DRILLISCH AG

REPORT ON FIRST QUARTER 2008

FACTS AND FIGURES

# Key Indicators of the Drillisch Group

| Drillisch-Group | I/2008 | I/2007* | I/2006 |
|---|---|---|---|
| Turnover in €m | 84.6 | 76.8 | 67.1 |
| EBITDA in €m | 9.5 | 7.5 | 6.1 |
| EBIT in €m | 8.0 | 6.7 | 5.2 |
| EBT in €m | 8.0 | 5.2 | 5.6 |
| Consolidated profits in €m | 5.8 | 3.2 | 3.3 |
| Profit/loss per share in € | 0.11 | 0.09 | 0.10 |
| EBITDA margin in % of turnover | 11.3 | 9.7 | 9.1 |
| EBIT margin in % of turnover | 9.4 | 8.7 | 7.8 |
| EBT margin in % of turnover | 9.4 | 6.8 | 8.3 |
| Consolidated profit margin in % of turnover | 6.9 | 4.2 | 5.0 |
| Equity ratio (equity % of balance sheet total) | 75.3 | 46.7 | 66.9 |
| Return on equity (ROE) (Ratio Group result to equity) | 2.5 | 2.2 | 4.6 |
| Cash flow from current business operations in €m | 8.0 | -5.6 | -0.2 |
| Depreciation excluding goodwill in €m | 1.6 | 0.8 | 0.9 |
| Investments (in tangible & intangible fixed assets), adjusted, in €m | 0.7 | 0.6 | 0.4 |
| Staff as annual average (incl. Management Board) | 351 | 339 | 313 |
| Wireless services customers as per 31/03 (approx. in thousands) | 2,236 | 2,071 | 1,650 |
| Wireless services customers Debit | 1,409 | 1,229 | 1,110 |
| Wireless services customers Credit | 827 | 842 | 540 |

* The figures for Q1-2007 include 1 month for the subsidiary Telco GmbH which was acquired in March 2007

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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 AG (Drillisch) has started the new fiscal year with substantial increases in both turnover and profits. During the first quarter of 2008, turnover rose by 10% to €85 million. The most important profit indicator for us, the EBITDA (earnings before interest, taxes, depreciation and amortisation) improved by 27.8% to €9.5 million. The consolidated surplus reached €5.8 million, about 82% more than in the first quarter of 2007.

A large part of this growth is a consequence of the acquisition of Telco Services GmbH (Telco). But we have also continued to grow organically. For example, the number of wireless service customers rose not only in comparison with this point one year ago (2.071 million), but also with respect to the end of 2007 (2.201 million), to 2.236 million.

We are confident that we will be able to continue on the path of profitable growth. One of the reasons for our optimism is that only a few days ago the number of wireless services connections in Germany broke the 100-million ceiling – although the population is only about 82.3 million. This figure is proof that the market in Germany is far from being saturated, even though there are significantly more mobile phones than inhabitants in the country. Admittedly, the total wireless services turnover in Germany is at this moment no longer rising. But we have been able to acquire new customers by offering innovative rate schedules and services at favourable prices. People's use of telephony services has also changed. More and more people are cancelling their landline connection completely. Thanks to the good coverage of the fast UMTS networks among the population, the data communications – primarily mobile surfing on the Internet – are rising steadily.

Based on this positive development in the industry, we have set ourselves the goal of improving further the EBITDA, adjusted for extraordinary factors, in fiscal year 2008 so that, as in the past, we can increase the Company's value permanently – in the interest of our wireless services customers and our shareholders.

Warmest regards from Maintal

Paschalis Choulidis and Vlasios Choulidis

# Investor Relations Report

**Investor Relations-Report – 1st Quarter 2008**

At the beginning of 2008, persistent qualms about the state of the US economy and the continuing spread of the subprime crisis led to precipitous falls in prices on stock markets around the world. Markets were able to stabilise briefly in February before the crisis in confidence triggered further declines in stock prices in March.

In the USA, officials announced an economic package with a value of $150 billion, and the interest rate policy currently being pursued by the Federal Reserve Board indicates that the Fed is evidently prepared to accept a noticeable rise in the rate of inflation to protect the US economy from a long-lasting collapse of growth. Nevertheless, many economists viewed the US economic data through March as a harbinger of a beginning recession. In Germany, the assessment of the economic situation has been reservedly positive, but the continuing devaluation of the US dollar and the unabated rapid increase in oil prices are putting greater and greater burdens on its development.

In the first quarter, the German stock index DAX lost 1,532.35 (18.99%), falling to 6,534.97 points. The TecDAX lost 20.30%, falling from 974.19 to 776.39 points. By the end of the quarter, the TecAllShare Index reached 934.40 points, a loss of 22.10% in comparison with the end of 2007.

**The Drillisch Stock in the First Quarter of 2008**

**Drillisch Stock – 1st Quarter 2008**

| | Close-out 2007 | 31 March 2008 | % change |
|---|---|---|---|
| Drillisch | € 5.50 | € 4.43 | -19.45 |
| TecDAX | 974.19 | 776.39 | -20.30 |
| TecAllShare | 1,199.56 | 934.40 | -22.10 |

The highest price in the first quarter of 2008 was noted by the stock at €5.60 on 2 January. The lowest price was noted at €3.70 on 22 January. This low point was followed by a consolidation in line with the general development of the market. The development of the Drillisch stock during the first quarter of 2008 was no worse than that of the reference indices.

On the capital market, the Drillisch stock is mainly regarded as a promising investment. The recommendations of analysts assess the operative business on a saturated market to be promising.

**Capital Measures in the First Quarter of 2008**

Drillisch AG launched a stock repurchase programme on 15 February which is to run until 30 May 2008. As of 31 March 2008, 862,358 shares have been repurchased at an average price of €4.40 each. Weekly reports on the status of the stock repurchase programme can be viewed by logging onto our Investor Relations home page.

# Investor Relations Report

## Current Research Studies (as of 8 April 2008)

| Analysis | Rating | Target-Price | Date |
|---|---|---|---|
| West LB | „Buy" | € 6.50 | 04 April |
| Berenberg Bank | „Buy" | € 9.00 | 26 March |
| SES Research | „Buy" | € 7.70 | 27 February |
| Sal Oppenheim | „Buy" | Fair value € 6.50 | 20 February |
| Commerzbank | „Hold" | € 8.00 | 20 February |
| Landsbanki Kepler | „Buy" | € 7.50 | 23 January |
| HSBC Trinkaus | „Overweight" | € 5.80 | 18 January |

## Agenda for the first quarter – DGAP Ad-hoc Report

| | |
|---|---|
| 14 February | Drillisch AG decides to conduct stock repurchase programme |
| 19 February | Provisional results 2007: profit forecast exceeded |
| 26 March | Drillisch publishes dividend proposal |

**Investor Relations Events**

Numerous talks were carried out with institutional investors at Company headquarters in Maintal during the first quarter of 2008. 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. One of the major means of communications is the home page "Investor Relations". In addition to fulfilling legal requirements, the site lives and develops from the suggestions of private and institutional investors.

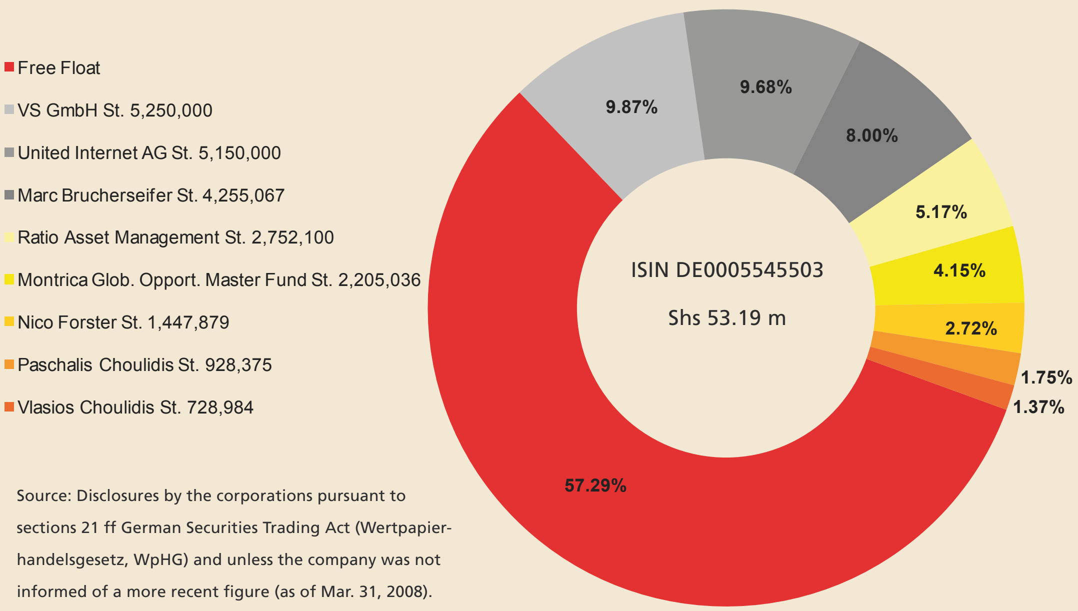
## Directors' Dealings 2008

| Datum | Name | Function | Purchase/Sale | Shares | Price |
|---|---|---|---|---|---|
| 30 Jan. | M. Brucherseifer | Supervisory Board | Carried forward | 221,730 | 4.51 |

## Directors' Holdings (as of 31 March 2008)

| | |
|---|---|
| Number of shares | 53,189,015 |
| **Management Board** | |
| P. Choulidis | Shares 928,375 → 1.75 percentage |
| V. Choulidis | Shares 728,984 → 1.37 percentage |
| **Aufsichtsrat** | |
| Dr. Hartmut Schenk | Shares -0- |
| Johann Weindl | Shares -0- |
| Marc Brucherseifer | Shares 4,255,067 → 8.00 percentage |
| Nico Forster | Shares 1,447,879 → 2.72 percentage |
| Dr. Horst Lennertz | Shares -0- |
| Michael Müller-Berg | Shares -0- |

## Shareholder Structure of Drillisch AG (Last revised 31 March 2008)




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 (as of Mar. 31, 2008).

# MARKET ENVIRONMENT

# The Wireless Services Market

**Current Trends on the Wireless Services Market**

More and more people using mobile phones for calls

The number of people in Germany using mobile phones has risen sharply once again. As the industry association BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien) announced in a press release on 27 April 2008, the number of wireless connections exceeded the 100-million mark in April 2008, a figure which means that statistically speaking one out of every five Germans has two mobile phones or wireless services cards. As of the end of 2007, the Federal Network Agency had recorded about 97 million wireless connections, an increase of more than 14% in comparison with the previous year. But the volume of connected calls in the past year rose even more sharply than the number of connections. The Federal Network Agency, for example, registered more than 11 billion additional call minutes (a plus of 20%) with mobile phones. In the past year, mobile phones were used for calls totalling 68.3 billion minutes in Germany. Ten percent of German households have cancelled their landline connections completely and use only mobile communication devices.

EU applying pressure to decrease fees for wireless services even further

One of the most important reasons for this development can be seen in the falling prices. While, according to information from the Federal Statistics Office (destatis), the general consumer price index in Germany rose during the first three months of 2008 by about 3% in comparison with the same months of the previous year, the costs for telecommunications services declined by about the same amount. Since the wireless services market made up 2.1% of consumers' budgets in the months February and March, it made a major contribution to relieving pressure on pocketbooks. This became possible because the Federal Network Agency lowered the so-called forwarding charges – the fees which network operators charge for the acceptance and forwarding of calls from other networks and which are consequently a significant price factor – by about 10% in December 2007: to 7.92 eurocents for the large network operators T-Mobile and Vodafone and 8.8 eurocents for E-Plus and O2. But if the EU Commission has its way, these costs will decline even further before the end of this year; in the long term, a level of 1 to 1.5 eurocents is expected. Having set a maximum threshold for connections to other countries (roaming) in the past year, the EU Commission is now taking a closer look at the costs for the use of mobile data services (e.g., e-mails or mobile Internet). The intention is to reach a level for countries within Europe which is not significantly higher than the level in the consumer's home country.

Mobile Internet drives growth on the wireless services market

Industry experts see a potential of billions in mobile data transmissions, making it the most important growth factor on the wireless services market. While BITKOM forecasts indicate that the share of turnover from short messages (SMS/MMS) will decline slightly in this year, the share of mobile Internet surfing and e-mails has doubled over the last two years. By the end of the year, these applications will take the leading position in mobile data services with a share of about 14%. According to information from the Federal Network Agency, the volume of data transmitted via mobile services has doubled within the past year to 1.7 billion gigabytes.

This development would not have been possible without fast mobile Internet access with high transmission rates. A survey conducted by BITKOM in Germany in January 2008 showed that for the first time there were now more than ten million UMTS (Universal Mobile Telecommunications System) connections. This figure is expected to rise to almost 16 million by the end of the year. Eight years after the auctioning of the UMTS licences, this technology – once described as a flop – has successfully made the breakthrough to the mass market. But further growth potential is also forecast for voice services. Flat rates (lump-sum rates independent of volume) and low-price packages from wireless services discounters will be particular factors leading to additional growth in call minutes. Moreover, wireless connections are increasingly taking the place of the classical landline service. As broadband mobile Internet accesses become increasingly available, the landline connection will also lose more and more ground for data transmission.

# New Standards in the Discount Segment

**Drillisch Sets Standards in the Discount Segment**

simply goes on the attack with prices

At the end of January, Drillisch AG (Drillisch) and its discount brand went on the attack with prices and became the first provider in Germany to undercut the previously sacred price threshold of 9.9 eurocents a minute by a substantial amount. A standard minute price of 8.5 eurocents to all networks around the clock means that simply now offers Germany's lowest-price discount rate. Competitors followed some time later, but only to the level of 9 eurocents a minute, leaving simply with the price leadership on the German discount market. It was only logical that simply received numerous awards and "Recommendations from the Editors" from the professional and industry journals.

Flat-rate offers being expanded

The flat-rate offers launched under the brand SIMfix in autumn 2007 have become solidly established on the market. At the end of February, simply initiated yet another flat rate which can be booked as an option to the rate schedule simply partner or older simply rate schedules. Users who select the option can place calls to the German landline networks without limits for a monthly flat charge of €12.95. Drillisch supplemented its products on the discount market with additional attractive rates by introducing landline and community flat rates for the brand McSIM at the beginning of March. Customers of the Vodafone network can now phone the German landline networks for a flat rate of €12.95 a month as well. The community flat rate of €6.49 a month means that all of the calls from McSIM to McSIM are free.

Telco Services GmbH and VICTORVOX GmbH grow together

In February 2008, Drillisch organised a workshop for the top performers from all of the trade channels – specialist trade, direct sales and e-commerce – at Telco and VICTORVOX; for the first time, the exchange of marketing ideas and the development of future strategies were carried out under the common Telco flag. The integration of Telco Services GmbH into the Drillisch Group has consequently been completed in less than one year.

# COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP IN THE FIRST QUARTER 2008

# Group Companies

### Business Development of the Drillisch Group in the 1st Quarter 2008

In its own estimation, Drillisch AG (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 network operators active in Germany, primarily through subsidiaries. The services acquired from the network operators are sold further to end consumers for the Company's own account and at rates that Drillisch defines itself based on its own calculations. The most important sales channels are about 400 specialist retailers, the Internet and large retail chains. Within the Group, Drillisch AG has responsibility as the parent company for the overlapping functions such as management, finances and accounting, controlling, cash management, human resources, risk management, corporate communications and investor relations.

### Telco and VICTORVOX Concentrate on the Post-paid Business

The business field "wireless services" includes the sectors pre-paid, post-paid and discount. The two service providers Telco Services GmbH (Telco) and VICTORVOX GmbH (VICTORVOX) are specialists for the post-paid business. The marketing activities in the telecommunications speciality trade are combined under the premium brand Telco. VICTORVOX concentrates primarily on special sales forms and wide-area marketing.

### Wide-ranging Pre-paid Business with Own Processor Status

Alphatel GmbH (Alphatel) has specialised in pre-paid business and is the only service provider in Germany to use its own platform (processor status) for the marketing of cash cards and cash codes alongside the classic network operator rates. g~paid, the system used by Alphatel, enables the secure sending of PIN codes over electronic channels.

### Wireless Services Discount Products in Two Networks

Drillisch is the only service provider in Germany to offer discount products for two networks. The subsidiary SIMply Communication GmbH (simply) markets wireless services rate schedules in the T-Mobile network at especially favourable terms via the Internet and in cooperation with large retail chains. McSIM Mobilfunk GmbH (McSIM) expands the Drillisch discount product line and concentrates on wireless services in the Vodafone network.

### MSP Holding Holds the Participation in freenet

MSP Holding GmbH (MSP) is a joint venture in which Drillisch AG and United Internet AG each hold an interest of 50%. MSP has a shareholding of close to 25% of the freenet AG (freenet) voting shares. The participation in MSP is valued at equity in the Drillisch consolidated annual accounts.

### IQ-optimize Guarantees IT Competence

The significantly smaller business division "Software Services" has been concentrated in the subsidiary IQ-optimize Software AG (IQ-optimize). Drillisch bundles its entire IT competence in this company. IQ-optimize markets its own workflow management software and performs all of the IT services for the Group companies.

### Employees

In the first quarter of 2008, an average of 351 employees (previous year 339), including the two members of the Management Board, was on the payroll of the Drillisch Group. The number of vocational trainees, who are not included above figure, declined from 20 to 16.

# Turnover and Earnings Position

**Turnover and Earnings Position**

Drillisch continued the good business development of the previous year into the new fiscal year 2008 without a single bump in the road. During the first quarter of 2008, the Drillisch Group increased sales from 2.24 million (previous year: 2.07 million) customers (post-paid 37%; pre-paid 63%) by 10.2% to €84.6 million, primarily as a consequence of acquisitions. Other operating income rose by €0.4 million to €1.0 million. The major part of this increase came from the receipt of written-off receivables and from the reversal of valuation allowances on receivables. This is a reflection of the strict claims management in the Drillisch Group.

The cost of materials rose underproportionately to the growth in turnover by 9.0% to €67.0 million. As a consequence, gross profit (turnover less cost of material) rose by 15.2% to €17.6 million. The gross profit ratio (gross profit to turnover) improved by 19.9% to 20.8% and is very close to the gross profit ratio of the entire previous year of 21.0% even though seasonal factors make this the weakest quarter in terms of turnover and earnings. Personnel expenses – primarily as a consequence of the acquisition of Telco, for which only one month was included in the comparable figures of the previous year – rose by 15.4% to €5.2 million. The personnel expense ratio (personnel expenses to turnover) therefore rose slightly from 5.8% to 6.1%. The other operating expenses went down by 1.9% to €4.4 million. The lower other operating expenses, the improvement in the gross profit margin and the merely slight rise in the personnel expense ratio are clear evidence for the successful integration of Telco.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) improved by 27.8% to €9.5 million. The EBITDA margin (EBITDA to turnover) improved from 9.7% to 11.3%, exceeding the EBITDA margin for the entire previous year of 11.0%.

Depreciation increased by €0.8 million to €1.6 million The background for this development is the allocation of the purchase price paid for the takeover of Telco to individual assets. Then, in particular, the customer relationships, the software created by the Company itself and the trade marks were capitalised. Write-offs were taken on the value assessments of the customer relationships and of the software created by the Company itself as well as of the purchased software and the fixed assets. In total, the EBIT (earnings before interest and taxes) rose by 19.5% to €8.0 million. The EBIT margin (EBIT to turnover) rose by 8.7% to 9.4%.

In autumn of 2006, Drillisch began acquiring interest in the company which is today freenet AG. Since that time, the shareholding has been continuously increased. In the last fiscal year, the participation in freenet was contributed to MSP. Drillisch itself purchased additional freenet stock in the first quarter of 2008. The participation in MSP and the shares in freenet held directly are valuated at equity. The results from this inclusion amounted to €1.2 million (previous year: -) in the first quarter of 2008. The (other) financial results improved by 17.0% to -€1.2 million because significant amounts of loans were repaid in the first quarter of 2008 following the capital increase at the end of the previous fiscal year.

The earnings before taxes on income (EBT) thus increased by more than half to €8.0 million (previous year: €5.2 million). The EBT margin (EBT to turnover) improved by 2.6% to 9.4%. Taxes on income increased merely by 6.2% to €2.2 million. One reason for this came from the tax reform in Germany, which is why the average tax ratio for Drillisch in 2008 declined to 31.6% (previous year: 39.7%), another was that the financial assets shown in the balance sheet according to the equity method are taxed at a significantly lower percentage rate.

The consolidated profit increased by 82.0% to €5.8 million. The net return on turnover increased from 4.2% in the first quarter of the previous year to the present 6.9%. As a consequence of the capital increases in the past year and the stock repurchase programme in 2008, the average number of shares entitled to dividends rose from 34.6 million to 53.0 million. The profit per share rose in the first quarter of 2008 from €0.09 to €0.11.

**Assets, Liabilities and Financial Position**

The balance sheet total of the Drillisch Group declined during the first quarter of fiscal year 2008 by €72.9 million to €313.0 million. The primary reason for the decline was the unscheduled loan repayment of €64.6 million. The equity ratio improved to 75.3%, rising from 60.5% at the end of fiscal year 2007, which means that the Company is solidly financed and has an equity endowment far higher than the average of German companies.

Due to the unscheduled repayment of the cash loan facility and a further increase in the shareholding in freenet, cash declined by €80.9 million to €3.8 million. Other intangible assets declined by €1.1 million to €18.2 million. The background to this decline is the purchase price allocation of the Telco acquisition described above and the write-offs on the capitalised intangible assets. The fixed assets increased by a total of €17.8 million to €260.7 million. Their share of the balance sheet total is 83.3%. They are covered by equity to 90% and to more than 100% by equity and long-term debt.

The greatest change in the current assets is found in the reduction of cash which has already been mentioned. Trade receivables declined by €4.3 million to €29.3 million. This change is a consequence of the closing date and is also a result of the high volume of Christmas business. Receivables due from companies in which there is a participating interest fell by €4.1 million to €0.1 million. A loan to MSP Holding was repaid by this company.

The stock repurchase programme which was launched in the first quarter of 2008 led to a reduction in subscribed capital of €0.9 million to €57.6 and in the capital surplus of €2.8 million to €125.5 million. The shares acquired by the Company have been offset against equity. The subscribed capital per share was reduced by €1.10. The surplus capital was reduced by the remainder of the purchase price. The good earning position is shown in the unappropriated retained earnings, which increased in comparison with the end of 2007 by €5.8 million to €21.5 million. Equity thus rose by a total of €2.0 million to €235.7 million.

Long-term liabilities declined by €54.3 million to €26.8 million. Their share in the balance sheet total fell from 21.0% to 8.6%. The reason for this was the repayment of a bank loan with a volume of €64.6 million described above. A good €50 million of this item concerns the long-term liabilities due to banks. They declined by €54.1 million to €20.0 million. A good €13 million is related to short-term liabilities due to banks – the share of the loans which are due for repayment in this year. Short-term liabilities due to banks thus declined by €13.2 million to €0.6 million.

Tax liabilities declined as a result of the lower tax levies by €0.3 million to €1.9 million. Other liabilities declined by €7.8 million to €5.5 million. The largest item is a short-term liability of €5.0 million which was settled. It had arisen as part of the M&A transaction with MSP.

**Cash Flow from Current Business Activities**

The good consolidated results also meant substantial improvement in cash flow from current business activities. It amounted to €8.0 million (previous year: -€5.6 million). Investments in fixed tangible and intangible assets (primarily software created by the Company) rose by €0.1 million to €0.7 million. Payments for the acquisition of shares in companies in which there is a participating interest are related primarily to investments in financial assets shown in the balance sheet according to the equity method. The stock repurchase programme reduced the cash item by €3.8 million.

# Opportunities and Risks of the Future Business Development

**Risk Report**

Drillisch AG 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 risk situation – in comparison with the risks described in the annual report for the year 2007 – did not change during the first three months of fiscal year 2008. In the opinion of the Management Board, adequate precautions have been taken to counter all of the identified, probable risks.

The assets and liabilities, financial position and profit and loss at Drillisch could be affected – via the participation in MSP – if the negative price development of the freenet stock continues.

**Outlook**

Based on current planning, the Management Board expects further improvement in the profit situation for the year 2008 as a whole – as measured by the adjusted EBITDA – in comparison with fiscal year 2007.

# CONSOLIDATED INTERIM ACCOUNTS AS PER 31 MARCH 2008

# Consolidated Income Statement

| | I/2008 | I/2007* |
|---|---|---|
| | €k | €k |
| Sales | 84,604 | 76,762 |
| Other own work capitalised | 508 | 523 |
| Other operating income | 1,009 | 634 |
| Cost of materials / Expenditures for purchased services | -67,024 | -61,507 |
| Personnel expenses | -5,177 | -4,487 |
| Other operating expenses | -4,380 | -4,463 |
| Amortisation and depreciation | -1,590 | -807 |
| **Operating result** | **7,950** | **6,655** |
| Result from financial investments shown in the balance sheet by equity method | 1,216 | 0 |
| (Other) Financial results | -1,174 | -1,415 |
| **Profit before taxes on income** | **7,992** | **5,240** |
| Taxes on income | -2,163 | -2,037 |
| **Consolidated profit** | **5,829** | **3,203** |
| **Profit per share (in €)** | | |
| Undiluted | 0.11 | 0.09 |
| Diluted | 0.11 | 0.09 |
| EBIT | 7,950 | 6,655 |
| EBITDA | 9,540 | 7,462 |

*The consolidated income statement 2007 included the figures from the acquired subsidiary, Telco Services GmbH, as per 01 March 2007.

# Consolidated Balance Sheet

## ASSETS

| | 31.03.2008 | 31.12.2007 |
|---|---|---|
| | €k | €k |
| **Fixed assets** | | |
| Other intangible assets | 18,153 | 19,275 |
| Goodwill | 66,400 | 66,400 |
| Tangible assets | 2,201 | 1,934 |
| Financial assets shown in balance sheet according to equity method | 171,009 | 152,392 |
| Other financial assets | 13 | 13 |
| Deferred taxes | 2,952 | 2,906 |
| **Fixed assets, total** | **260,728** | **242,920** |
| | | |
| **Current assets** | | |
| Inventories | 11,660 | 10,590 |
| Trade accounts receivable | 29,272 | 33,619 |
| Accounts due from affiliated companies | 103 | 103 |
| Accounts due from companies in which there is a participating interest | 101 | 4,206 |
| Tax reimbursement claims | 4,909 | 6,936 |
| Cash | 3,805 | 84,681 |
| Other current assets | 2,466 | 2,926 |
| **Current assets, total** | **52,316** | **143,061** |
| | | |
| **ASSETS, TOTAL** | **313,044** | **385,981** |

# Consolidated Balance Sheet

## SHAREHOLDERS' EQUITY AND LIABILITIES

| | 31.03.2008 | 31.12.2007 |
|---|---|---|
| | €k | €k |
| **Shareholders' equity** | | |
| Subscribed capital | 57,559 | 58,508 |
| Capital surplus | 125,530 | 128,379 |
| Earnings reserves | 31,123 | 31,123 |
| Unappropriated retained earnings | 21,488 | 15,659 |
| **Equity, total** | **235,700** | **233,669** |
| | | |
| **Long-term liabilities** | | |
| Pension provisions | 982 | 982 |
| Other long-term provisions | 125 | 0 |
| Deferred tax liabilities | 5,193 | 5,637 |
| Bank loans and overdrafts | 20,000 | 74,119 |
| Leasing liabilities | 510 | 402 |
| **Long-term liabilities, total** | **26,810** | **81,140** |
| | | |
| **Short-term liabilities** | | |
| Short-term provisions | 9,254 | 9,707 |
| Tax liabilities | 1,897 | 2,224 |
| Bank loans and overdrafts | 611 | 13,767 |
| Trade accounts payable | 13,102 | 14,364 |
| Payments on account | 19,203 | 16,913 |
| Leasing liabilities | 1,009 | 891 |
| Other liabilities | 5,458 | 13,306 |
| **Short-term liabilities, total** | **50,534** | **71,172** |
| | | |
| **PASSIVA, GESAMT** | **313,044** | **385,981** |

CONSOLIDATED INTERIM ACCOUNTS AS PER 31 MARCH 2008

# Consolidated Statement of Change in Capital

| | Number of shares | Share capital | Capital reserves | Market valuation reserves | Earnings reserves | Unappro-priated retained earnings | Total |
|---|---|---|---|---|---|---|---|
| | | €k | €k | €k | €k | €k | €k |
| **As per 01/01/2007** | **32,089,936** | **34,510** | **23,318** | **31,180** | **17,302** | **6,029** | **112,339** |
| Change in own shares | 410,064 | 441 | 2,067 | 0 | 0 | 0 | 2,508 |
| Market valuation of Other financial assets | | 0 | 0 | 7,351 | 0 | 0 | 7,351 |
| Capital increase | 3,249,995 | 3,495 | 18,030 | 0 | 0 | 0 | 21,525 |
| Consolidated profit | | 0 | 0 | 0 | 0 | 3,203 | 3,203 |
| **As per 31/03/2007** | **35,749,995** | **38,446** | **43,415** | **38,531** | **17,302** | **9,232** | **146,926** |
| **As per 01/01/2008** | **53,189,015** | **58,508** | **128,379** | **0** | **31,123** | **15,659** | **233,669** |
| Change in own shares | -862,358 | -949 | -2,849 | 0 | 0 | 0 | -3,798 |
| Consolidated profit | | 0 | 0 | 0 | 0 | 5,829 | 5,829 |
| **As per 31/03/2008** | **52,326,657** | **57,559** | **125,530** | **0** | **31,123** | **21,488** | **235,700** |

# Consolidated Capital Flow Statement

| | I/2008 | I/2007 |
|---|---|---|
| | €k | €k |
| Consolidated profit | 5,829 | 3,203 |
| Interest paid | -1,743 | -1,664 |
| Interest received | 707 | 283 |
| Results from interest | 1,174 | 1,415 |
| Results of financial assets shown in balance sheet according to equity method | -1,216 | 0 |
| Income tax paid | -1,576 | -8,731 |
| Income tax received | 2,421 | 2,419 |
| Taxes on income | 2,163 | 2,037 |
| Amortisation and depreciation | 1,590 | 807 |
| Losses from the disposal of tangible assets and intangible assets | -60 | 0 |
| Change in inventories | -1,070 | 105 |
| Change in receivables and other assets | 6,946 | 3,703 |
| Change in trade payables payable and other liabilities and provisions | -9,409 | -13,276 |
| Change in payments received on account | 2,290 | 4,069 |
| **Cash flow from current business activities** | **8,046** | **-5,630** |
| Investments in tangible assets and intangible assets | -677 | -618 |
| Income from the disposal of tangible assets and intangible assets | 2 | 0 |
| Payments for acquisitions less acquired cash | 0 | -41,420 |
| Payment for the acquisition of shares in companies in which there is a participating interest | -17,401 | 0 |
| Investments in Other financial assets | 0 | -465 |
| **Cash flow from investment activities** | **-18,076** | **-42,503** |
| Change in own shares | -3,798 | 2,508 |
| Capital increases | 0 | 21,525 |
| Outgoing payments for amortisation of loans | -67,275 | 0 |
| Incoming payments from the taking out of loans | 0 | 17,499 |
| Change in investment liabilities | 227 | -308 |
| **Cash flow from financing activities** | **-70,846** | **41,224** |
| **Change in cash** | **-80,876** | **-6,909** |
| Cash at end of period | 3,805 | 2,129 |
| Cash at beginning of period | 84,681 | 9,038 |
| **Change in cash** | **-80,876** | **-6,909** |

# Consolidated Notes

## 1 Applied Accounting Principles

The consolidated interim accounts were prepared in accordance with the International Financial Reportings Standards (IFRS). The same accounting and valuation methods were applied as to the consolidated annual accounts as per 31 December 2007.

## 2 Share Repurchase Programme

The Drillisch AG Management Board has decided to carry out a stock repurchase programme. This decision is based on the authorisation granted by the Annual General Meeting on 18 May 2007 which authorised Drillisch to acquire own stock by no later than 17 November 2008. The repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting and runs from 15 February 2008 to 30 May 2008. As per 31 March 2008, Drillisch held 862,358 own shares in its portfolio.

## 3 Contingent Receivables

The contingent claim registered in the consolidated financial statement as per 31 December 2007 amounted to €10,745k on 31 March 2008.

## 4 Segment Presentation

The sales and the operating result can be presented by segment as follows:

| | I / 2008 | I / 2008 | I / 2007 | I / 2007 |
|---|---|---|---|---|
| | Turnover | Operating result | Turnover | Operating result |
| Telecommunications | € 84.6 million | € 7,980k | € 76.8 million | € 6,723k |
| Software services | . € million | -€ 30k | . € million | -€ 68k |

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## Finance and Event Calendar*

| | |
|---|---|
| Annual General Meeting | Friday, 30 May 2008 |
| German Corporate Conference, Dt. Bank, Frankfurt | Thursday, 05 June 2008 |
| Semi-Annual Report | Thursday, 14 August 2008 |
| German Equity Forum | November 2008 |
| 9-Month Report | Friday, 14 November 2008 |

* Subject to change

## Publications

The present report on the first quarter of 2008 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**.

## Your Contacts

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

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**Future-oriented Statements:**
This report contains certain statements oriented to the future (projections) 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.