50" and "All-in 100" surf while on the go for as little as €6.95 or €9.95 a month, depending on their individual needs. Using "All-in 100", for example, subscribers can use the mobile internet (500 MB) and benefit from 100 minutes and 100 text messages at no extra charge. The Carefree option in the "All-in" family gives subscribers the freedom of phoning in all German networks without any time pressures and the benefit of a mobile internet flat rate (unthrottled up to 500 MB) for a low €27.90 a month.
- Customers are always on the safe side when they take our cost cut-off rates. Mobile data use plus phoning and texting to all networks in this flexible flat rate are billed up to a maximum monthly cut-off of €35. Since this is the upper limit: if customers use less of the services, they also pay less.
- We also offer the best rates for subscribers who want to do no more than phone and text. These customers decide in favour of the lowest-price wireless services offer anywhere in Germany at unbeatable 6 eurocents a minute and 6 eurocents for each text message; if desired, they can also book a data option as a supplement to this rate plan.

The Drillisch Group regards itself as a price leader with innovative products which, for instance, utilise intelligent automatic billing systems to adapt perfectly to customers' usage, but it also sees itself as a corporation in which quality and security are maintained at a high standard level. The most recent example was the awarding in March 2012 of the "s@fer shopping" seal of approval to Drillisch Group brands by TÜV Süd after completion of a comprehensive certification process; yet it represents merely the outward expression of the highest standards of transparency and security for our customers which are our living culture.

Our successful start to fiscal 2012 has put us on track to further increase the value of the Company. We are therefore forecasting an improvement in the adjusted EBITDA to €58 million in fiscal year 2012 following €52.6 million in fiscal 2011 and an increase of our postpaid subscriber base.

Warmest regards from Maintal.



Vlasios Choulidis

and



Paschalis Choulidis

Investor Relations Report

The Capital Market – 01 January 2012 to 31 March 2012

During the first quarter of 2012, the ECB supplied the markets with adequate cash, assuaging the capital market's fears of liquidity bottlenecks. Developments on the stock markets have been very friendly for investors because of the extremely low interest rates and a generally stable economic situation.

In the first quarter, the German stock index DAX gained 1,048.48 points or 17.8%, rising to 6,946.83 points. The TecDAX rose by 15.3% from 685.06 to 789.87 points. At the end of the quarter, the TecAllShare Performance Index reached 967.62 points. This is growth of 13.5% in comparison with the end of 2011.

The Drillisch Stock in the First Quarter of 2012

	Close-out 2011	31 March 2012	% change
Drillisch	€7.11	€9.00	+26.6%
TecDAX	685.06	789.87	+15.3%
TecAllShare Perf. Index	852.65	967.62	+13.5%

The highest price for the Drillisch stock in the first quarter of 2012 was noted at €9.338 on 27 March. The lowest price was noted at €6.97 on 09 January 2012. On the TecDAX, the Drillisch stock was ranked at 14th and 12th place with respect to the most important indicators for inclusion in the index, market capitalisation and turnover, at the end of the first quarter 2012.

Current Analyst Assessments (as per 31 March 2012)

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

Current Analyst Assessments (as per 31 March 2011)

Analysis	Rating	Price Target	Date
Commerzbank	„Buy“	€ 10.50	26 March 2012
LBBW	„Buy“	€ 10.00	23 March 2012
Hauck & Aufhäuser	„Buy“	€ 12.00	02 March 2012
MM Warburg Research	„Buy“	€ 9.65	02 March 2012
Kepler Capital Markets	„Buy“	€ 9.25	02 March 2012

Agenda of the First Quarter – DGAP Ad-Hoc Reports

01 March 2012	Presentation of the provisional consolidated results and outlook for 2012
21 March 2012	Drillisch and Deutsche Telekom conclude an agreement
22 March 2012	Final annual figures (IFRS), proposal for third dividend increase in succession
28 March 2012	Drillisch AG issues debenture bond with conversion right for freenet AG stock

Investor Relations Report

Investor Relations Events

Talks were conducted with institutional investors at Company headquarters in Maintal during the first quarter of 2012. 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 2012

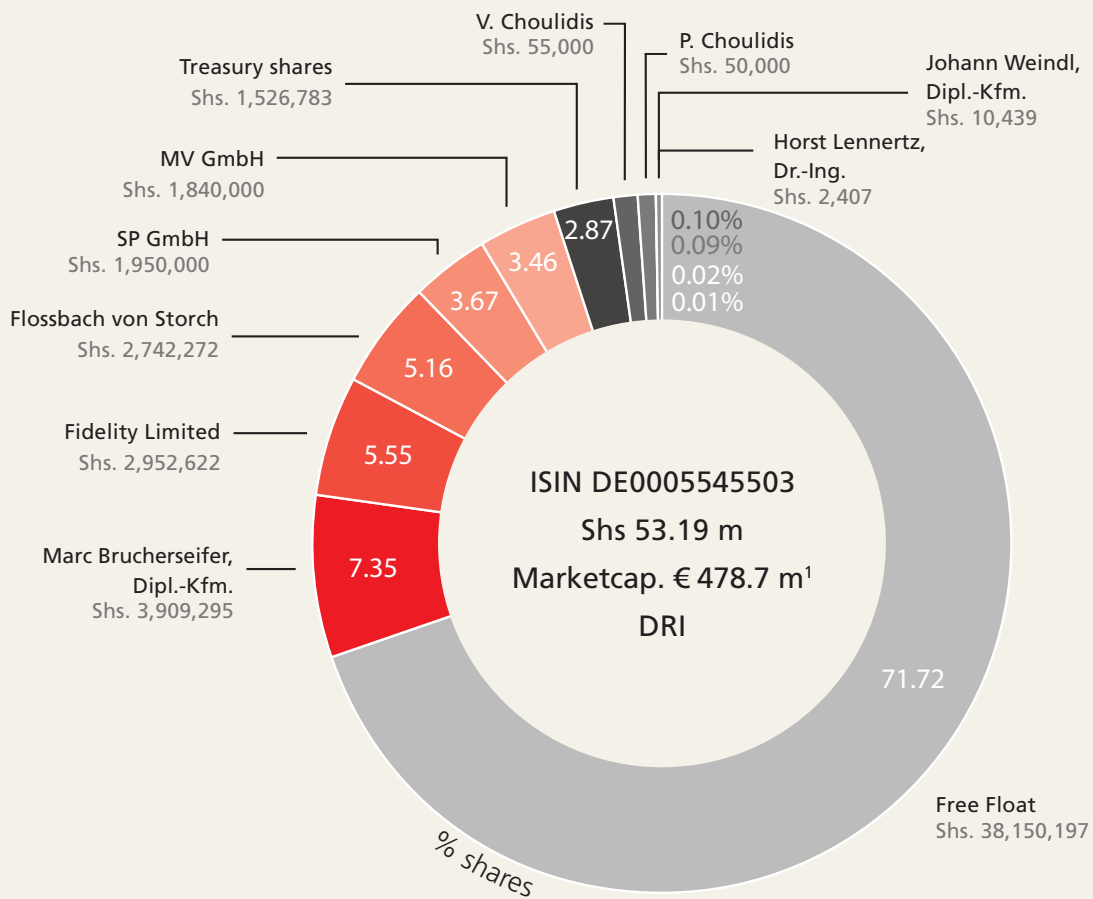
During the first quarter 2012, no directors' dealings pursuant to Section 15 a WpHG (German Securities Trading Act) were reported to Drillisch AG.

Directors' Holdings as per 31 March 2012

Name	No-par shares
MV GmbH	1,840,000 → 3.46%
Vlasios Choulidis	55,000 → 0.10%
SP GmbH	1,950,000 → 3.67%
Pascal Choulidis	50,000 → 0.09%
Supervisory Board	No-par shares
Marc Brucherseifer, Dipl.-Kfm. (Chair)	3,909,295 → 7.35%
Johann Weindl, Dipl.-Kfm. (Deputy Chair)	10,439 → 0.02%
Horst Lennertz, Dr.-Ing.	2,407 → 0.01%
Michael Müller-Berg, Dipl.-Kfm.	0
Dr Bernd Schmidt	0

Investor Relations Report

Shareholder Structure of Drillisch AG (Last revised 31 March 2012)



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

1) On the basis of the XETRA closing price €9.00 on 31 March 2012. Free Float acc. to the rule of Dt. Boerse AG: 89.78%.



MARKET ENVIRONMENT

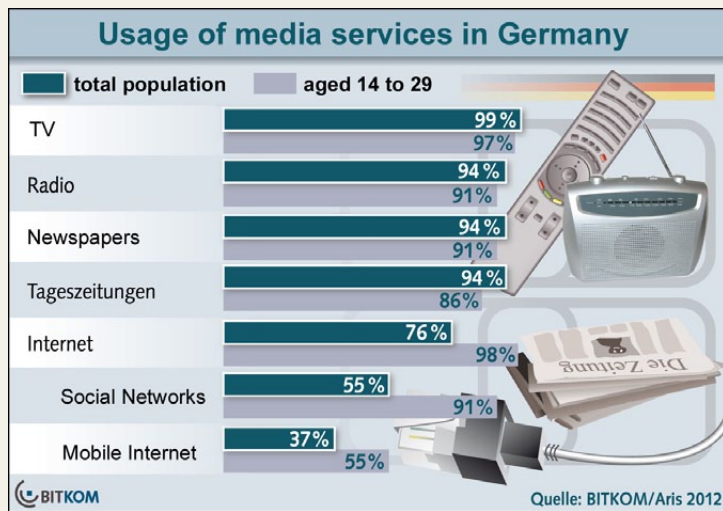
The Wireless Services Market

The telecommunications sector will remain the engine driving growth and innovation in the German economy in this year. The industrial association BITKOM expects a slight increase in revenues in this segment by 0.4% to €66 billion following the problematic year 2011. The driving force here will above all be in mobile data services; the association forecasts growth of about 10% to €8.2 billion in this year. This push in growth is in no small part a consequence of the continuing rise in demand for high-quality multimedia mobile phones. The success story of the smartphone is unabated, and this year, for the first time, these devices will outsell classic mobile phones (source: BITKOM February 2012). Sales of modern touch screen mobile phones are expected to increase by 35% to 15.9 million units in the current year – which BITKOM regards as a “turning point” on the mobile phone market. According to a survey conducted by the opinion research company ARIS in April 2012, one out of three Germans has a smartphone, and half of the people in the age group under 30 have one.

Additional stimulus is coming from tablet computers which have now, two years after their first appearance on the market, become firmly established. Even though only 15% of the respondents view a tablet computer as a replacement for a conventional PC (survey conducted by the market research institute Ipsos on behalf of Kabel Deutschland in February), the digital companions are very popular for use as a second mobile device, which is why BITKOM expects an increase in sales by 29% to 2.9 million units this year.

One out of three uses mobile devices to surf the internet – social networks and apps are used especially frequently – data volume rose by 57% in 2011

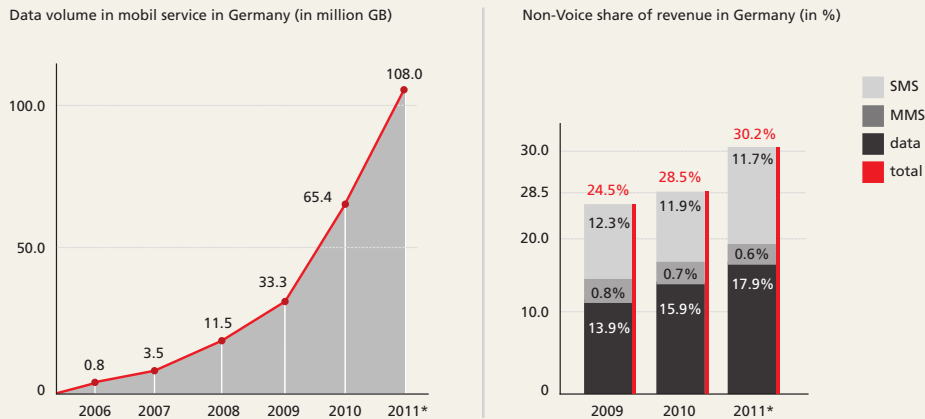
No question: mobile internet has long since become a mass market. Thirty-seven per cent of the Germans – about 26 million people – use the web on a smartphone or a tablet PC. And more than half (55%) of the people in the age group 14–29 make use of the internet while on the go. New, user-friendly technologies, a greater range of entry-level smartphones at lower prices and, more than anything else, appealing data flat rates featuring virtually full-area coverage of mobile broadband access are contributors to the growing popularity. So it is only logical that larger and larger data volumes are being transmitted on wireless services networks. According to BITKOM, the total data volume in 2011 increased by 65% to 108 million gigabytes. The association expects yet another increase of 57% to 170 million gigabytes in the current year. At the same time, the share of non-voice revenue in total revenues is rising steadily, as was determined by the market analysis conducted by Dialog Consult and the VATM in October 2011.



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The Wireless Services Market

Data volume in mobil service in Germany and share of non-voice-revenues



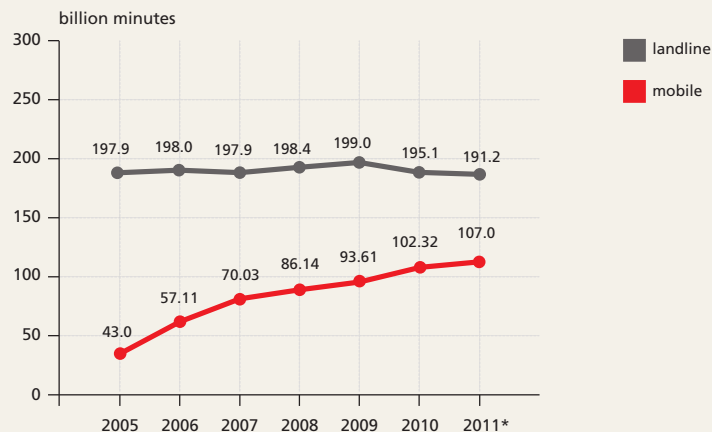
Source: BITKOM, EITO, BNetzA, DIALOG CONSULTING-/VATM-Analysen

*outlook

Low-cost packages and flat rates pushing mobile voice traffic upwards

While the total of all call minutes from landline services in Germany declined by 2% to 191 billion minutes in the past year, the number of call minutes from wireless services continued to increase. According to the actual annual report of the Bundesnetzagentur 107 billion minutes in calls were placed from wireless services networks in 2011; the corresponding figure in the previous year was 102 billion minutes. So the trend to communication using a mobile phone continues. In its activities report issued in December 2011, the Federal Network Agency pointed to the rise in wireless services minutes of about 10% between 2009 and 2010 and projected growth of similar dynamics for the future. As of today, calls from landlines still make up about two-thirds of the total call time in Germany, but we can expect the dynamic shift to the wireless service networks to continue. Increasing mobility in society, technological innovations and low-cost rates featuring a number of minutes included in the basic charge or flat rates are among the reasons why more and more people are picking up their mobile phones more frequently. At the end of 2011, according to information from the Federal Network Agency, there were more than 112 million wireless service contracts in Germany; in other words, 137% of the total population have such contracts. However, many SIM cards are in use in the sector *machine-to-machine* (M2M for short) in technical devices for remote monitoring, control and maintenance of machinery, plants and systems besides the applications in mobile phones and surf sticks.

Voice Traffic outgoing from mobile and from landline



Source: Bundesnetzagentur, Annual Report 2011

*outlook

The Wireless Services Market

Drillisch once again raises the bar

Package rates including many services becoming more and more popular

Drillisch AG and its successful brands put their money on a dynamic smartphone boom from an early stage and encourage the growing use of mobile internet by offering appealing voice and data rate plans. The trend is clearly in the direction of package plans offering various combinations of services. The journal *Computerbild* picked up on this subject in its issue 5/2012 (11/02/2012) and determined that package plans – depending on how they are used – can be less expensive than prepaid offers. In a comparison test, the Drillisch brands *smartmobil.de*, *DeutschlandSIM*, *simply* and *Telco* were widely represented and received positive ratings from the editorial staff.

Drillisch improves internet flat rate and offers attractive additional services

Customers of *simply*, *PHONEX* and *DeutschlandSIM* have been able to benefit from a special advantage since February 2012: subscribers to the plans *All-in 100* and *All-in Flat* now have monthly 500 MB of high-speed volume in their contract every month (raised from the previous 200 MB). This improvement has been implemented for current as well as for new customers.

At the same time, the *smartmobil.de* portfolio was supplemented by the treble flat rate *All-in Flat*, including the new 500 MB internet flat rate, which is in such great demand. *smartmobil.de* also scores points with business customers by offering additional services. The *Triple-Card* allows users to operate up to three different devices – such as a smartphone, tablet PC and laptop – at the same time under a single contract. Since March, *smartmobil.de* has had an option enabling owners of a BlackBerry smartphone to utilise the popular e-mail push service.

maXXim expands range by adding package and cost-limit rate plans

The Drillisch brand *maXXim*, which has been a successful, established market presence for four years, has undergone a fundamental expansion of the portfolio. Besides the popular 8-eurocent rates *plus* and *smart* and the community rate *friends4free*, new rates specifically for smartphones, *MaxxLimit 35*, *MaxxFree 100* and *MaxxFree 200*, are now available. For the first time at *maXXim*, a cost-limit rate plan with the name *MaxxLimit 35* can be booked; all of the calls, text messages and data connections are charged according to actual use up to a monthly invoice amount of €35. Thanks to the dynamic flat rate, no additional costs are incurred once this limit has been reached. The two package rate plans *MaxxFree 100* and *MaxxFree 200* transfer the rate plans *All-in 50* (50 minutes, 50 text messages, 200 MB internet flat rate for €6.95 a month) and *All-in 100* (100 minutes, 100 text messages, 500 MB internet flat rate for €9.95 monthly) previously introduced for other brands to a new product family.

DeutschlandSIM launches sales cooperation activities

b2c.de GmbH, which also belongs to the Drillisch Group, has launched interesting sales cooperation activities in the form of the rate plan *All-in 50*, which has been designed particularly with smartphone newcomers in mind. This rate plan is marketed as “Sport-1 Plan Powered by DeutschlandSIM” by the TV broadcaster Sport1 and is featured in short TV spots as well as within the framework of contests. Yet another media cooperation activity which includes various actions in the magazine *Computerbild* has been agreed with the Springer-Verlag in Hamburg.

CHIP ONLINE.de smartmobil.de

smartmobil.de: Jetzt auch mit BlackBerry-Option

Die Discount-Tarife von smartmobil.de sind ab sofort auch für Business-Nutzer mit BlackBerry-Smartphone attraktiv.

Ab sofort lassen sich die drei All-in-Tarife auch mit BlackBerry-Option buchen.

Für 4,95 Euro lässt sich der E-Mail Dienst in den Tarifen All-in 50 und All-in 100 buchen.

ONLINE FOCUS maXXim

Neue Smartphone-Paket-Tarife von Maxxim

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Der Mobilfunkanbieter Drillisch bietet unter seiner Marke Maxxim neue Paket-Tarife ohne Vertragslaufzeit im O2-Netz an.

Der Tarif MaxxFree 100 umfasst 50 Freiminuten in deutsche Netze, 50 Frei-SMS und eine Datenflatrate, die nach dem Verbrauch von 200 MB gedrosselt wird.

Es kostet 6,95 Euro im Monat. Das größere Paket MaxxFree 200 kostet monatlich 9,95 Euro und bietet 100 Freiminuten, 100 kostenlose SMS und 500 MB ungedrosseltes Surfvolume. In beiden Tarifen kostet jede weitere Gesprächsminute oder Kurznachricht 9 Cent.

The Wireless Services Market

The Software Industry

Drillisch sets new price mark for mobile phone rates

Drillisch AG was the first to offer an 8-eurocent rate on the market when it launched maXXim in 2008. Many competitors still market 9-eurocent rates; a very few have a minute price of 6 eurocents, but text messages in this case cost 10 eurocents or more. At the end of March, Drillisch became the first provider to introduce a new, standard price mark of only 6 eurocents per minute and text message, and the response in the media to this helloMobil rate plan was resounding. The Company still sees a need for simple and low-cost plans for mobile phone owners who want to do nothing more than make phone calls or send text messages despite the increasing popularity of package plans. After all, there is still a large number of people making calls on mobile phones who are not interested in owning a smartphone.



Drillisch webshops receive the seal of approval s@fer shopping from TÜV SÜD.



The assessment organisation TÜV SÜD employed a complex, 3-stage auditing procedure to take a detailed look at the online shops and the order process of the Drillisch brands simply, maXXim, helloMobil, McSIM, PHONEX and smartmobil.de. The inspectors tested the technical and organisational reliability of the services to their satisfaction and, by awarding the seal of approval "s@fer shopping", confirmed that the online shops, the order procedure and the service offered by the Drillisch brands meet the high standards of quality and security. In the magazine "test" (Issue 11/2011), the Stiftung Warentest recommended that consumers always look for seals of approval such as the TÜV SÜD s@fer shopping seal when shopping on the internet. According to a survey conducted by the *Gesellschaft für Konsumgüter* (GfK), s@fer shopping is the best-known of the various online seals of approval.

ITC sector expects a new all-time high

The industry association BITKOM predicts the ITC sector will break the mark of €150 billion for the first time in 2012. Within the overall market, which expects growth of 2.2% to €151.3 billion, the IT sector will be far ahead of the rest, realising a plus of 4.5% to €73 billion. The positive forecast is also supported by the current economic conditions survey by the association. Almost three-fourths (72%) of the ITC providers expect rising revenues in the first quarter in comparison with the previous year's period. The BITKOM industry index will rise by 2 points to 63. Software and IT services providers are especially optimistic when looking ahead to the future: 85% of the survey companies expect a plus in revenue in 2012.

COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP
AS PER 31 MARCH 2012

Group Companies

Commercial development of the Drillisch Group as per 31 March 2012

In presenting the excellent business results of the first quarter of 2012, Drillisch submits impressive proof that the strategy of transformation from the former classic service provider to an MVNO (mobile virtual network operator) was strategically the right decision, and the Company will unswervingly continue this course in 2012. Drillisch procures standardised, unbundled advance services from the wireless network operators Telefónica O₂ Germany GmbH & Co. OHG ("O₂") and Vodafone D2 GmbH ("Vodafone"), a situation which significantly enhances its manoeuvrability on the product and sales side. The Company is able to determine autonomously its own rate plans and options independently of the sales rates of the network operators and to combine these plans and options flexibly with one another. Since network operator commissions, which are an essential element of a service provider purchasing model, no longer accrue, the acquisition of new subscribers is financed completely using the Company's own funds. This independent management of new and current subscriber business will ultimately lead to substantial improvement in the long-term planning security for Drillisch.

Drillisch acts flexibly and quickly, regularly sparking new impetus on the wireless services market. In announcing the new 6-cent rate for helloMobil, Drillisch set a new price standard. Moreover, Drillisch offers innovative products such as "Optisurf" or the rate option "best4me", products which adapt themselves perfectly to subscribers' utilisation behaviour thanks to intelligent automatic billing mechanisms.

The continuing rise in the demand for smartphones (estimates from Bitkom: increase by 35% from 2011 to 2012) is an excellent situation for Drillisch and an opportunity to combine high-tech smartphones with attractive and low-cost rate plans such as smartmobil.de or the All-in Flat Smart plan. From a general perspective, the focus is on the marketing of innovative voice and data products. The scope of the Company's services encompasses all of the transmission technologies available both now and in the future.

The most important sales channels are the sales and cooperation partners along with the Company's webshops on the internet; moreover, the classic wireless services specialist trade continues to be an important pillar. Social media platforms such as Facebook or Twitter are also used to target customers.

Drillisch will continue to serve current subscribers in the Telekom Deutschland GmbH ("Telekom") and E-Plus Mobilfunk GmbH ("E-Plus") networks on the basis of the service provider agreements.

Drillisch AG is the Group's holding

Within 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 subsidiaries Drillisch Telecom GmbH ("Drillisch Telecom"), Maintal; SIMply Communication GmbH ("simply"), Maintal; MS Mobile Services GmbH ("MS Mobile"), Maintal; and eteleon e-solutions AG ("eteleon") through its subsidiary b2c.de GmbH, both located in Munich, are responsible for the operational wireless services business. All of the IT know-how of the Drillisch Group has been concentrated in IQ-optimize Software AG ("IQ-optimize"), Maintal. MSP Holding GmbH ("MSP"), Maintal, is an affiliated company of Drillisch; as per 31 March 2012, this affiliate and Drillisch AG together held more than 20% of the share capital of freenet AG.

Drillisch Telecom – strong brands in mobile communications

Drillisch Telecom offers attractive rate plans – for both voice telephony and mobile surfing on the internet – under the brand names McSIM, helloMobil and PHONEX plus the premium brands VICTORVOX and Telco. The latest smartphones, tablet PCs and notebooks for use with these plans are available from the online shops for each of the brands. At the end of March 2012, Drillisch Telecom proved that low-cost phone calls can be even less expensive when it introduced the new 6-cent rate from helloMobil. Subscribers choosing this rate plan for only 6 eurocents per minute and text message can telephone and text people all over Germany and in any network, free of worry and without any fixed contractual obligations. Those who want to utilise the internet

Group Companies

as well while on the go can add the appropriate flat rate for surfing on their mobile phone. Drillisch Telecom and the brands McSIM, PHONEX and helloMobil wanted to assure their customers of safe as well as inexpensive shopping in the Company's own webshops, so they submitted to the certification process of TÜV Süd and were awarded the "s@fer shopping" seal of approval. Consequently, Drillisch Telecom offers the highest level of transparency and security to go with its market-leading wireless services solutions.

Drillisch Telecom 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 wireless services provider in Germany to do so.

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

simply continues its ongoing success story in this year without showing any signs of slowing down. simply makes use of webshops on the internet along with sales and cooperation partners to market wireless services at especially favourable terms. Besides rate plans at discount prices, simply offers a broad palette of low-priced services for mobile data communications in combination with attractive hardware offers featuring the iPad or iPhone from Apple and popular products from other well-known manufacturers in its all-inclusive smartphone savings rate plans or iPad packages. Since January 2012, simply subscribers of the All-in Flat have been able to utilise "Siri", the innovative voice recognition program on the new iPhone 4S, for information and entertainment in addition to phoning, texting and surfing on the go at low price and without any worries.

MS Mobile – smart rates featuring smart service

Since the beginning of April last year, MS Mobile has been offering smartmobil.de, the first rate plan available across Germany tailored precisely to the needs of smartphone users. MS Mobile's simple, low-cost and transparent services continue to set new trends in the wireless services sector. smartmobil.de subscribers have known for a long time that smartmobil.de is an award winner, e.g. being named "UMTS Provider of the Year" – an honour from the independent assessment portal "Tariftipp.de" – in 2011. In February 2011, the rate plan "All-in Flat" from smartmobil was declared the "lowest-cost rate plan for heavy telephone users" by Stiftung Warentest, and in issue 5/2012 the magazine Computerbild recommended the smart entry-level rate plan "All-in 50" as one of the best package plans in the country for light and normal telephone users. As appropriate for the best smartphone rate plan, smartmobil.de offers a matching smartphone at no additional cost. smartmobil's smart packages are a great opportunity to combine low-cost rate plan alternatives with the latest models of smartphones under the best contract terms. Subscribers who use a number of devices, but want only one phone number, can choose the "TripleCard" from smartmobil.de and be smart in three ways. It can be used to provide accessibility to the network for as many as three mobile devices simultaneously so that users can carry on parallel tasks of phoning, surfing and e-mailing – with only one contract, one invoice and one mailbox. In addition to smartmobil.de, MS Mobile has been offering the brand maXXim since 2008, one of the least expensive rate plans on the German wireless services market at a price of only 8 eurocents for phoning and texting; a flat rate for surfing on a mobile phone while on the go can be booked as an additional option.

eteleon – products at discount prices and clever smartphone rates

eteleon, a specialist for innovative sales solutions on the telecommunications market, offers the successful brands discoTEL, discoPLUS, DeutschlandSIM and winSIM, which have been offered and managed independently by eteleon within the framework of the MVNO model as well since the beginning of the year. Anyone visiting the eteleon webshop can determine the ideal plan for his or her needs with the provided rate calculator, then use the convenient offer configurator to select the appropriate smartphone. The eteleon "All-in Flat Smart" rate plans allow subscribers to combine the latest in mobile phones with a 4-fold flat rate at previously unheard-of terms. The inclusion of attractive phones gives eteleon the opportunity to participate in the demand for smartphones, which continues unabated. During the first quarter of 2012, eteleon launched new cooperative activities with the television broadcaster Sport 1 and the Hamburg Springer-Verlag. eteleon offers an exact fit especially for smartphone beginners with the "Sport1 Rate powered by DeutschlandSIM" and the special campaign terms for readers of the magazine Computerbild.

Turnover and Earnings Position

Security and outstanding quality management in product marketing and customer service

Drillisch customers knew as early as 2010 and 2011, when it was officially confirmed, that low prices and high quality, good service and security were not inevitably mutually exclusive. simply and MS Mobile were ISO-certified in accordance with DIN EN ISO 9001:2008 in 2010 and 2011, respectively, for outstanding quality management in the areas of online product marketing and customer service. After the successful completion of the certification process in March 2011, TÜV Süd awarded the Drillisch brands smartmobil.de, PHONEX, maXXim, simply, McSIM and helloMobil the "s@fer shopping" seal of approval. In other words, the Drillisch brands provide to their subscribers the highest degree of security and transparency along with the best possible customer service.

IQ-optimize guarantees IT expertise

Drillisch has bundled its IT expertise in its subsidiary IQ-optimize, which performs all of the IT services for the Group companies.

MSP Holding

MSP Holding GmbH ("MSP"), Maintal, is a subsidiary of Drillisch AG; its functions include the strategic positioning of Drillisch on the wireless services market. Drillisch AG, together with MSP, currently holds more than 20% of the share capital in freenet AG.

Employees

In the first three months of 2012, an average of 328 employees (previous year: 332), 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 57 (previous year: 40). Drillisch makes an above-average contribution to the training of young people in qualified professions necessary to secure our future in Germany.

Sales and earnings position

The strategy of transforming the Company into an MVNO was rewarded right from the first quarter of 2012, which saw a significant increase in sales and EBITDA growth. This good business development is supported by the ongoing dynamic developments in the fields of wireless services discount and mobile internet products. Drillisch uses innovative products along with marketing and sales concepts to sustain its top position in the German telecommunications industry.

The "service revenues", essentially the income from the provision of the ongoing wireless services (voice and data transmission) and their settlement on the basis of the current customer relationships, rose in the first quarter of 2012 by €2.9 million or 4.0% to €75.3 million (Q1 2011: €72.4m). Other revenues, which include low-margin business such as sales of devices, increased by €1.0 million to €8.9 million (Q1 2011: €7.9 million). This is also the item where sales from the segment of software services in the amount of €44.0k (previous year: €44.8k) are reported. As such, total revenues increased by €3.9 million or 4.8% to €84.2 million in the first quarter 2012 (Q1 2011: €80.3m). The subscriber base in the more profitable postpaid business rose again, adding 50,000 or 3.3% in comparison with the end of 2011 to grow to 1.562 million subscribers (31 December 2011: 1.512 million). The number of subscribers in the prepaid sector was reduced by 16.7% to 865 thousand (31 December 2011: 1.038 million). The underlying reasons behind the decline include the continued removal of inactive subscribers from the clientele lists and a low rate of acquisition of new subscribers in this sector because the investment costs per new subscriber remain high. Thanks to the expansion of the higher-value postpaid business, the ratio of prepaid to postpaid subscribers improved further to 64% to 36%, an increase of 5.0% compared to the end of 2011 (31 December 2011: 59% postpaid to 41% prepaid). In total, the number of subscribers declined slightly by 123,000 to 2.427 million (31 December 2011: 2.550 million).

Turnover and Earnings Position

Contrary to the rise in sales, the cost of materials decreased during the first quarter of 2012, falling by 1.9% to €56.5 million (previous year: €57.6 million). So the gross profit improved by 22.0% to €27.7 million (previous year: €22.7 million) in comparison with the corresponding quarter last year. The gross profit ratio rose by 4.6% to 32.9% (previous year: 28.3%) and exceeded even the peak value of fiscal year 2011 by 3.5% (total for 2011: 29.4%). Personnel expenses increased by 9.2% to €5.4 million (previous year: €4.9 million). The personnel expenses ratio remained more or less the same at 6.4% (previous year: 6.2%). Other operating expenses rose by €2.2 million to €8.3 million (previous year: €6.1 million). Essentially this increase was the consequence of a rise in service costs for third-party services utilised as part of the process of transferring the subscriber base to the MVNO model.

The consolidated EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators in the Drillisch Group, rose by 18.5% to €14.8 million (previous year: €12.5 million). The EBITDA ratio improved by 2.1% to 17.6% (previous year: 15.5%). Depreciation declined by 34.2% to €0.8 million (previous year: €1.2 million). As a consequence, the EBIT (earnings before interest and taxes) rose by 24.0% to €14.0 million (previous year: €11.3 million). The EBIT ratio improved by 2.5% to 16.6% (previous year: 14.1%).

Just as per 31 December 2011, the freenet shares held by MSP Holding and Drillisch AG were measured per 31 March 2012 according to the equity method because of the significant influence on the company related to the voting rights quota. The result from this inclusion amounted to €7.4 million (previous year: €0.0 million) per 31 March 2012. In the same quarter of the previous year, the freenet AG stock held by MSP and Drillisch AG was classified as "available for sale" in accordance with IAS 39 and changes in value were disclosed as non-operating results in the form of the market valuation provision. The Other financial results in the amount of €-14.1 million result essentially from the valuation on the closing date of a hedging transaction which was concluded within the framework of the financing of the acquisition of the freenet shares in 2011. The value of the hedging transaction is recalculated as of every closing date and is primarily a result of the price of the freenet stock on the closing date and of the remaining term. A rising stock price tends to lead to a declining value of the hedging transaction, which can also be negative. In this case, it is disclosed under the long-term financial liabilities. If the value on the closing date is positive, it is capitalised under Other financial assets. This measurement on the closing date of 31 March 2012 resulted in a liability amounting to €20.7 million (previous year: €6.5 million), which are shown under the Long-term financial liabilities. Moreover, deferred tax payments in the amount of €2.6 million had to be posted due to these circumstances.

The increase in the utilisation of bank loans and the rise in interest rates caused the results from interest to decline by €0.7 million to €-1.2 million (previous year: €-0.5 million). Taxes on income declined by €0.4 million to €3.3 million (previous year: €3.7 million). The significantly higher tax quota is a consequence above all of the fact that there is an upper threshold to the measurement of deferred tax payments on the closing date valuation of the hedging transactions, with the consequence that the tax result cannot be relieved by the measurement of deferred tax payments in the full scope corresponding to the posted expenditure. This is countered by the situation that the income from the financial assets shown in the balance sheet in accordance with the equity method is not given consideration for tax purposes. Consolidated profit came to €2.8 million (previous year: €10.9 million). Consolidated profit, adjusted by the effects of the equity balancing and the market appraisal of the valuation of the hedging transaction, came to €8.9 million (previous year: €8.3 million). Profit per share came to €0.05 (previous year: €0.21), adjusted profit per share came to €0.17 (previous year: €0.16).

Cash flow

Cash flow from current business activities amounted to €-22.6 million (previous year: €3.2 million) in the first quarter of 2012. The primary cause for this worsening is the continued change in the business model; this led to a major change in some of the balance sheet items during the first three months of fiscal year 2012. However, this can be described as a one-off effect. The reduction in the prepaid business with res-

Assets, Liabilities and Financial Position

pect to the subscriber base, but above all to the voucher sales, contributed significantly to a substantial decline in trade payables and other liabilities and provisions by €13.7 million (previous year: decline by €0.1 million) and in the payments received on account by €5.7 million (previous year: decline of €2.1 million). Furthermore, receivables due from network operators increased by €9.6 million (previous year: decline of €0.2 million) and the trade receivables rose by €2.9 million (previous year: increase of €3.5 million) as a consequence of the closing date. Finally, the increase in tax on income of €1.7 million in comparison with the previous year to €5.1 million resulted in a higher outflow of cash.

The cash flow from investment activities totalling €-0.9 million is characterised by payments for other investments in tangible and intangible assets.

In the first quarter of 2012, there was a net inflow of cash in the amount of €6.1 million from financing activities (previous year: inflow of cash in the amount of €23.0 million), essentially representing the balance between the taking out and amortisations of financial loans in the amount of €+8.0 million (previous year: €23.3 million) on the one hand and payments for the acquisition of own stock in the amount of €1.8 million (previous year: €0.0 million) on the other.

Assets, liabilities and financial position

The balance sheet total for the Drillisch Group rose by €4.7 million to €398.4 million as per 31 March 2012 (31 December 2011: €393.7 million). There was virtually no change in the equity ratio at 41.7% per 31 March 2012 compared with 31 December 2011 (31 December 2011: 41.9%).

Cash declined by €17.4 million to €3.3 million (31 December 2011: €20.7 million). Trade receivables increased in total by €2.9 million to €44.6 million (31 December 2011: €41.7 million) as a consequence of the balance sheet date. In total, current assets fell by €3.4 million to €71.8 million (31 December 2011: €75.2 million).

Fixed assets rose by a total of €8.1 million to €326.6 million (31 December 2011: €318.5 million). Other intangible assets remained more or less constant at €10.8 million (31 December 2011: €10.9 million). As of the closing date, Drillisch AG, in conjunction with MSP Holding, held more than 20% of the share capital in freenet subsequent essentially to the additional participation in freenet AG acquired in the 2nd quarter of 2011. This holding is disclosed in the financial assets shown in the balance sheet in accordance with the equity method. The value as per 31 March 2012 amounted to €243.8 million (31 December 2011: €236.4 million). The market price of the freenet share was at €12.13 as per 31 March 2012. On these grounds there were hidden reserves as per 31 March 2012 of ca. €72 million. In the same quarter of the previous year, the freenet stock was shown in the balance sheet under the Other financial assets.

Thanks to the business results of the first quarter of 2012, the accumulated deficit decreased by €2.8 million to €40.3 million (31 December 2011: €43.1 million). The accumulated deficit resulted in 2008 primarily from the change in the stock market evaluation of the freenet AG shares. In the same quarter of the previous year, the market valuation provision reflected the value change in the Other financial assets taken into account as non-operating results. The freenet stock held by Drillisch AG and MSP Holding, now valued and shown in the balance sheet according to the equity method, was a major component of the Other financial assets. Any changes in the freenet AG equity are now basically realised directly in the income statement. In comparison with 31 December 2011, total equity increased by €1.1 million to €166.1 million (31 December 2011: €165.0 million).

Long-term liabilities rose by €23.1 million to €186.1 million (31 December 2011: €163.0 million). The increase is mainly a consequence of the market valuation of the hedging transaction, which is shown in the rise in the Financial liabilities. This valuation as per 31 March 2012 resulted in a liability of €20.7 million (previous year: €6.5 million) because of the higher freenet share price. Mainly as a consequence of the usage of the credit line the liabilities due to banks increased from €151.2 million as per 31 December 2011 to €160.2 million as per 31 March 2012.

Opportunities and Risks of the Future Business Development

Short-term liabilities declined by €19.5 million to €46.2 million in comparison with the end of fiscal year 2011 (31 December 2011: €65.7 million). Trade receivables declined by €11.1 million to €14.0 million (31 December 2011: €25.1 million). Tax liabilities declined by €2.7 million to €3.1 million (31 December 2011: €5.7 million). Payments received on account fell by €5.7 million to €16.7 million (31 December 2011: €22.4 million).

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 steering 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.

At the end of March 2012, Drillisch concluded an agreement for the termination of the contractual relationship and settlement of the litigation with Deutsche Telekom AG and its subsidiary Telekom Deutschland GmbH. This puts an end to the dispute which led to the termination of contract between Telekom Deutschland GmbH and Drillisch and to court proceedings. All of the pending civil cases between Telekom and Drillisch are to be concluded on the basis of this agreement. It also ensures that subscribers who still use the Telekom network for phone calls after the termination of the contracts will be taken over without any problems and that the remaining customers can continue to use the Telekom network. The execution of this agreement is subject to a number of reservations.

Other than this, there were no major changes in the risk situation during the first three months of fiscal year 2012 in comparison with the risks described in the annual report for 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 2012

On 05 April 2012, Drillisch, with the approval of the Supervisory Board issued a non-subordinate debenture bond with exchange rights against the existing registered common shares of freenet AG in an issue volume of €125 million. Drillisch is using the issue for the diversification of its financing sources and to increase its financial and strategic flexibility. The Company intends to utilise the earnings from the issue of the debenture bonds for the refinancing of existing liabilities and for general corporate purposes.

The Drillisch AG Management Board was notified on 19 April 2012 that the Hanau Public Prosecutor's Office, with the approval of the presiding court, has closed finally the investigative proceedings of the Management Board members and the Drillisch Group management. The investigation was initiated in response to charges filed by Deutsche Telekom AG related to the invoicing of commissions.

Outlook

Drillisch has set itself the target to increase adjusted Group EBITDA to €58 million in fiscal 2012 (fiscal 2011: €52.6 million) and to achieve a positive development of the postpaid subscriber base.

CONSOLIDATED INTERIM ACCOUNTS
AS PER 31 MARCH 2012

Consolidated Comprehensive Income Statement

	I/2012	I/2011
	€k	€k
Sales	84,196	80,308
Other own work capitalised	504	617
Other operating income	294	211
Cost of materials / Expenditures for purchased services	-56,490	-57,593
Personnel expenses	-5,395	-4,940
Other operating expenses	-8,320	-6,122
Amortisation and depreciation	-774	-1,176
Operating result	14,015	11,305
Result from financial assets shown in balance sheet according to the equity method	7,377	0
Other financial results	-14,131	3,743
Interest income	243	141
Interest and similar expenses	-1,430	-606
Financial result	-7,941	3,278
Profit before taxes on income	6,074	14,583
Taxes on income	-3,249	-3,669
Consolidated results	2,825	10,914
Consolidated results attributable to non-controlling shareholders	0	7
Share of Drillisch AG shareholders in consolidated results	2,825	10,907
Change in attributable market value of financial assets available for sale	0	792
Taxes on income	0	12
Other earnings after taxes	0	780
Consolidated comprehensive results	2,825	11,694
thereof comprehensive results attributable to non-controlling shareholders	0	7
thereof share of Drillisch AG shareholders in total results	2,825	11,687
Profit per share (in €)		
Undiluted	0.05	0.21
Diluted	0.05	0.21

Consolidated Balance Sheet

ASSETS	31.03.2012	31.12.2011
	€k	€k
Fixed assets		
Other intangible assets	10,845	10,869
Goodwill	67,206	67,206
Tangible assets	1,414	1,237
Financial assets shown in balance sheet according to equity method	243,735	236,359
Other financial assets	62	33
Deferred taxes	3,349	2,794
Fixed assets, total	326,611	318,498
Current assets		
Inventories	7,863	8,922
Trade accounts receivable	44,591	41,696
Tax reimbursement claims	0	1,468
Cash	3,268	20,688
Other current assets	16,046	2,417
Current assets, total	71,768	75,191
ASSETS, TOTAL	398,379	393,689

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	31.03.2012	31.12.2011
	€k	€k
Equity		
Subscribed capital	56,828	57,093
Capital surplus	118,421	119,917
Earnings reserves	31,123	31,123
Accumulated deficit	-40,283	-43,108
Equity, total	166,089	165,025
Long-term liabilities		
Pension provisions	546	546
Deferred tax liabilities	4,486	4,378
Bank loans and overdrafts	160,170	151,189
Financial liabilities	20,667	6,536
Leasing liabilities	229	349
Long-term liabilities, total	186,098	162,998
Short-term liabilities		
Short-term provisions	793	746
Tax liabilities	3,062	5,730
Trade accounts payable	13,963	25,103
Payments received on account	16,718	22,373
Leasing liabilities	518	529
Other liabilities	11,138	11,185
Short-term liabilities, total	46,192	65,666
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	398,379	393,689

Consolidated Statement of Change in Capital

	Number of shares	Subscribed capital	Capital reserves	Earnings reserves	Market valuation reserves	Unappropriated deficit	Equity to which Drillisch AG shareholders are entitled	Non-controlling shareholders	Shareholders equity Total
		€k	€k	€k	€k	€k	€k	€k	€k
As per 01/01/2011	53,189,015	58,508	126,469	31,123	-18,413	-57,510	140,177	201	140,378
Change in own shares	0	0	0	0	0	0	0	0	0
Consolidated comprehensive results		0	0	0	780	10,907	11,687	7	11,694
As per 31/03/2011	53,189,015	58,508	126,469	31,123	-17,633	-46,603	151,864	208	152,072
As per 01/01/2012	51,902,424	57,093	119,917	31,123	0	-43,108	165,025	0	165,025
Change in own shares	-240,192	-265	-1,496	0	0	0	-1,761	0	-1,761
Consolidated comprehensive results		0	0	0	0	2,825	2,825	0	2,825
As per 31/03/2012	51,662,232	56,828	118,421	31,123	0	-40,283	166,089	0	166,089

Consolidated Capital Flow Statement

	I/2012	I/2011
	€k	€k
Consolidated results	2,825	10,914
Other financial results not affecting payments	14,131	-3,743
Result not affecting payments from financial assets shown in the balance sheet according to equity method	-7,377	0
Interest paid	-375	-689
Interest received	243	141
Results from interest	1,187	465
Income tax paid	-5,148	-3,403
Income tax received	1,445	0
Taxes on income	3,249	3,669
Amortisation and depreciation	774	1,176
Change in inventories	1,059	625
Change in receivables and other assets	-15,249	-3,724
Change in trade payables and other liabilities and provisions	-13,712	-89
Change in payments received on account	-5,655	-2,094
Cash flow from current business activities	-22,603	3,248
Investments in tangible and intangible assets	-926	-630
Outgoing payments for investments in other financial assets	0	-32,862
Cash flow from investment activities	-926	-33,492
Investments in tangible and intangible assets	-1,761	0
Outgoing payments for amortisation of loans	-13,000	-7,822
Incoming payments from the taking out of loans	21,000	31,138
Change in investment liabilities	-130	-268
Cash flow from financing activities	6,109	23,048
Change in cash	-17,420	-7,196
Cash at beginning of period	20,688	27,591
Cash at end of period	3,268	20,395

Consolidated Notes

1. General information

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1997. The core business of the Drillisch Group is conducted in the business field telecommunications and is handled largely by the wholly-owned subsidiaries Drillisch Telecom GmbH, MS Mobile Services GmbH, SIMply Communication GmbH, all located in Maintal, and by b2c.de GmbH, located in Munich. The Group holds service provider licences for the networks O₂, Vodafone, Telekom and E-Plus and markets wireless services products in the sectors postpaid and prepaid, largely on the basis of the MVNO model, in the O₂ and Vodafone networks. The address and registered office of Drillisch AG as the parent company of the Group is Wilhelm-Röntgen-Strasse 1-5, 63477 Maintal, Germany. The Company is registered at the Hanau Local Court under HRB 7384.

2. Applied accounting principles

The consolidated interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU. All of the applicable IFRS which have been adopted by the EU and become mandatory as of 01 January 2012 have been taken into consideration. The same accounting and valuation methods used in preparation of the consolidated annual accounts as per 31 December 2011 were applied. This interim report as per 31 March 2012 has 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 2012 (changes in IFRS 7 Financial Instruments: Disclosures – Transfer of Financial Assets) do not have any noteworthy effects on the presentation of the assets and liabilities, financial position and profit and loss of the Drillisch Group. The rate for the consolidated tax on income remains unchanged at 30.25%.

A hedging transaction was concluded as part of the financing of the freenet stock acquired in 2011. The value of the hedging transaction is recalculated as of every closing date and essentially is a result of the price of the freenet stock on the closing date and of the remaining term. A rising stock price tends to lead to a declining value of the hedging transaction, which can also be negative. In this case, it is disclosed under the long-term financial liabilities. The result from the valuation of the hedging transaction in the 1st quarter of 2012 is €-14,131k and is disclosed in Other financial results.

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/2012	I/2011
Consolidated profit allocated to shareholders in €k	2,825	10,907
Weighted average, less own shares held	51,716,640	53,189,015
Consolidated profit per share in €	0.05	0.21

4. Explanatory comments on capital flow statement

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

The cash flow statement has been prepared in compliance with IAS 7 and breaks down the changes in cash according to payment flows from business, investment and financing activities. The cash flow from operating activities in this case is determined according to the indirect method.

Consolidated Notes

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 and the equity interest segment are shown in addition to the telecommunications segment.

The activities of the Group in the sector of wireless services are bundled in the telecommunications segment. The operating companies in the Drillisch Group market advance wireless service performances from all four of the wireless services network operators active in Germany. The services acquired from the network operators Telekom Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica 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.

The interest in freenet AG is presented in the segment Equity interest. freenet AG is presented in the consolidated annual accounts in accordance with the equity method and the profit is disclosed in the Equity results. The management indicator for the segment Equity interest is the equity result.

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

	I/2012	I/2011
	€k	€k
Sales		
Telecommunications (sales with third parties)	84,152	80,263
Equity participation	0	0
Software services (sales with third parties)	44	45
Software services (in-house sales)	1,711	2,676
Consolidation	-1,711	-2,676
Group	84,196	80,308
Segment result (EBITDA)		
Telecommunications	14,781	12,457
Equity participation	0	0
Software services	8	24
Group	14,789	12,481
Segment results (equity participation)		
Telecommunications	0	0
Equity participation	7,377	0
Software services	0	0
Group	7,377	0

Consolidated Notes

With the exception of the equity interest of €243.7 million, the financial liabilities of €180.8 million, the equity result of €7.4 million and the other financial results plus interest expenses of €-15.6 million, the assets and liabilities as well as expenses and income of the group must be attributed almost exclusively to the telecommunications sector.

The consolidation includes the elimination of the business relationships within or between the segments. Such relationships are essentially the offsetting of the expenses and income within the Group. The accounting methods (IFRS as they are to be applied in the EU) are identical for all of the segments.

The transfer prices correspond on principle to the prices determined by arm's length comparison. Since the Drillisch Group is active only in Germany, there are no geographic segments. The most important non-operating segment expenses and income include the allocations to the provisions and the measurement of the hedging transaction and the equity result.

Rollover

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

	I/2012	I/2011
	€k	€k
Total segment profits (EBITDA)	14,789	12,481
Amortisation and depreciation	-774	-1,176
Operating result	14,015	11,305
Total segment results (equity results)	7,377	0
Financial results (excluding equity results)	-15,318	3,278
Profit before taxes on income	6,074	14,583

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

Finance and Event Calendar*

1st quarter Report 2012	Friday, 11 May
Annual General Meeting	Friday, 25 May
Semi-annual Report 2012	Friday, 10 August
3rd quarter Report 2012	Friday, 09 November
DVFA Analyst Event	November

* Subject to change

Publications

The present report on the first quarter 2012 is also available in German.

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

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

Future-oriented Statements:

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

