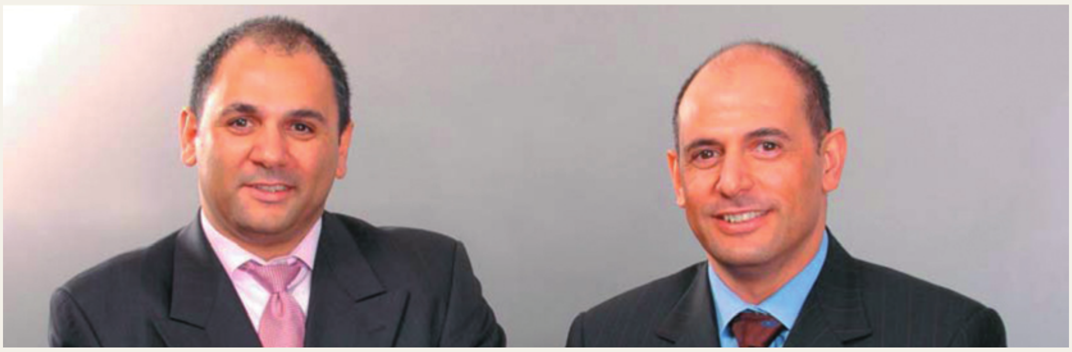
DRILLISCH TELECOM

DRILLISCH AG
ANNUAL REPORT 2008

Key Indicators of the Drillisch Group

Drillisch-Group	2008	2007	2006
Turnover in €m	350.1	361.5	282.2
Wireless service division in €m	350.0	361.2	282.1
Software services in €m	0.1	0.3	0.1
EBITDA in €m	40.6	39.8	32.0
EBITDA, adjusted, in €m	40.6	38.0	29.3
EBIT in €m	33.9	34.0	28.8
EBT in €m	-172.4	27.7	28.1
Consolidated profits in €m	-184.1	24.3	17.2
Profit/loss per share in €	-3.58	0.66	0.54
EBITDA margin in % of turnover	11.6	11.0	11.3
EBIT margin in % of turnover	9.7	9.4	10.2
EBT margin in % of turnover	-49.2	7.7	9.9
Consolidated profit margin in % of turnover	-52.6	6.7	6.1
Equity ratio (equity % of balance sheet total)	17.4	60.5	44.8
Return of equity (ROE) (ratio Group result to equity)	-78.8	21.7	24.3
Cash flow from current business operations in €m	42.6	5.4	23.4
Depreciation excluding goodwill in €m	6.7	5.8	3.2
Investments (in tangible and intangible fixed assets), adjusted, in €m	3.9	2.8	4.2
Staff as annual average (incl. Management Board)	347	374	306
Wireless services customers as per 31/12 (approx. in thousands)	2,371	2,201	1,763
Wireless services customers Debit	1,525	1,359	1,194
Wireless services customers Credit	846	842	569

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,

During fiscal year 2008, we found ourselves confronted with challenges that were not solely a consequence of the competition. During the second half of the year, we had to concern ourselves intensively with the effects of the financial crisis which originated on the capital market. This financial crisis, which was not foreseeable for us in such dimensions, has had major repercussions in the Drillisch AG balance sheet. Our operating business continued to develop well and gives us confidence with regard to the further development of Drillisch AG.

We would like to start by describing our market environment in more detail to you, our shareholders and business partners.

The wireless services market in Germany remains in a state of transition. More and more landline telephones are being jettisoned in favour of mobile phones. The low prices have already convinced more than four million households in Germany that they have no further need for the traditional landline connection. Now the Internet is also becoming mobile on a wide scale. We offer fair, flexible and low-price rates to the market, including data flat rates with high transmission speeds. These products are successfully competing with the landline connection at home. We prepared for this development at an early stage and expanded our market position in 2008.

These market developments are having a positive effect on the operating business of Drillisch AG. More than 10 million people in Germany are already surfing on the Internet with their mobile phones or laptop computers, and the number of users will continue to increase. According to estimates, turnover with mobile data will double to just under five billion euros in the period from 2008 to 2010.

Despite the growth in the number of subscribers in comparison with the previous year, sales declined by about 3.2% to €350.1 million, primarily as a result of the decrease in prices. The gross profit margin of the past fiscal year remains unchanged at 20.9%. We were able to exceed our EBITDA forecast of €40 million slightly and reached €40.6 million. A comparison with the previous year shows that the EBITDA was 1.9% higher than in 2007; compared with the EBITDA of the previous year when adjusted for special effects, there was an increase of 6.7% from €38.0 million to €40.6 million. This was the sixth year in succession in which we have been able to increase the EBITDA.

The number of wireless services subscribers rose by 7.7% in the annual comparison to 2.37 million. We were also able to exceed our forecast of 2.35 million subscribers and now have 1.53 million pre-paid (2007: 1.36 million) and 846,000 post-paid customers (2007: 842,000).

During the fourth quarter, we took a write-off which did not affect liquidity on the strategic holdings in freenet in the amount of €51.3 million as a consequence of the continued decline in the stock price of this

Letter from the Management Board

company. These write-offs during fiscal year 2008 amounted in total to €202.4 million. As a consequence, our results before taxes fell to -€172.4 million. When cleared by the amount of the value allowance for the freenet holding, the result before taxes increased by 8.4% to €30.0 million from the previous €27.7 million.

Our operating cash flow rose by €37.2 million in comparison with last year (€5.4 million) and reached €42.6 million.

We took the necessary steps in good time to secure a credit line of €100 million in April 2008. This credit line was to be used to increase the strategic participation in freenet AG held jointly with United Internet pursuant to the issue of new shares by freenet AG so that the Company would continue to hold an interest of more than 25% in freenet AG. On 27 April 2008, freenet AG announced the acquisition of debitel AG. Pursuant to the purchase agreement, freenet AG issued 32 million new freenet shares to Permira. This capital increase by non-cash contributions was entered in the Commercial Register on 5 and 7 July 2008, resulting in the expected equity dilution for the other shareholders. We were able to counteract this dilution by using our credit line and to increase our interest to more than 25% by purchasing additional freenet stock. You will find additional information concerning the loan financing on page 68 of the consolidated Notes to this Annual Report.

In December 2008, we announced the acquisition of a majority interest in eteleon e-solutions AG, Munich, for the purpose of strengthening our e-commerce activities. The transaction was completed on 27 February 2009. Since that time, we have held 71.4% of the company's stock. eteleon is a successful and innovative company with strong sales, and we want to use their capabilities to broaden our common sales activities, expand the product line and acquire new customers.

On 29 December 2008, MSP Holding GmbH, a joint venture in which Drillisch AG and United Internet AG each hold 50%, sold 10,798,817 freenet shares to United Internet AG. The earnings were used to reduce the financial liabilities of MSP Holding GmbH. Although the sale of these shares reduced the size of the interest held by MSP Holding GmbH from 18.39% to 9.96%, the contractual voting commitment between United Internet and Drillisch nevertheless means that the common holding with voting rights of 25.91% does not change.

All of the business units with the relevant sales platforms contributed to the operating results. Our focus remains on the marketing of online sales platforms. We are continuing to develop these sales platforms and also take advantage of any cross-selling potential which arises. There has been further development of the distribution channels in retail grocery stores and ITC specialist shops parallel to the marketing on the Internet.

Our discount business was already able to contribute to the organic growth in profits in past years and will continue to do so in the future. In May 2008, we established a new discount brand called "maXXim" and introduced the lowest rate for wireless services in Germany: 8 eurocents a minute. In November 2008, the subsidiary IQ-optimize Software AG and our discount brand simply positioned themselves on the market segment with the highest growth rates, the mobile Internet, with their own brands "fioon" and "simply data". As of the product launch date on 24 November, "fioonData" offered a mobile DSL flat rate starting at €14.95 a month with the motto "everywhere online". "simply data" offers mobile high-speed surfing in the discount segment without a fixed contract term. By taking these steps, we have positioned the topic "mobile Internet" in the discount sector at an early stage as well.

We are well established on the growth markets discount and "mobile Internet" for the year 2009 – with our own brands and with strong sales partners – and will continue to take advantage of any opportunities which become available to us.

In the meantime, the financial crisis has developed into a worldwide economic crisis. Experts are in disagreement about its duration and effects on all areas of our lives.

We believe that the effects of the economic crisis on the German wireless services market will be limited. Drillisch will seize the opportunities presented on this dynamically changing markets and stay on its course of profitable growth.

We want to thank you, our employees, for your commitment and your performance which have made this good operating business possible in the first place. Our thanks go to you, our shareholders, customers and business partners, for the trust you have placed in us in these difficult times.

Warmest regards from Maintal.

Paschalis Choulidis and Vlasios Choulidis

Report of the Supervisory Board

Dear Sir or Madam,

Dr. Hartmut Schenk
Business graduate, tax consultant, Saarbrücken. Chairman of the Supervisory Board of Drillisch AG.

During the entire fiscal year 2008, the Supervisory Board diligently performed the duties required of its members by law and Company Charter. We continuously advised the Management Board in significant questions concerning the management of the corporation and monitored activities to satisfy ourselves of the proper management of the firm. The Supervisory Board was involved in all of the decisions of fundamental significance for the Company directly and in good time.

The Supervisory Board obtained regular information – in both written and oral form – from the Management Board, contemporaneously and comprehensively, concerning the course of business events, the position of the Company and any and all questions of corporate planning and strategic further development. Our special attention was given to the risk situation and risk management. Aberrations in the course of business from the budgets and goals were explained in detail to the Supervisory Board.

Based on the reports from the Management Board, we thoroughly discussed all of the business transactions of essential importance during the Supervisory Board meetings. Whenever required by legal or Company Charter regulations, we voted on the resolution proposals submitted by the Management Board after thorough review and discussion.

A total of eight Supervisory Board meetings were held as live meetings during fiscal year 2008. They took place on 25 March, 26 March, 06 May, 30 May, 20 August, 26 September, 19 November and 12 December 2008. In addition, the Supervisory Board participated in a total of five telephone conferences outside of the live meetings and dealt with current and urgent matters by means of a written consent procedure in lieu of a meeting, employing this procedure for the adoption of resolutions as needed.

The Supervisory Board gave intensive consideration to the following topics during its meetings after receiving the relevant information from the Management Board:

- *Strategic cooperation with United Internet AG in MSP Holding GmbH*
- *Strategies and activities related to the Annual General Meeting of freenet AG*
- *Financing of the Company*
- *Appropriation of profits 2007 (distribution of a dividend and balance carried forward to a new account)*
- *Strategy concerning the acquisition costs per subscriber in the contract customer business*
- *Acquisition of the majority of shares in eteleon e-solutions AG, Munich*
- *The merger of the group companies VICTORVOX GmbH, Alphatel GmbH and Telco Services GmbH to create Drillisch Telecom GmbH (previously McSIM Mobilfunk GmbH)*

Moreover, the development of turnover and profits, the development of the number of subscribers and the tax circumstances and the financial position of the Company and of the Group were the subject of regular discussions. Furthermore, we discussed the effects of current legal developments and our risk management system in a joint meeting with the Management Board.

The Supervisory Board also received regular, detailed information about ongoing developments as well as about all projects and plans which were of special significance for the Company in the form of monthly reports and special information between the actual meetings. Besides the intensive work together as a full group, my fellow members of the Supervisory Board and I had regular contact with the Management Board outside of the meetings. At such times, we obtained information about current business development and the major business transactions.

Report of the Supervisory Board

The five-year term of the Supervisory Board elected during the Annual General Meeting 2003 ended with the Annual General Meeting on 30 May 2008. The Supervisory Board members currently in office were re-elected to the Board for the term 2008 to 2013. During the initial session on 30 May 2008 – immediately following the Annual General Meeting – the chairperson and the deputy chairperson were confirmed in their offices and the required committee memberships were determined.

None of the Management and Supervisory Board members were confronted with conflicts of interest which must be disclosed immediately to the Supervisory Board and reported to the Annual General Meeting.

During the reporting period, the Supervisory Board did not act on the opportunity to view the ledgers and correspondence of the Company or to engage special experts for specific tasks (Section 111, Subsection 2 AktG (German Company Law)); actions of this nature did not appear necessary or meaningful due to the regular and intensive reporting from the Management Board and the supplementary supervisory measures described above.

The Supervisory Board closely observed the further development of the corporate governance standards. The Management Board reported on the corporate governance in a separate section of the Annual Report, which was also directed to the Supervisory Board. We discussed the implementation of the Codex intensively with the Management Board during the Supervisory Board meeting on 19 November 2008. At this time, we concerned ourselves in particular with the amendments to the Codex undertaken by the government commission German Corporate Governance Codex during its meeting on 06 June 2008. Management and Supervisory Board submitted an updated Declaration of Conformity in accordance with Section 161 AktG on 19 December 2008 and made it permanently accessible to our shareholders on the Company's website.

The Audit Committee met once, on 19 November 2008, during fiscal year 2008; the meeting focused in particular on the major points during the audit of annual accounts and on the engagement, independence and fee payment of the auditor.

The two new committees established on 30 May 2008, the Nominating Committee and the Personnel Committee, did not meet in 2008.

The membership of the various committees is listed in the overview in the chapter page 75, tab. 38.

The consolidated annual accounts, the consolidated management report and the individual annual accounts and management report for fiscal year 2008 were audited by the BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft engaged to perform the audit and were each certified by the issue of an unqualified auditor's opinion. The consolidated annual accounts were prepared in accordance with Section 315a HGB (German Commercial Code) on the basis of the international accounting standards IFRS as they are to be applied within the European Union.

The audit reports were sent to all of the Supervisory Board members in good time. The reports were the subject of intensive discussions in the Supervisory Board meeting on 25 March 2009. The auditor took part in the Supervisory Board meeting, reported on the major results of the audit and was available to the Supervisory Board to answer questions and provide supplementary information. The Supervisory Board carefully examined the annual accounts, the consolidated annual accounts, the management report and the consolidated management report as well as the proposal for the appropriation of the retained earnings.

Focal points of the audit were once again the estimates of the investment book values and the goodwill as well as the values of the investment in MSP Holding GmbH and of the stock in freenet AG held directly; another point was the recognition of the merger in the individual accounts of Drillisch Telecom GmbH

Report of the Supervisory Board

(previously McSIM Mobilfunk GmbH).

After concluding its examination, the Supervisory Board did not have any objections to the submitted documents; the Supervisory Board accepted the conclusions reached by the auditor and is in full agreement with the content. During its meeting on 25 March 2009, the Supervisory Board approved the annual accounts and consolidated annual accounts; the annual accounts have thus been adopted.

The Supervisory Board wishes to thank the Management Board for its work and its successful business activities in 2008. At the same time, the Supervisory Board wishes to express to all of the employees of the Group its appreciation for their work and their contributions to the success of the corporation.

Maintal, 25 March 2009

On behalf of the Supervisory Board

Dr Hartmut Schenk

Corporate Governance

Corporate Governance Report

The term "corporate governance" refers to responsible, effective corporate management aimed at securing long-term added value. Efficient cooperation between management and supervisory boards, respect for shareholders' interests, openness and transparency of corporate communications are major aspects of good corporate governance.

It has always enjoyed a position of high priority at Drillisch and is a major factor for a company's success.

The standards of responsible management have been set down above all in the German Company Law and in the German Corporate Governance Codex. The Codex has been in effect since 2002 and was most recently amended and developed further by the government commission on 06 June 2008. The Management and Supervisory Boards at Drillisch have worked hard to ensure compliance with the requirements of the Codex. Their Declaration of Conformity can be found at the conclusion of this report.

In accordance with Item 3.10 of the German Corporate Governance Codex, Management and Supervisory Boards submit the following report on corporate governance at Drillisch:

Responsible management is oriented to increasing value

Drillisch is oriented to the standards of responsible company management aimed at securing long-term added value. The Company's management seeks to confirm and reinforce the trust of customers, employees, business partners, shareholders and the general public by being open in its information policy and establishing transparent decision-making structures. Continuous, comprehensive corporate communications on the Company's own initiative is absolutely essential to accomplish this. It includes the publication without delay of any information relevant for stock prices in the form of ad hoc reports to the capital market as well as additional publications. Required disclosures, company reports, major announcements and press releases are published contemporaneously on the Internet home page. By doing so, the Company also guarantees the fair and equal treatment of all of its shareholders.

Cooperation in a spirit of trust between Management and Supervisory Boards

The corporate management is based on close, constructive cooperation in a spirit of trust between Management and Supervisory Boards as well as an intensive and constant flow of information – this is in line with the common understanding of good corporate governance at Drillisch.

The Management Board manages the Drillisch Group on its own responsibility and sets the strategic direction of the Drillisch Group in consultation with the Supervisory Board. The Management Board regularly and contemporaneously reports to the Supervisory Board in both written and oral form on the course of business, the position of the Group, the corporate planning and the risk situation. The rules of internal procedure regulate the division of authority within the Management Board and define the significant transactions and events which require approval by the Supervisory Board.

In accordance with legal provisions, the Supervisory Board has six members. It carries out its duties as a supervisory body both by monitoring the Management Board and advising the latter's members in the conduct of business. The internal rules of procedure regulate the administrative and organisational aspects in this respect. The Supervisory Board chairperson reports on the Board's work in a separate Supervisory Board report.

Managing risks effectively

If the Company's success is to be assured over the long term, it is essential to identify and analyse the risks of business actions effectively and to eliminate or restrict their effects by means of the appropriate steering mechanisms. The risk management system at Drillisch ensures the responsible handling of these risks. It is especially designed with the aim of recognising risks early, then assessing and controlling them. The system is subject to constant further development and adapted as necessary to changing circumstances.

Corporate Governance

The Management Board provides a detailed analysis of risks and future development in the management report.

Reasonable compensation

The compensation paid to members of the Management and Supervisory Boards is commensurate with their tasks and the responsibility which has been assigned to them. Each of the Supervisory Board members received fixed compensation for the past fiscal year 2008. Supervisory Board members who were not active in this body for the entire year received compensation proportionate to the time of their membership. The merit-based compensation paid to the Management Board members is in line with the corporate philosophy for management compensation which is followed throughout the entire Drillisch Group. Members of the Management Board as well as other managers in the Company receive salaries comprising fixed and variable components. The Management Board reports on the compensation system in the consolidated management report. (page 76, tab. 40)

According to Section 15a WpHG (German Securities Trade Act), officers and directors of the Company and people with management tasks must disclose the purchase and sale of Drillisch AG stock to the Company. Drillisch AG was notified of the following purchase and sales transactions, which in accordance with Item 6.6. of the German Corporate Governance Codex must be reported in the Corporate Governance Report, during fiscal year 2008.

Directors' Dealings in 2008

Management Board

Date	Transition type	Shares	Price/€	Reporting person
29 Oct.	Purchase	37,032 shares	1.596	MV Beteligungs GmbH
26 Nov.	Purchase	160,670 shares	1.20	Vlasios Choulidis

Supervisory Board

Date	Transition type	Shares	Price/€	Reporting person
30 Jan.	Carried forward	221,730 shares	4.50	Marc Brucherseifer
20 June	Carried forward	7,439 shares	—	Johann Weindl
18 Sept.	Sale/Carried forward	233,334 shares	3.00	Marc Brucherseifer
20 Nov.	Purchase	5,000 shares	1.35	Dr Hartmut Schenk
28 Nov.	Purchase	400,000 shares	1.20	Colonia Private Equity
28 Nov.	Purchase	313,200 shares	1.20	Nico Forster
04 Dec.	Purchase	10,000 shares	1.00	Colonia Private Equity
16 Dec.	Sale	40,000 shares	1.2878	Marc Brucherseifer
17 Dec.	Sale	60,000 shares	1.2805	Marc Brucherseifer

The number of Drillisch shares held by officers and directors is shown in the consolidated management report.

Corporate Governance

Drillisch Aktiengesellschaft
Declaration of the Management Board and Supervisory Board of Drillisch AG Regarding the Recommendations of the "Government Commission German Corporate Governance Codex" in accordance with Section 161 AktG

Management Board and Supervisory Board of Drillisch AG hereby declare that the Company has been and is in conformity with the recommendations of the "Government Commission German Corporate Governance Codex" announced by the Federal Ministry of Justice in the official section of the electronic Federal Gazette, subject to the following exceptions. This Declaration is based on the revision of the Codex of 14 June 2007 for the period from 20 July 2007 to 7 August 2008, on the revision of 6 June 2008 for the period since 8 August 2008, with the further exception that the recommendation in Item 7.1.2, Sentence 2 concerning the discussion of the semi-annual report and of the nine-month report for fiscal year 2008 with the Management Board before publication was not followed:

Item 2.3.1 Concerning the full and complete publication of the reports and documents required for the General Meeting on the Internet. Paper copies of all of the documents can be requested.

Item 2.3.2 Concerning the distribution of any and all convocation documents by electronic means. Paper copies of all of the convocation documents can be requested.

Item 3.8 Concerning the agreement of a reasonable deductible at the conclusion of a D&O insurance policy.

Item 4.2.5 Concerning the disclosure and representation of the compensation paid to Management Board members. The compensation comprises fixed and variable components. The variable components are shown as a lump sum in the total compensation. There is no stock option programme. Management Board compensation payments are not itemised according to the individual members.

Item 5.3.3 Concerning the creation of a nomination committee. The work within the full Board is so efficient that the creation of a further committee is not deemed to be reasonable or necessary.

Item 5.4.6 (previously Item 5.4.7) Concerning the payment of compensation contingent on success to the Supervisory Board members. Compensation contingent on success is not paid. Supervisory Board compensation payments are not itemised according to the individual members.

Maintal, den 19.12.2008

Für den Aufsichtsrat	Der Vorstand	
Dr. Hartmut Schenk	Paschalis Choulidis	Vlasios Choulidis

Explanatory Comments on the Deviations from the Recommendations of the German Corporate Governance Codex

Item 2.3.1
The Company sends out all of the reports and documents only in paper form on request. The reports and documents required for the General Meeting contain in part information which is sensitive with respect to the competition; if published in full and completely on the Internet, this information would become accessible to a general public. If it were made available on the Internet, Drillisch AG would not be able to exclude with absolute certainly the possibility that non-shareholders would be able to access these data or misuse the data which had been made available electronically. To avoid this situation, the Management Board and Supervisory Board have decided to make the above-mentioned information available only in paper form.

Corporate Governance

Item 2.3.2
All of the convocation documents can be requested from the Company solely in paper form. The convocation documents contain in part information which is sensitive with respect to the competition; if published in full and completely on the Internet, this information would become accessible to a general public. If it were made available on the Internet, Drillisch AG would not be able to exclude with absolute certainly the possibility that non-shareholders would be able to access these data or misuse the data which had been made available electronically.

Item 3.8
The Management Board and Supervisory Board have concluded a liability insurance policy covering pecuniary loss which at this time does not include a deductible. In the opinion of the Management Board and Supervisory Board at Drillisch AG, there is a risk that the agreement of a deductible for negligent actions and the related liability risks would counteract the efforts of Drillisch AG to obtain the services of highly qualified persons to serve on Management Board or Supervisory Board. This is the reason for the decision not to agree to a deductible.

Item 4.2.5
The compensation comprises fixed and variable components. The variable components are shown as a lump sum in the total compensation. Management Board compensation payments are not itemised according to the individual members. The Management Board and Supervisory Board are of the opinion that this disclosure satisfies the legitimate interest of the shareholders in information in a reasonable and satisfactory manner.

Item 5.3.3
The Supervisory Board maintains that the work within the full Supervisory Board is so efficient that the creation of a further committee is not deemed to be reasonable or necessary. Moreover the size/number of members of the Supervisory Board does not indicate that this action would be called for or beneficial.

Item 5.4.6
Supervisory Board compensation payments are not itemised according to the individual members. No compensation contingent on success is paid to Supervisory Board members because the influence of the Supervisory Board on operative daily business is too slight. The Management Board and Supervisory Board are of the opinion that this disclosure satisfies the legitimate interest of the shareholders in information in a reasonable and satisfactory manner.

Investor Relations-Report

The Drillisch Stock – Key Data

Description	Characteristic value
Security Identification Number	554 550
ISIN	DE0005545503
Stock abbreviation	DRI
Initial listing	22 April 1998
Initial listing	Prime Standard
Index	Technology All Share
Class	No-par shares
Number of shares	53,189,015
Share capital as per 31/12/2008	58,507,916.50 Euro
Year-end closing price on 28/12/2008	€ 1.73 (Xetra)
Highest price on 02/01/2008	€ 5.60 (Xetra)
Lowest price on 03/12/2008	€ 0.86 (Xetra)
Average of traded stock (shares) on Xetra	130,741/day (previous year: 205,478)
Designated Sponsors	Commerzbank AG Sal. Oppenheim jr. & Cie. KGaA

The Stock Market Year 2008 – Annus Horribilis and Paradigm Change

In 2008, the DAX lost 40.37% or 3,257.12 points, falling to 4,810.20 points (2007: 8,067.32), while the Tec-DAX fell by 465.88 points or 47.82% to 508.31 points (2007: 974.19).

As was already the case in the first three quarters of 2008, the great uncertainty in projecting the scope of the financial crisis continued unabated in the fourth quarter. At this time, crisis scenarios for the real economy are outdoing each other and having a major effect on the beginning of 2009. The ongoing cleanups on the capital markets are reinforcing the restrictive attitudes. The economic recovery programmes announced at the end of 2008 were welcomed, but there was considerable scepticism regarding their sustainability so that they did not have the desired calming effects. The previous drivers of the capital market, among them the M&A business, and the parameters for the granting of loans, are being fundamentally reset and cannot be relied on as supporting factors. Central banks all around the world are attempting to steer money back into economic circulation by means of massive cuts in interest rates and are making a major contribution to overcoming the crisis. The US Federal Reserve lowered its prime rate in 2008 from 4.25% to a target corridor of 0 to 0.25%. In the euro zone, rising inflation rates led to an increase in the prime rate from 4% to 4.25% in July 2008 before the ECB reduced the prime rate by 175 base points to 2.50% in the fourth quarter. The return on 10-year German federal bonds fell from 4.33% to 2.94% in 2008. These orchestrated measures resulted in a stabilisation on the stock markets at a moderate price level at the end of the year.

After getting off to a good start in the first quarter of 2008, the German economy slid into recession in the second half of the year. The Ifo index reached the lowest level in 25 years. Parallel to this, the ISM index in the USA fell to the level of the major recession at the beginning of the 1980s. The end of Lehman Brothers in September 2008 was the final straw that caused the interbank markets and the credit markets to collapse. A significant number of financial institutes could be saved from disaster only with government aid. The subsequent credit squeeze has now arrived in the real economy.

Investor Relations-Report

The value assessment of the operational business exceeds the stock market capitalisation of app. 92m Euro at the end of 2008 by a substantial margin

The Drillisch stock closed out the year 2008 at a price of €1.73. Compared to the year-end price of €5.50 in 2007, that is a price decline of 68.5%. On the average, 130,741 Drillisch shares (previous year: 205,478 shares) were traded daily on the Frankfurt securities exchange. At the end of 2008, Drillisch AG realised hidden reserves in the amount of €140 million. This was announced in an ad hoc report, "Merging of Subsidiaries" on 4 December.

Capital Measures 2008

In the past year 2008, Drillisch AG bought back a total of 3,456,668 shares or 6.5% of the capital in the course of the stock repurchase programme. The repurchase programme will be continued within the framework of statutory provisions in 2009. During the Annual General Meeting on 30 May 2008, the shareholders of Drillisch AG adopted a resolution issuing a dividend of €0.10 per share.

Investor Relations

We achieved the IR targets for the year 2008. We were able to explain in detail the corporate strategy of Drillisch AG to the capital market at a number of national and international road shows, during a number of meetings at the Company headquarters in Maintal, at various Company presentations and in interviews.

This corporate strategy with the key points of focus on and further development of the discount market in Germany, the good positioning in the sector "mobile Internet" on the one hand and the sustained development of corporate value on the other will be continuously further developed through organic growth as well as an active role in acquisitions. We announced the acquisition of a majority interest in eteleon e-solutions AG, Munich, in December 2008 (ad hoc of 19 December). This majority interest opens up yet another successful marketing channel with special strengths in the online sector for Drillisch.

The demands being made on companies to provide information which is always complete and contemporaneous to all investors became even stricter in 2008. Drillisch AG complies strictly with these obligations and responds to shareholders' suggestions in this respect as well.

Invest Relations Events 2008

Date	Event
05 June	German & Austrian Corporate Conference, Deutsche Bank, Frankfurt
26 August	German Technology & Telecoms Conference, Commerzbank, Frankfurt
28 August	Telecom Day, West LB, Frankfurt

In addition to the scheduled road shows, a very large number of telephone conferences, personal discussions and one-on-one meetings were held at the Company's headquarters in Maintal and at other sites.

IR Goals 2009

In the new year, one of the most important goals will remain the securing of a commensurate rating for the Drillisch stock and simultaneously the reduction of its volatility. Emphasis will be on the open, uniform and sustained communication with all target groups.

Investor Relations-Report

Current Analyst Appraisals 2008/2009 (Last revised 31 January 2009)

Institute	Investment Rating	Target Price	Date
Commerzbank	„Hold“	€ 1.70	20 January 2009
Sal. Oppenheim	„Buy“	€ 4.00	05 December 2008
SES Research	„Buy“	€ 5.60	05 December 2008
West LB	„Buy“	€ 2.90	05 December 2008
Berenberg Bank	„Buy“	€ 6.50	04 November 2008
Landsbanki Kepler	„Buy“	€ 3.75	04 November 2008

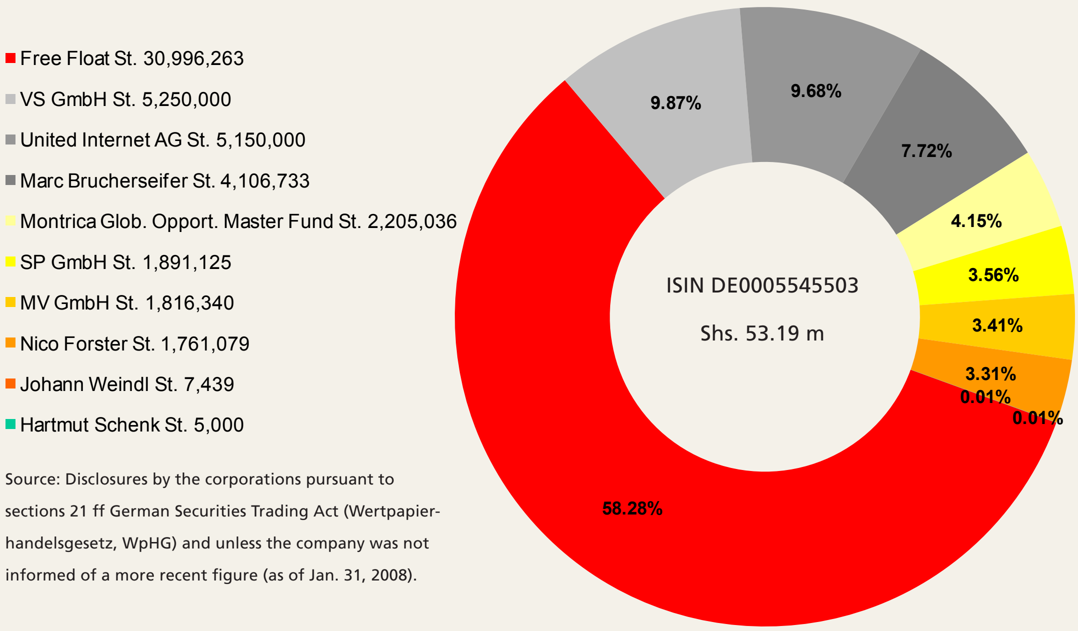
The continuing work of the Investor Relations Department can be followed and tracked equally by all investor groups on our home page. In addition to a detailed financial calendar, all of the relevant reports can be viewed, in the sense of fair disclosure, as PDF documents. Many investors also take advantage of the opportunity for personal contact via e-mail and/or telephone.

Financial Dates 2009 *

Date	Topic
Wednesday, 13 May	Report 1st quarter 2009
Friday, 29 May	Annual General Meeting
Wednesday, 12 August	Semi-annual Report 2009
Friday, 13 November	Report 3rd quarter 2009
November	DVFA Analysts' Event

* Subject to change

Shareholder Structure of Drillisch AG (Last revised 31 January 2009)



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 Jan. 31, 2008).

Investor Relations-Report

Directors' Holdings as per 31 December 2008

Company

Name	No-par shares
MV GmbH	1,816,340 → 3.41 %
SP GmbH	1,891,125 → 3.56 %

Supervisory Board

Name	No-par shares
Dr Hartmut Schenk (Chairperson)	5,000 → 0.01 %
Johann Weindl (Deputy Chairperson)	7,439 → 0.01 %
Marc Brucherseifer	4,331,733 → 8.14 %
Nico Forster	1,761,079 → 3.31 %
Dr. Horst Lennertz	0
Michael Müller-Berg	0

Ad-hoc Reports 2008

Date	Report
29/12/08	MSP Holding GmbH transfers 10,798,817 freenet shares to United Internet AG and reduces financial liabilities
19/12/08	Acquisition of the majority of shares in eteleon e-solutions AG, Munich
04/12/08	Merger of subsidiaries, disclosure of hidden reserves of about €140 million
14/11/08	9 months: EBITDA +13%; write-off on the strategic holding in freenet an encumbrance; growth in operational business continues
03/11/08	Prov. 9-month report: course of operational growth continued, turnover €265.6 million, EBITDA €30.5 million (+13%)
13/08/08	Profit increase by 50.6% in the first half of the year to €11.3 million / Dynamic growth – yearly forecast confirmed
06/08/08	1st half-year, turnover €173.8 million (+2.3%), EBITDA (adjusted) €20.3 million (+19.4%)
13/06/08	Drillisch decides on stock repurchase programme
09/05/08	Profitable growth continues: turnover €84.6 million (+10.2%), EBITDA €9.5 million (+27.8%)
03/04/08	Resumption of cooperation talks
26/03/08	Drillisch announces dividend proposal
19/02/08	Profit forecast exceeded
14/02/08	Drillisch decides on stock repurchase programme

THE DRILLISCH GROUP AND THE MARKET ENVIROMENT

Seize market opportunities – grow profitably

By pursuing a value-oriented corporate strategy, Drillisch AG has increased its EBITDA for the sixth year in succession, and the Company intends to continue to grow profitably in the future. Measures focusing on the steady improvement in the quality of the offered products and services, the more efficient design of the creation of services and the promotion of sales through innovative marketing concepts and new distribution channels are aimed at raising the corporate value. At the end of fiscal year 2008, Drillisch concluded a contract regarding the acquisition of the majority shareholding in eteleon e-solutions AG, Munich. The execution of the contract is planned for the beginning of 2009. This dynamically growing company is a specialist for innovative sales solutions on the telecommunications market and is one of the winners of the "Deloitte Technology Fast 50". This award is given to the fastest growing technology companies in Germany. The cooperation with eteleon will strive to widen the scope of sales activities via e-commerce and other distance retailing channels and to expand the product line.

Rolling out new products onto the market quickly and successfully

One major factor guaranteeing Drillisch's high profitability is the IT competence concentrated in the subsidiary IQ-optimize Software AG. Having our own IT company assures the efficient design of all of the IT processes. Thanks to our own billing software, Drillisch is not dependent on external service providers, allowing us to respond flexibly to changes and to launch new products on the market quickly. This high degree of efficiency secures a decisive lead for Drillisch in a market environment characterised by intense competition.

At the end of November, IQ-optimize Software AG placed its own wireless services products on the market under the brand fioon. The core of the product portfolio is centred in the low-cost access to mobile Internet and mobile telephoning at discount rates, both trend sectors with substantial growth potential. fioon can provide transmission rates of up to 7.2 Mbit/s, enabling people to work while on the go at low, transparent rates. Thanks to virtually nationwide availability and the telephony option fioonPHONE, fioon can completely replace the landline telephone connection and is a true alternative to a stationary DSL connection at home – especially in areas where broadband access has previously been unavailable for technical reasons.

A company grows together

In December 2008, Drillisch made the decision to merge its subsidiaries Telco, VICTORVOX and Alphatel into the one subsidiary McSIM as a way of tightening the organisational structure throughout the corporation. After the merger, the company was renamed Drillisch Telecom GmbH.

The autonomous responsibility of the staff, the clear structures, the short decision-making paths and the optimised communication processes are the decisive success factors for the organisation in the Drillisch Group. The workflow management software developed by IQ-optimize Software AG provides the foundation for the optimisation of the most important handling and work processes and their transparent documentation. Moreover, Drillisch is strengthening quality management with the aim of expanding further its good market position by means of improved processes oriented even more stringently to customer satisfaction. The wireless services products of the various brands in the Drillisch Group are always among the best in price comparisons and in some cases are the price leaders. This has assured the success of Drillisch in the past and will continue to contribute to our success in the future.

Mobile communications despite the crisis

Despite all of the crisis scenarios now in circulation – the trend to mobile communications continues unabated in Germany. A state-of-the-art mobile phone ranks high on the wish list when Germans are queried about their purchasing plans. According to a survey conducted by the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (BITKOM), 19% of all Germans are planning to purchase a new mobile telephone in the near future. This is second place on the wish list. For the age group 14 to 29, mobile phones and computer accessories are right at the very top of the hit list. The new generation of

Seize market opportunities – grow profitably

phones with operating systems optimised for the use of mobile Internet and innovative features (such as GPS receivers) supports this development. The number of wireless services subscribers rose sharply in Germany last year. As of the middle of the year, their number had already risen by almost 14% in comparison with the same time last year to more than 103 million. At the end of 2008 there were 107 million mobile subscriber, an increase of 10% over the year. This was announced from BITKOM mid February 2009 at the Mobile World congress in Barcelona. For 2009, the BITKOM expects an increase to 113 million.

Yet one trend is becoming very clear: mobile phone subscribers are changing from the classic providers and traditional rate plans to less expensive providers. The most recently published business figures for wireless network operators clearly indicates this shift: large providers are losing wireless services subscribers, while the smaller companies – and with a clear focus on the discount market – are gaining customers. Affordable prices for calls using mobile phones are turning the devices into increasingly serious competition for landline service. According to figures from the Federal Network Agency, more than four million households in Germany do not use landline services for their phone service at all. But the significance of stationary broadband connections for access to the World Wide Web is also declining.

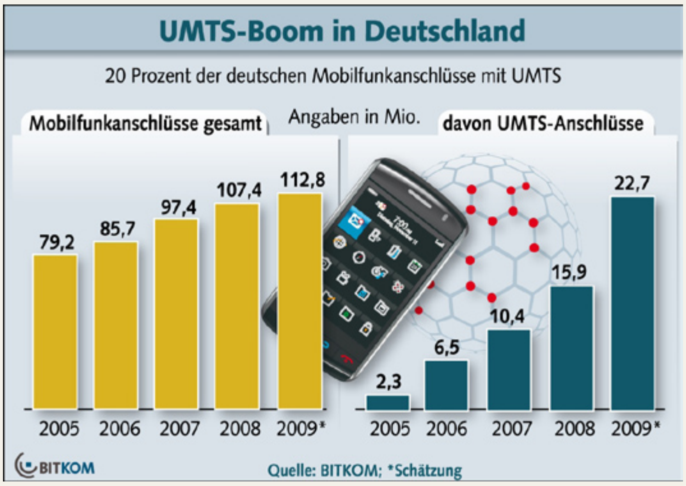
Mobile Internet conquers the mass market

The future of the Internet is mobile. The mark of 10 million high-speed UMTS subscriptions was exceeded for the first time at the beginning of 2008, and data from the Federal Network Agency shows that this figure rose to 15.9 million (BITKOM estimate) by the end of the year – a plus of almost 50% in comparison with 2007. High transmission rates and low costs – these are the decisive factors when it comes to making mobile Internet interesting for a broad group of users. The right response is found in flat-rate plans featuring high-speed UMTS (HSDPA) which attract users with transparent, low rates. Drillisch recognised this trend early and launched hardware bundling offers with attractive entry prices via various distribution partners and its own brands on the market. The capability of retrieving e-mails, googling information or cultivating contacts in social communities anytime, anywhere, is the trend today. Another advantage: DSL is by no means available in cities all over Germany, and filling in these "empty spaces" has become one of the top political topics of the day since the beginning of the year. So Internet access via UMTS is increasingly turning into a genuine alternative.

Optimistic about the future despite economic crisis

Smartphones and mini PCs as driving forces for future growth

In the short term, the strongest push for mobile data applications is still expected to come from the private sector. New smartphones – digital all-rounders such as the Apple iPhone or the Google G1 – dominated the headlines last year. But they are also a driving force behind the utilisation of mobile data services: iPhone owners, for example, use the mobile internet 30 times as often as customers with other mobile telephones. 80% of the iPhone users go online with their phones 4 times a week. In the meantime, a large number of multimedia mobile phones of similar design are on the market, and additional models have already been announced for 2009.



The continuing trend towards mobility can also be seen in the demand for netbooks. Almost 35 million of these low-cost mini PCs are expected to be delivered in 2009 by the analysts of ABI Research. Netbooks first appeared in larger numbers and different variations on the market in the summer of 2008, but by the fourth quarter, a total of about five million of them had been sold, giving them a share of about three percent of the total PC market. One out of every five mobile computers in Germany in 2008 was a netbook. Thanks to these new end devices, it will not be long before the mobile Internet is a commonplace feature of everyday life – just like the mobile phone has become today.

Despite the economic crisis: software industry looks ahead to the future with cautious optimism

IT service providers in Germany will also feel the effects of the financial and economic crisis during the coming year. Although the analysts of the market research company IDC reduced their original growth prediction by two percent at the beginning of the year, they still expect an increase in turnover of slightly more than 3.3% for IT services in 2009. Market researchers estimate annual growth of 4.7% in the middle term up to the year 2012. The industry federation BITKOM came to a similar estimate in its forecast of December 2008 and expects growth in software and IT services of 3.1%. The federation is assuming there will be an increase in IT expenditures in companies and a rise in demand for IT services. Information technology is of strategic importance for companies during a crisis situation, according to the federation, because it makes operations more efficient and improves performance. Moreover, growing IT demand from the government can also be expected.

MARKETING REPORT

simply launches price campaign

Drillisch, one of the pioneers in the German wireless services business, was quick to orient its growth strategy to the discount market. The Company launched the first discount product on the German market under the brand simply back in April 2005, the first German service provider with such a product. simply took its slogan „einfach simply und gut“ to heart and made mobile telephoning simple and low in cost. This market segment, which continues to grow, was the subject of special attention during the reporting period as well.

simply starts a price campaign and expands the distribution channels

At the beginning of the year, simply set two new records for low prices: customers with the plan „simply easy“ can make calls around the clock for 8.5 eurocents a minute, one of the lowest flat prices available for calls to landline and wireless networks. At a single stroke, simply undercut the minute price of 9.9 eurocents usual at the time by more than 14%. At the same time, the plan „simply partner“ at a price of only 3 eurocents a minute was launched within the simply community. Both of these products gave customers the option of paying in advance as a way of keeping better tabs on costs – a pre-paid contract – or conveniently after the fact by invoice – as a post-paid contract – by just clicking on their choice when ordering.

Flat-rate products which allow customers to place unlimited calls in certain networks for a fixed monthly price are becoming increasingly popular. simply expanded its plan portfolio for this sector in the past business year by adding SIMfix. Customers go to www.SIMfix.de to choose the plan best suited to their personal phoning habits from among three independent, low-cost flat rates – „SIMfix Festnetz Flat“, „SIMfix Mobilfunk Flat“ or „SIMfix Voice Flat“. Drillisch AG holds the top position as the price leader among competitors in this product segment as well.

The discount market and one of the initiators of inexpensive telephoning in Germany – simply – are headed into their fourth year. simply has acknowledged the rising interest by redesigning its website and optimising navigation so that customer needs are given even more consideration. The successful placement of the brand simply on the market enables Drillisch to exploit in addition cross-selling potential during online marketing such as attractive power and gas products in cooperation with the independent utility company www.wer-ist-billiger.de. There has been further development of the distribution channels in retail grocery stores and ITC specialist shops parallel to the marketing on the Internet. Since the middle of the year, simply has also offered the choice between two rate plans in each case to customers of the wireless services products of the REWE Group, Penny Mobil and ja! mobil. New cooperation partners of the wholesale product simply free include, for example, the lotto acceptance points in a number of German states (LOTTOtalk) and the IT distributor Herweck AG. Thanks to the agreement with Herweck, over 10,000 specialist trade partners can now offer simply discount products as a supplement to the previous portfolio.

maXXim raises the bar with a rate of 8 eurocents/minute
fioon – mobile Internet becomes affordable
Fair@home – low landline prices for telephoning on the go
g~paid expands distribution cooperation agreements

maXXim sets new standards on the discount market with a rate of 8 eurocents a minute

maXXim is the new brand on the discount market and, since its launch in May 2008, Germany's lowest-priced wireless services rate plan with D network quality. Customers can place calls to any of the national networks around the clock for only 8 eurocents a minute or send a text message for the same price. maXXim – a rate plan without a basic fee, no binding contract and no other costs – has chalked up the best marks such as „Lowest rate", „Rate recommendation", „Best price mixture", „Best Discount Rate 2008" or „Top mobile phone rate" from the most important testers at Computer Bild, Stiftung Warentest, inside-handy or XONIO.COM. Once again, Drillisch is far ahead of its time. Now, in February 2009 – almost a year after the launch of maXXim – the discussion about low-cost wireless services rates in Germany is entering a new phase. An article in the news magazine Focus concerning the reduction of the forwarding charges for wireless network operators predicted wireless services prices of less than 9 eurocents a minute as of April 2009. Such a price has long been reality with various discount plans offered by the Drillisch Group.

fioon – mobile Internet becomes affordable

The Drillisch Group established yet another brand on the German wireless services market at the end of 2008: fioon. fioon allows mobile working or private surfing fun with transmission speeds of up to 7.2 Mbit/s at fixed, transparent, low rates. Customers can check the availability of the UMTS network in their region when they place their order, then choose either the T-Mobile or Vodafone network, depending on the quality at their site – with only one rate plan and without additional confusion. In addition, fioon puts together lucrative entry package with attractive hardware – from practical surf dongle for any laptop and any PC to a fashionable and trendy netbook.

Fair@home – low landline prices for telephoning on the go

The three Drillisch brands Telco, VICTORVOX and ALPHATEL offer their wireless services exclusively via 450 specialist dealers nationwide. The Company's first own at-home rate has been available since the end of 2008 with Fair@home. For a monthly basic fee of €15.00, subscribers receive a landline number in the T-Mobile network and can make calls to the German landline network for €0.04 a minute whenever they are within a radius of 2 kilometres from an address they have specified. So they are mobile, but profit from a minute price which is as low as a landline rate.

g~paid expands distribution cooperation agreements

Using a mobile phone to pay for goods and services – the so-called e-payment – is one of the most important additional functions of the future which will make the mobile phone the key multifunctional device in our lives. Drillisch recognised this trend at an early stage and has been marketing an intelligent e-loading system called g~paid under the brand ALPHATEL since 2002. Drillisch is the only service provider in Germany to enable the simple processing of payment transactions without disclosing bank account data via its own server platform. g~paid can be used to acquire wireless services cash codes from all of the German network operators, cash cards for landline service, voucher cards for Internet or online payment (e.g., paysafecard) and virtual content vouchers (e.g., for ring tones) simply and securely. They are not printed out until the sale, e.g., at the checkout in the supermarket or at a ticket machine. Besides the terminal and own machine solution, g~paid can also be used for cash register systems, as an Internet platform and as a PC solution.

Hanover: topping up your mobile phone at the ticket machine IQ-optimize Software AG moves into new business fields

Now in Hanover as well: topping up your mobile phone at the ticket machine

They are the most important benefits for the distribution partners: high degree of flexibility, but low investment level through the secure storage of pre-paid PINs on a central server, retrievability from a wide range of diverse end devices, the elimination of the need for warehouse stocks and consequently the avoidance of capital lock-up. End customers appreciate the e-loading system because no disclosure of their bank account data is required, but they can still top up their mobile phone quickly and easily. g~paid is available at more than 3,000 sales points in supermarkets, specialist retail stores, filling stations and especially at the ticket machines for a number of public transportation companies in Germany. Following the successful conclusion of a test phase in the summer of 2008, the üstra Hannoversche Verkehrsbetriebe AG is successively installing new ticket machines for transport in the greater urban area. 150 new machines with pre-paid card functions had already replaced the old devices by the end of 2008. Another 190 machines will follow in 2009 when the full-coverage replacement is completed. üstra and Drillisch can now offer about 155 million passengers a year in the greater Hanover area an attractive additional service which is already being used extensively in cities such as Berlin, Dortmund, Duisburg and Wuppertal.

IQ-optimize Software AG moves into new business fields

IQOPTIMIZE

IQ-optimize Software AG is well prepared to take on the challenges of the future. In addition to the realisation of all of the relevant IT projects of the Drillisch Group and the administration of the Company's own server platform, the firm offers software solutions for optimisation of business processes in midsize companies with substantial potential for cost savings and increases in productivity. Industry observers are of the opinion that this sector will not be affected by the economic crisis to the same degree as other segments. Moreover, IQ-optimize Software AG began the marketing of its own wireless services products related to the future topic of mobile Internet when it introduced the brand fioon at the end of 2008. fioon is the only provider on the market to combine the access services per se with additional services related to the Internet. It will be possible, for example, for customers to reserve server space at fioon for their own home page, to create domains and e-mail addresses or to create professional websites. A service of special interest for freelancers and business people: the electronic signing of all outgoing invoices. The online sending of invoices in conformity with the rules for the digital signature represent a genuine cost advantage for any company.

CONSOLIDATED MANAGEMENT REPORT 2008

Business Report

1. Business Report

1.1. Drillisch is a Successful Wireless Services Provider

Drillisch AG ("Drillisch"), Maintal, is a wireless services provider which operates solely in Germany. The Company markets the wireless services offered by all four of the wireless network operators ("network operators") active in Germany, primarily through subsidiaries. The most important sales channels are approx. 400 specialist retailers, the Internet and large retail chains.

The services acquired from the network operators (T-Mobile Deutschland GmbH ("T-Mobile"), Vodafone D2 GmbH ("Vodafone"), E-Plus Mobilfunk GmbH ("E-Plus") and Telefónica O2 Germany GmbH & Co. OHG ("O2") 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. These wireless services are available both in the form of advance payment ("pre-paid" or "debit") and of invoiced services ("post-paid" or "credit"). Within the framework of these activities, Drillisch also offers so-called discount products which, owing to restrictions in the scope of the service, are offered at lower prices, frequently without basic fees, minimum charges or contractual commitments.

The "Wireless Services" business unit forms the core business of Drillisch. It is subdivided into the departments "Pre-paid", "Post-paid" and "Discount". The scope of services basically includes all of the services that are offered by the network operators relating to the transmission of voice, data and other content based on current standard transmission technologies. The overwhelming majority of the Company's customers are private customers; Drillisch has, however, also concluded blanket agreements for the provision of wireless services to corporate customers.

The significantly smaller business division "Software Services" has been concentrated in the subsidiary IQ-optimize Software AG ("IQ-optimize"), Maintal. This subsidiary performs IT services for all of the Group companies. Moreover, IQ-optimize markets its own workflow management software program.

Drillisch AG is the Group's holding

Within the Drillisch Group, Drillisch AG, the parent company, concentrates on holding tasks such as management, finances and accounting, controlling, cash management, human resources, risk management, corporate communications and investor relations. The wireless service providers, Drillisch Telecom GmbH ("Drillisch Telecom), Maintal, and SIMply Communcation GmbH ("simply"), Maintal, mainly handle the operative wireless services business. MS Mobile Services GmbH ("MS Mobile"), Maintal, is a group company, through which the discount products are successfully marketed under the "maXXim" brand. All of the IT know-how of the Drillisch Group has been collected in IQ-optimize. In December 2008, Drillisch concluded a contract for the acquisition of a majority stake in eteleon e-solutions AG („eteleon"), Munich. The company, listed in the Entry-Standard of the Frankfurt Securities Exchange, is a specialist in innovative sales solutions on the telecommunications market. Completion of the transaction is envisaged for the beginning of 2009. The acquisition and holding of the stock in freenet AG ("freenet"), Büdelsdorf, by MSP Holding GmbH ("MSP"), Maintal, serves to position Drillisch strategically on the wireless services provider market.

Even More Efficient Through Streamlining of the Groupwide Organisational Structure

In the fourth quarter of 2008, Drillisch merged its subsidiaries, Telco Services GmbH, Idstein, VICTORVOX GmbH, Krefeld, and Alphatel Kommunikationstechnik GmbH, Maintal, into McSIM Mobilfunk GmbH, Maintal. The resulting company was renamed Drillisch Telecom GmbH. With the organisational merger of the four wireless service providers into one company, Drillisch intends to further increase its efficiency and capacity. The Telco, VICTORVOX, Alphatel and McSIM brands established on the market will be maintained.

Business Report

The Telcom premium brand will be sold through specialist retailers. VICTORVOX has specialised in select forms of distribution and large-scale marketing. Both brands primarily represent the credit business. In addition to classic network operator rates, own, individually calculated offers are also developed. McSIM is expanding the discount range of Drillisch with wireless services in the Vodafone network. Alphatel now mainly represents the prepaid business. Under the Alphatel brand, Drillisch is the only service provider in Germany to offer cash cards and cash codes through its own g~paid platform, in addition to starter cards and bundles.

Wireless Discount Offers Expanded

simply – one of the discount pioneers in Germany – markets wireless rates in the T-Mobile network at particularly favourable conditions, via the Internet and in cooperation with major retail chains. maXXim is the youngest newest brand in the Drillisch Group. The company has also set new accents in the German wireless services discount market in 2008, in the T-Mobile network.

IQ-optimize Guarantees IT Competence

The IT competence at Drillisch is bundled in its IQ-optimize subsidiary. The company performs all of the IT services for the Group firms and markets its own workflow management software. Since November 2008, IQ-optimize has been distributing and marketing its new fioon brand. Fioon offers access to mobile Internet and mobile calls at a discount rate.

Joint Venture MSP Holds the Participation in freenet

MSP is a joint venture in which Drillisch and United Internet AG ("United Internet"), Montabaur, each hold an interest of 50%. At the end of 2007, Drillisch contributed shares in freenet to MSP, which were acquired in autumn 2006.

After a capital increase at freenet in the third quarter of 2008, MSP held a share of 18.39% (23,550,000 shares) until December 2008 in the voting shares of freenet. At the end of December 2008, United Internet acquired 10,798,817 freenet shares from MSP, equating to 8.43% of the voting rights. The income from this transaction was used to reduce the financial liabilities of MSP. As of 31 December 2008, MSP holds 12,751,183 shares in freenet.

As of 31 December 2008, Drillisch directly holds 7,835,000 shares in freenet. Due to the voting trust agreement between Drillisch and United Internet, nothing changes with regard to the share of voting rights held by Drillisch in freenet. It remains unchanged at 25.91%.

1.2. Company Management – Objectives and Strategies

Profitable growth is the focus of the corporate strategy. With new business, the emphasis is on the discount sector. The Management Board believes that the favourable and transparent rates offer the largest growth opportunities in the German wireless market. The highest percentage growth rates are anticipated in the data communication sector. Drillisch not only intends to participate in this market growth with its range of network operator rates. With fioon, the company has placed its own customer friendly brand. Together with eteleon, new customers are intended to be gained through the expansion of sales activities via e-commerce and other distance trading channels. For this purpose, the product range is being expanded further. The Company aims to retain its clientele in the post-paid sector by offering attractive options for contract renewals, to develop integrated communications solutions and to market wireless services in combination with other products. In order to continue achieving good margins in increasing competition, measures are being reinforced, which further improve the quality of the offered products and services, structure the service provision more efficiently and increase sales through innovative marketing concepts and new distribution channels.

Business Report

Value-Oriented Management System

The focus of the value-oriented management system at Drillisch is on a long-term increase in the corporate value through profitable growth. The key performance indicator for the value-oriented management is the EBITDA (earnings before interest, taxes, depreciation and amortisation). Besides the EBITDA, cash flow and net working capital are observed closely as performance indicators.

The value-oriented management demonstrates its success in competing with other companies above all in the following points:

1. *Thanks to its lean structure, Drillisch works highly efficiently in terms of costs. Despite a stagnating market environment, the company has continuously increased its EBITDA year-on-year, for the past six years. Drillisch achieves this cost efficiency by re-engineering business processes with the help of workflow software tools developed by the subsidiary IQ-optimize and by the efficient deployment of personnel.*

2. *The major IT services required at Drillisch are performed by its subsidiary IQ-optimize so that the Company is not dependent on external providers. This enables fast and flexible response to changes in the market.*

Drillisch has often proved its great innovation strength in the design and development of new products and rate schedules. The Company was one of the first German providers to sell wireless services under its own discount brand name. This innovation strength has made it possible for Drillisch to develop new business fields ahead of competitors.

In the course of the acquisitions of the last few years, the Company has succeeded in putting together an experienced team at the second management level alongside the top managers who have been active in the business for many years.

1.3. Market and Competition

Sales generated with the use of mobile data services is growing strongly in the stagnating wireless market

The rapid economic haze since the middle of 2008 has so far left few traces in the ICT sector (information technology and telecommunication). According to a BITKOM forecast from December 2008, the market volume even gained by 1.2% to €144.6 billion. However, this growth was only achieved in the Digital Consumer Electronics and Information Technology sectors. In contrast, Telecommunications sales declined. According to calculations by VATM and Dialog Consult ("VATM") from October 2008, sales with telecommunications services fell to around €60.6 billion. This is a decline of 4.1%, which is mainly due to lower prices in the fixed-line networks and wireless networks.

In wireless services, sales fell by 3.0% to €25.6 billion. Only the Non-Voice market segment was able to post a gain. Sales in this sector climbed by 11.4% to €4.9 billion. This growth was supported by the increasing use of mobile data services. With sales of €2.3 billion (previous year: €1.7 billion), it nearly reached the SMS sales of €2.4 billion (previous year: €2.5 billion).

Wireless services continue to compete with fixed-line networks

The trend away from fixed-line networks toward mobile telephony has continued in 2008. While the traffic volume in the fixed-line network declined by just under one% to 606 million minutes per day, wireless services reached a new record mark, with an increase of 21.7% to 230 million minutes. The number of wireless services contracts gained strongly – by 13% to 109.8 million. This means that there are now one-third more wireless services connections in Germany than residents.

Business Report

IT Industry is Fighting Against the Downswing

The IT market profited significantly in 2008 from the strong demand for software and IT services. Initial signs of slowing down were shown in the last months, however, in relation to the full year 2008, according to BITKOM, the information technology market segment achieved increased sales of 3.7% to €66.2 million.

Drillisch is the Number Two on the German Service Provider Market

As a wireless services provider, Drillisch competes both with the four network operators (T-Mobile, Vodafone, E-Plus and O2) and the other wireless service providers. According to the VATM study, the network operators have a market share of approx. 80% in Germany. The remainder is mainly shared by the service providers, freenet (with mobilcom and Debitel) and Drillisch. According to the VATM estimate 2008, Drillisch had a market share of more than 8% in the wireless services providers sector.

1.4. General Economic Conditions

In January 2009, the Federal Statistics Office reported that in 2008 growth of the German economy was significantly weaker than in both of the previous years. The growth impulses exclusively originated domestically. The largest contribution to economic development was provided by investments, while private consumer spending stagnated. The recessive growth of exports slowed down the economic development. In 2008, exports only increased by 3.9%, while they had still grown by 7.5% in 2007. With a gain of 5.2%, the price-adjusted imports increased even more than in the previous year, when it was a rise of 5.0%. On average for 2008, economic performance was generated by 40.4 million employed, which were 582,000 more people than in the previous year.

The Management Board of Drillisch only noticed a minor influence on the wireless services business from the continuing reluctance of private customers to spend. As in the previous years, a greater role was played by the increasing competition in the contract customer business, leading to exaggerated expenditures by the competitors in their attempts to gain new customers and to price reductions which were also triggered by decreased forwarding charges and roaming fees.

1.5. Turnover and Earnings Position

In fiscal year 2008, the Drillisch Group increased sales from 2.37 million (previous year: 2.20 million) customers as of the year-end (36% post-paid and 64% pre-paid customers) to €350.1 million (previous year: €361.5 million). The item Sales includes €0.1 million from the software services segment and €350.0 million of wireless services sales from the departments Pre-paid and Post-paid, earnings from network operator commissions and bonuses and sales from the merchandise business (sale of wireless devices, pre-paid bundles and starter cards). The competition for new customers remains intense in the post-paid sector. The costs for gaining new participants continues to be high. The amortisation period for new customers is frequently longer than 22 months for 24-month contracts. Besides the acquisition of new customers, the Company has already increased its investments in the prolongation of already-existing customer relationships.

Other operating income declined by €13.4 million to €3.0 million. The decline is mainly due to the fact that Drillisch contributed its shares in freenet to MSP in the previous year. This created a book profit of more than €13.3 million.

Cost of materials declined by 3.1% to €276.8 million. Gross profit declined approximately proportionally to sales and cost of materials development (sales minus cost of materials) by 3.2% to 73.3 million. The gross profit ratio (gross profit to turnover) reached 20.9% (previous year: 21.0%). Personnel expenses fell disproportionately to the decline in sales by 7.3% to €19.5 million. This meant a decline in the personnel expenses margin (personnel expenses to turnover) from 5.8% in the previous year to 5.6%.

Business Report

Other operating expenses declined by €14.9 million to €18.2 million. Here, the comparative figure for the previous year was characterised by extraordinary influences – particularly from costs assumed from MSP Beteiligungs GmbH, Maintal, in relation to M&A transactions, as well as legal and consulting costs for various projects. On the other hand, declining structure costs have had a positive effect, after the successful Telco integration.

As forecast by the Management Board in spring 2008, the EBITDA (Earnings before Interest, Taxes and Depreciation) improved to €40.6 million (previous year: €39.8 million). In the 2007 financial year, the EBITDA was strongly influenced by one-time and extraordinary factors, as described above. Adjusted for these specific influence factors, the EBITDA amounted to €38.0 million in 2007. Therefore, the adjusted EBITDA improved by nearly 7% in the 2008 financial year.

Depreciation increased by 16.3% to €6.7 million. The background for this change, besides the additions to software and fixed assets, is the attribution of the purchase price paid for the takeover of Telco to individual assets. Then, the customer relationships, the software created by the Company itself and the trade marks in particular were capitalised. Depreciation was taken on some of these measurements in the balance sheet. Therefore, the EBIT (Earnings before Interest and Taxes), at €33.9 million, reached nearly exactly the previous year's result of €34 million.

In autumn of 2006, Drillisch began acquiring a stake in the company which is today freenet. In 2007, the participation in freenet was contributed to MSP. Drillisch itself purchased additional freenet stock during the course of 2008. The participation in MSP and the shares in freenet held directly are valued according to the equity method. In order to satisfy the current valuation of freenet on the stock exchange, write-downs not affecting liquidity were carried out on the strategic investment in freenet as of 31 December 2008, which is distributed over the directly held shares and the investment in MSP. The main effect of this was a result of -€202.4 million from financial investments accounted for using the equity method. The interest result improved by 39.5% to -€3.8 million.

Through these factors, which are mainly extraordinary and do not affect liquidity, the earnings before income tax (EBT) declined to -€172.4 million (previous year: €27.7 million). Taxes on income increased to €11.7 million (previous year: €3.4 million). The negative result from financial investments accounted for using the equity method only reduces the taxable income minimally, as the costs are mainly not tax deductible. In the previous year, the opposite effect occurred. In 2007, this was a result of the fact that the earnings from the disposal of other financial assets – contained in the other operating income – are taxed at a significantly lower percentage rate. The net loss for the year reached €184.1 million (previous year: consolidated surplus of €24.3 million). As a consequence of the capital increases in 2007 and the stock repurchase programme in 2008, the average number of shares entitled to dividends changed from 37.1 million to 51.4 million. The profit per share therefore amounted to -€3.58 (previous year: €0.66).

1.6. Assets, Liabilities and Financial Position

The balance sheet total of the Drillisch Group declined in 2008 by €203.7 million to €182.3 million. The most important influence factor was the changed stock exchange valuation of freenet.

The amount of cash declined by €80.4 million to €4.3 million. At the end of 2007, Drillisch carried out a capital increase, so that the amount of cash was unusually high as of the balance sheet date. These funds were used to repay a bank loan in the first quarter of 2008. In April 2008, a new loan agreement was concluded, which has been fully utilised since July 2008. This was mainly used to acquire additional shares in freenet.

Other intangible assets declined by €3.4 million to €15.9 million. The background to this above all the purchase price allocation of the Telco acquisition described above and the related write-offs on the capitalised intangible assets. The capitalised value of the financial assets accounted for using the equity method declined – in spite of the further increase in the freenet stake, by €100.2 million to €52.2 million. This represents the mentioned effects of the changed stock exchange valuation of freenet. The long-term assets

Business Report

decreased by a total of €103.7 million to €139.2 million. Their share of the balance sheet total is 76.4%. They are 82.9% covered by equity capital and long-term debt capital.

The greatest change in the current assets is found in the reduction of cash which has been described. In contrast, inventories decreased by €5.0 million to €5.6 million, mainly closing date reasons and trade receivable fells by €9.0 million to €24.6 million. In the "receivables due from companies in which a participating interest is held" item, a loan extended to MSP was fully repaid.

The two stock repurchase programmes in particular have lead to a reduction in subscribed capital by €3.8 million to €54.7 million and in capital reserves by €8.9 million to €119.5 million. The shares acquired by the Company have been offset against equity. The subscribed capital per share was reduced by €1.10. The capital surplus was reduced by the remainder of the purchase price. The unappropriated retained earnings are characterised by the changed stock exchange valuation of freenet. Equity capital decreased by €201.9 million to €31.7 million. The equity ratio amounts to 17.4% (previous year: 60.5%).

As mentioned above, restructuring of the financing took place with the long-term liabilities. However, in comparison with the previous year, the barely had any effect on the reported amounts. The share of long-term liabilities as a proportion of the balance sheet total amounts to 45.8% (previous year: 21.0%).

Short-term liabilities declined by €4.2 million to €66.9 million. Their share as a proportion of the balance sheet total amounts to 36.7% (previous year: 18.4%). Reserves decreased by €6.5 million to €3.2 million. Reserves for premature contract terminations and commissions and subsidies of advertising costs are the major factors here. In the previous year's value, a reserve was formed in relation to the M&A transactions in connection with MSP, which has now been utilised. Due to the higher tax charge, the tax liabilities increased by €6.1 million to €8.3 million. Short-term liabilities due to banks increased by €6.2 million to €20.0 million. Trade accounts payable fell by €6.4 million to €7.9 million.

1.7. Cash Flow from Current Business Activities

Cash flow from current business activities increased by €37.2 million to €42.6 million. The most important factors were lower interest payments, lower tax payment, a significant decrease in receivables and other assets and a decline in liabilities. Investments – particularly the increase in shares in freenet – resulted in an outflow of funds of €112.8 million (previous year: €46.3 million). The acquisition of own shares, the dividend payment to the shareholders and restructuring of financing resulted in a cashflow from financing activities of -€10.2 million (previous year: €+116.5 million, which additionally included inflows from capital increases, in the amount of €125.7 million). Therefore, cash fell by €80.4 million to €4.3 million (previous year: increase by €75.6 million to €84.7 million).

1.8. Employees

As an annual average, Drillisch employed a staff of 347, including the two Management Board members (previous year 374). The number of vocational trainees, which is not included in the above figure, was 18, as in the previous year.

1.9. Principles and Objectives of the Financial and Capital Management

The top priority of the financial management at Drillisch is to secure the Company's liquidity at all times. Liquidity reserves are always maintained in such an amount that any and all payment obligations can be met on time. The financing of the Group is always handled centrally by the parent company Drillisch AG. Liquidity is secured on the basis of detailed financial planning. Business operations are financed from cash flow and free cash. The Company strives to develop further and to optimise the financial management continuously.

Risk Report

As a general principle, the company law provisions form the framework of capital management in the Drillisch Group. In cases in which contractual provisions must be observed, the equity is taxed additionally in accordance with the principles defined in these provisions. In cases in which no special provisions must be observed, the taxable equity is the equity as shown in the balance sheet. Otherwise, the equity from the balance sheet is adjusted according to the contractual requirements. During the reporting period, the Company complied with both company law and contractual provisions at all times.

2. Risk Report

2.1. Risk Management

The risk management system is an integral component of the corporate policy, according to which opportunities are intended to be utilised at an early stage and risks identified and limited. 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 controlling of company results and the company value utilises the instrument of risk management. It can therefore become a strategic success factor of company management, for the subsidiaries as well as for Drillisch AG itself.

If the Company is to be consistently successful in the conflict between opportunities for profit and the threat of loss, risks must be taken into consideration during the decision-making process systematically and in accordance with standards which are uniform throughout the Group. Risk management includes the definition of risk fields, the recording of risks and the communication of risks by the operational units, the assignment of responsibilities and tasks and the documentation of these steps. The concrete implementation of the procedures which have been issued is secured by a monitoring system. In order to utilise opportunities and identify risks at an early stage, the Drillisch risk management process is based on the following components:

- *The internal control system,*
- *the daily, weekly and monthly management reporting, particularly in the Controlling and Cash Management divisions and the operative business fields, as well as*
- *continuous and constant market monitoring.*

The coordination of risk management is performed at the Group level by Group Controlling and the Legal department. On the basis of monthly preparation of financial statements, the regular comparison of plan and actual figures, as well as market analyses and market observations, opportunities and risks from the operative and strategic area can be identified at an early stage, a risk portfolio prepared and implemented in respective measures. Competence and responsibilities are clearly defined at Drillisch and are based on the corporate structure of the Drillisch Group.

As part of the risk management, risks are also hedged outside of the Group. For this purpose, appropriate insurance policies are concluded for loss events and liability risks, which result from daily business, to the extent that this is regarded as being economically meaningful. In the implementation of the corporate strategy of bringing about consolidation in the field of wireless services providers, forward transactions are also concluded without the intention of hedging.

The results of the risk management process are regularly reviewed in the Management Board and Supervisory Board.

Risk Report

2. 2. Market-related Risks

Overall, the following market-related risks mainly exist:

- *Drillisch operates in a market environment which is by and large saturated and consequently highly competitive. Increases in overall turnover cannot be expected on the German wireless services market in 2009.*
- *The market for the so-called wireless services discount rates may not grow as expected, and the Company may not succeed in gaining and maintaining a reasonable share of this market.*
- *The increasing availability of discount rates may cause the prices which can be charged for wireless services to decline.*
- *It is possible that Drillisch will not succeed in maintaining or expanding its market position within the framework of the expected consolidation among the wireless service providers.*
- *A fall in prices on the market for wireless services can lead to declining income from the trade margins agreed with the network operators.*
- *The expenditures required to acquire new customers and retain the loyalty of current customers are rising steadily, especially in the segment of post-paid products. These expenditures may continue to rise in the future.*
- *Drillisch is dependent on general regulatory conditions in the business activity. These can change and could have effects on the business.*
- *Wireless services providers are dependent on the network operators with regarding to their range of services, as they do not have their own network.*

Risk Report

2. 3. Company-specific Risk Factors

The following, main company-specific risks exist for Drillisch:

- *As the liquidity is significantly influenced by the planned cashflows from operating activities and contractually agreed repayments of liabilities due to banks, negative deviations from the budget – at least partially – can make refinancing of the repayment amounts necessary.*
- *The net financial debt of Drillisch could increase, e.g., as a consequence of the takeover of companies, leading to a worsening of the financial results and the equity ratio. This could have a long-term effect of the Company's ability to pay dividends and to take out new loans.*
- *Drillisch's active participation in the expected consolidation among wireless services providers is a major pillar of the Drillisch growth strategy. The failure of this strategy could lead to the loss of market shares or even to the Company being squeezed out of the market completely.*
- *Risks which affect the assets and liabilities, the financial position or profit and loss of freenet or the value of its stock, both directly and indirectly, could also influence Drillisch owing to its participation in MSP. During the acquisition of the shares in freenet, Drillisch was dependent on documentation which was available to the general public. If this information should prove to be incorrect or incomplete, Drillisch may be exposed to unknown threats.*
- *The participation by Drillisch in MSP and freenet AG results in a book value of shares, which is subject to a continuous impairment review. This can result in additional unscheduled depreciation in the consolidated financial statement according to IFRS, as well as in the individual financial statement according to HGB [German Commercial Code].*
- *A loan agreement which Drillisch has concluded contains obligations which restrict the entrepreneurial flexibility of Drillisch.*
- *The short-term and long-term bank loans have been concluded at variable interest rates. This could result in a threat from changes in interest rates. An interest limit agreement in the form of a cap was concluded in December 2006 to secure the loan total of €50 million.*
- *The maintenance of the functional capability and the regular further development of the software systems used by the Company, which it developed in part itself, for the administration of the customers and the billing of performed services is of decisive importance for the success of Drillisch. Software errors can cause disruptions in the program execution, in extreme cases causing a permanent crash of the software and the loss of data, and prevent the Company from developing and offering new wireless service products within a short period of time.*
- *Drillisch is also dependent on distribution partners for the sale of its wireless service products.*
- *Drillisch is subject to the risk that contract customers will not meet their payment obligations from their wireless service contracts.*
- *Drillisch is highly dependent on members of the Management Board and on employees in key positions.*

There were no significant changes in the risk situation in 2008 in comparison with the previous year. The risks described here are the major risks which have been identified at this time. The possibility that additional major risks which have not been recognised by management exist, or that the probability of the occurrence of such risks has been wrongly assessed as negligible, cannot be excluded. Adequate precautions have been taken to counter any probable risks. Existence-threatening risks are currently not known.

Prediction Report

3. Prediction Report

3.1. Macroeconomic Environment

"The German economy faces its biggest challenge this year, since reunification", this is the conclusion of the federal government in its Annual Economic Report 2009. Due to its major dependency on the international economy, Germany is particularly affected by the current crisis. Private consumption in Germany can stabilise the trend somewhat, but cannot compensate it. For the full year, the federal government anticipated a 2.25% decline in gross domestic product (GDP), under consideration of the measures for stabilisation and strengthening growth.

3.2. Drillisch Management Board Projections Regarding the Development on the German Wireless Services Market

The Management Board of Drillisch anticipates that the telecommunications market in Germany will be one of the stabilising factors for the economy. Growth in sales is not anticipated to take place, as the prices will still continue to fall more intensively than the quantity will increase. The strongest growth driver will remain the wireless services market, because the substitution of the fixed-line network with wireless services will continue to accelerate. In the German wireless services market, the strongest growth impulses are expected from mobile data communication and the discount market.

3.3. Opportunities and Risks of the Future Development

Particularly in difficult economic times, the consumers pay more attention to price. Basic calls at low prices will therefore be the focus of the wireless services market. The subsidising of newer and newer mobile phones with expensive rates is anticipated to lose its attractiveness. This is also signalised by the lower sales expectations by the manufacturers of end devices. Therefore, Drillisch, as a pioneer in the wireless services discount sector is anticipating good growth potential for its attractive offers on wireless services, despite further increasing competition. With maXXim, the company again set new minimum price marks in mobile voice telephony in 2008.

The virtually area-wide availability of mobile high-speed Internet and now consumer-friendly prices for the use of mobile data services allow good growth rates to be anticipated in this sector. In the mobile data services segment, considerably sales growth is anticipated. Drillish will profit from these trends. That is why IQ-optimize established the fioon brand at the end of 2008 and now also offers mobile Internet at transparent and favourable rates.

The Management Board presumes that the positive developments in earnings in business operations will continue in the future.

Compensation Report

4. Compensation Report

The structure of the compensation system for the Management Board is determined by the Supervisory Board. The criteria for the reasonableness of the compensation include in particular the duties and responsibilities of each of the Management Board members; their personal performance; the performance of the Management Board as a whole; and the economic position, the success and the future prospects of the Company, taking into account its comparative environment. The compensation for the Management Board members comprises short-term components and factors with long-term incentive components. The short-term components consist of elements independent of success and elements contingent on success. The elements independent of success comprise fixed compensation as well as payment in kind and other benefits. The fixed compensation as basic compensation independent of success is paid monthly as a salary and reviewed annually. In addition, the Management Board members receive other benefits, in particular allowances for pension, health and invalidity insurance, as well as payments in kind, The Management Board's compensation always includes variable compensation elements which are components contingent on success. These elements are redefined every year by the Supervisory Board on the basis of targets. The programme for the increase in shareholder value ("Long-Term Incentive Plan 2008 - 2010") implemented in fiscal year 2007, which is explained in the consolidated notes under the "personnel expenses" item, serves as a long-term incentive component. The Management Board does not receive any stock options.

The contracts with the Management Board have a term of three years. The Management Board contracts do not contain any express commitments for severance pay – with the exception of the following regulation for a change of control clause – in the event that the employment relationship is terminated. In the event that Drillisch experiences a change in the shareholder structure of more than 50% (change of control), a part of the compensation contingent on success will be deemed earned. The Management Board members receive compensation of €8k for their Supervisory Board activities at IQ-optimize. The Management Board members did not receive any loans or advance payments in the reporting period. No pension commitments have been made to the Management Board.

Compensation paid to Management Board members in 2008 totalled €1,895k, thereof variable €1,000k (previous year in total: €2,110k). In accordance with the resolution adopted by the Annual General Meeting on 26 May 2006, the compensation paid to the individual Management Board members is not itemised (Section 286, Subsection 5 HGB).

The members of the Supervisory Board receive reasonable compensation for each full fiscal year of their participation in the Supervisory Board; it is specified in the Company Charter and is payable upon the expiration of the fiscal year. The chairperson receives twice the amount, the deputy chairperson an amount that is €2k higher. Supervisory Board members who did not belong to the Supervisory Board during the full fiscal year receive pro rata temporis compensation according to the duration of their membership on the Supervisory Board. The Supervisory Board members are also reimbursed for all of their expenses and for any turnover tax which must be paid on their compensation and expenses. Compensation paid to the Supervisory Board in 2008 totalled €118.9k (previous year: €117.4k).

Supplemental Information in Accordance with Section 315, Subsection 4 HGB

5. Supplemental Information in Accordance with Section 315, Subsection 4 HGB

Subscribed capital amounts to €58,507,916.50 prior to deducting own shares and is divided into 53,189,015 no-par-value bearer shares, each representing a share of €1.10 in the registered share capital. Each share is the equivalent of one vote. The securitisation of the stock is excluded.

Within the scope of the sale of options to VS GmbH, Drillisch was granted a right of first refusal in the event of a sale of the stock by VS in the agreement dated 7 April 2004 and the supplementary agreement dated 3 May 2004. Drillisch can also have this right of first refusal exercised by a third party.

The company has not been notified of any direct or indirect shareholding of greater than 10%.

In accordance with Sections 84, 85 AktG in conjunction with Section 7 of the Company Charter, the Management Board is appointed and recalled by the Supervisory Board. Any amendments to the Company Charter must be adopted in conformity with legal statutes (Sections 179 et seqq. AktG) by the Annual General Meeting. Moreover, the Supervisory Board is authorised to amend the Company Charter if and when such amendments affect only the wording.

The Annual General Meeting 2007 authorised the Management Board, with the approval of the Supervisory Board, to increase the registered share capital by as much as €19,223,067.00 by a single or multiple issue of new shares against cash contributions or contributions in kind before the lapse of 17 May 2012 (approved capital). On 27 November 2007, the Management Board placed 17,439,020 shares on the market, each representing a share of €1.10 in the registered share capital. After implementation of the capital increase, the authorised capital amounted to €40,145.00. This authorised capital was rescinded in the annual general meeting on 30 May 2008.

The Management Board was authorised by the annual general meeting on 30 May 2008 to increase the capital stock of the company by 29 May 2013, with the consent of the Supervisory Board, once or in partial amounts, by a total of up to €29,253,957.70 by issuing new no-par shares against cash and/or contributions in kind (authorised capital). With cash contributions, the new shares can also be acquired by one or several banks, with the obligation to offer them to the shareholders for subscription (indirect subscription right). The shareholders are essentially to be granted a subscription right. However, the Management Board is authorised to exclude the subscription right of the shareholders with the consent of the Supervisory Board,

- *in order to exempt residual amounts from the subscription right;*
- *if the capital increase takes place against cash contributions and the issuing amount of the new shares does not significantly fall below the stock exchange price of the shares already listed with the same terms, at the time of final definition of the issuing amount by the Management Board. The number of shares issued under exclusion of the subscription right pursuant to Article 186 Par. 3 Sentence 4 AktG shall not exceed a total of 10% of the registered capital, neither at the time of coming into effect, nor at the time of exercising the authorisation. Shares are to be attributed to this number, which have been or will be issued to fulfil subscription rights from options or convertible bonds, to the extent that the bonds were issued during the term of this authorisation in corresponding application of Article 186 Par. 3 Sentence 4 AktG, under exclusion of the subscription right. Furthermore, shares are to be attributed to this number, which were issued or sold during the term of this authorisation on the basis of an authorisation to utilise own shares pursuant to Articles 71 Par. 1 No. 8, 186 Par. 3 Sentence 4 AktG, under exclusion of the subscription right;*
- *if the capital increase takes place against capital contributions for granting shares within the context of corporate mergers or for the purpose of acquiring companies, company divisions, participations in companies or other assets;*
- *in order to issue new shares up to a proportional amount of capital stock totalling €2,925,395.00 as workforce shares to company employees or affiliated companies within the meaning of Articles 15 et seqq. AktG.*

Important Events after the End of the Fiscal Year

The Management Board is furthermore authorised, with the consent of the Supervisory Board, to define the further content of the share rights and the conditions of the share issue. The Supervisory Board is authorised to amend the version of the Company Charter, according to the respective utilisation of the authorised capital or after expiry of the authorisation.

The Management Board of Drillisch was authorised by the annual general meeting dated 18 May 2007 to acquire own shares of up to a total of 10% of the registered share capital at the time of the annual general meeting 2007, by 17 November 2008. In the annual general meeting dated 30 May 2008, the framework was agreed for additional share repurchases. This authorisation affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting (5,318,901 shares) and runs from 16 June 2008 to 29 November 2009. Within the context of the share repurchase programme, Drillisch acquired a total of 3,456,668 shares in the 2008 financial year, at an average price of €3.58, through the stock exchange. This corresponds to a nominal value of €3,802,334.80 or 6.50% of the company's share capital. The acquisition of own shares takes place for the purpose of using these for the purpose of financing possible acquisitions of companies, divisions of companies, company participations or other assets, or within the context of corporate mergers. A later redemption or resale of these shares to third parties against cash payment is not excluded.

The Company has concluded a number of agreements in which a change of control as a consequence of a takeover represents a condition precedent. These are primarily agreements with the network operators. Moreover, the occurrence of a so-called change of control affects the financing of the Company and the participation in MSP. The participation agreement with United Internet includes various regulations for the event of a change of control granting Drillisch and United Internet call and put options related to the shares in MSP. Other agreements with corresponding terms and conditions in the event of a change of control do not exist on the part of Drillisch.

6. Important Events after the End of the Fiscal Year

On 27 February 2009, Drillisch acquired the majority of shares (71.4%) in eteleon, listed in the Entry-Standard of the Frankfurt securities exchange. The consideration was comprised of a cash amount and own shares in Drillisch AG, with a total value of an amount below single-figure millions.

The right to acquire 5,399,409 shares in freenet AG at a price of EUR 3.38 plus 10% p.a. by 28 February 2009 was not exercised by Drillisch.

Maintal, 3 March 2009

The Management Board

CONSOLIDATED ANNUAL ACCOUNTS

Consolidated Income Statement

Consolidated Annual Accounts for the Fiscal Year from 01 January 2008 to 31 December 2008

	Notes No.	2008 €k	2007 €k
Sales	5	350,116	361,523
Other own work capitalised		1,934	1,788
Other operating income	6	2,977	16,361
Cost of materials / Expenditures for purchased services	7	-276,772	-285,762
Personnel expenses	8	-19,498	-21,043
Other operating expenses	9	-18,196	-33,076
Amortisation and depreciation	10	-6,702	-5,764
Operating result		**33,859**	**34,027**
Result from financial investments shown in the balance sheet according to the equity method	11	-202,432	-40
Interest income	11	1,367	1,337
Interest and similar expenses	11	-5,167	-7,617
Financial result		**-206,232**	**-6,320**
Profit before taxes on income		**-172,373**	**27,707**
Taxes on income	12	-11,702	-3,377
Consolidated results		**-184,075**	**24,330**
Profit per share (in €)	43		
Undiluted		-3.58	0.66
Diluted		-3.58	0.66

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 01 January 2008 to 31 December 2008

ASSETS

	Notes No.	31.12.2008 €k	31.12.2007 €k
Fixed assets			
Other intangible assets	13	15,912	19,275
Goodwill	14	66,400	66,400
Tangible assets	15	1,723	1,934
Financial assets shown in balance sheet according to equity method	16	52,219	152,392
Other financial assets		0	13
Deferred taxes		2,922	2,906
Fixed assets, total		**139,176**	**242,920**
Current assets			
Inventories	17	5,615	10,590
Trade accounts receivable	18	24,603	33,619
Accounts due from affiliated companies		105	103
Accounts due from companies in which there is a participating interest		23	4,206
Tax reimbursement claims	19	349	6,936
Cash		4,325	84,681
Other current assets	20	8,063	2,926
Current assets, total		**43,083**	**143,061**
ASSETS, TOTAL		**182,259**	**385,981**

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 01 January 2008 to 31 December 2008

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes No.	31.12.2008 €k	31.12.2007 €k
Shareholders' equity			
Subscribed capital	21	54,706	58,508
Capital surplus		119,480	128,379
Earnings reserves		31,123	31,123
Market evaluation provision		0	0
Accumulated deficit (previous year: unappropriated retained earnings)		-173,568	15,659
Equity, total		**31,741**	**233,669**
Long-term liabilities			
Pension provisions	23	975	982
Deferred tax liabilities		6,726	5,637
Bank loans and overdrafts	26	75,413	74,119
Leasing liabilities	22	468	402
Long-term liabilities, total		**83,582**	**81,140**
Short-term liabilities			
Short-term provisions	24	3,200	9,707
Tax liabilities	25	8,305	2,224
Bank loans and overdrafts	26	20,000	13,767
Trade accounts payable	27	7,915	14,364
Payments received on account	28	15,663	16,913
Leasing liabilities	22	668	891
Other liabilities	29	11,185	13,306
Short-term liabilities, total		**66,936**	**71,172**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**182,259**	**385,981**

Consolidated Statement of Change in Capital

Consolidated Annual Accounts for the Fiscal Year from 01 January 2008 to 31 December 2008

	Number of shares	Subscribed capital	Capital reserves	Market valuation reserves	Earnings provision	Unappro-priated retained earnings/ Accumulated deficit	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
Capital increases	20,689,015	23,557	102,994	0	-879	0	125,672
Market valuation of Other financial assets		0	0	-31,180	0	0	-31,180
Allocation to earnings reserves		0	0	0	14,700	-14,700	0
Consolidated results		0	0	0	0	24,330	24,330
As per 31/12/2007	**53,189,015**	**58,508**	**128,379**	**0**	**31,123**	**15,659**	**233,669**
As per 01/01/2008	**53,189,015**	**58,508**	**128,379**	**0**	**31,123**	**15,659**	**233,669**
Change in own shares	-3,456,668	-3,802	-8,580	0	0	0	-12,382
Retroactive costs of the capital increase 2007		0	-319	0	0	0	-319
Dividend payments		0	0	0	0	-5,152	-5,152
Consolidated results		0	0	0	0	-184,075	-184,075
As per 31/12/2008	**49,732,347**	**54,706**	**119,480**	**0**	**31,123**	**-173,568**	**31,741**

Consolidated Capital Flow Statement

	2008	2007
	€k	€k
Consolidated results	-184,075	24,330
Interest paid	-4,088	-7,890
Interest received	1,505	1,199
Results from interest	3,800	6,280
Result from financial assets shown in balance sheet according to equity method	202,432	40
Income tax paid	-5,261	-14,673
Income tax received	8,223	1,769
Taxes on income	11,702	3,377
Amortisation and depreciation	6,702	5,764
Income from the disposal of tangible assets and intangible assets	-102	38
Profit from the disposal of Other financial assets	0	-13,322
Change in inventories	4,975	-4,524
Change in receivables and other assets	7,907	-2,157
Change in trade payables payable and other liabilities and provisions	-9,856	578
Change in payments received on account	-1,250	4,595
Cash flow from current business activities	**42,614**	**5,404**
Investments in tangible and intangible assets	-3,931	-2,813
Income from the disposal of tangible and intangible assets	394	175
Payments for acquisitions less acquired cash	0	-41,604
Payment for the acquisition of shares in companies in which there is a participating interest	0	-10,340
Investments in Other financial assets	0	-43,942
Investments in financial assets shown in balance sheet according to equity method	-123,172	0
Received dividends or special dividends	0	52,264
Income from the disposal of financial assets	13,904	0
Cash flow from investment activities	**-112,805**	**-46,260**
Change in own shares	-12,382	2,508
Dividend payments	-5,152	0
Capital increases	0	125,673
Outgoing payments for amortisation of loans	-87,886	-35,400
Incoming payments from the taking out of loans	95,413	24,467
Change in investment liabilities	-158	-749
Cash flow from financing activities	**-10,165**	**116,499**
Change in cash	**-80,356**	**75,643**
Cash at beginning of period	84,681	9,038
Cash at end of period	4,325	84,681

Consolidated Notes

Consolidated Annual Accounts for the Fiscal Year from 01 January 2008 to 31 December 2008

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

The consolidated annual accounts have been prepared in euros. Unless otherwise specifically indicated, all of the amounts are shown in thousand euros (€k). Assets and liabilities are sub-categorised as long-term and short-term assets or long-term and short-term liabilities according to the attributable periods. The consolidated income statement has been prepared by applying the cost summary method.

The Management Board prepared the consolidated annual accounts and the consolidated management report as per 31 December 2008 on 03 March 2009 and released them for submission to the Supervisory Board.

1 Applied Accounting Principles

These consolidated annual accounts have been prepared in conformity with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU and the relevant interpretations issued by the International Accounting Standards Board (IASB). Moreover, the commercial law provisions to be applied in accordance with Section 315, Subsection 1 HGB (German Commercial Code; "Consolidated Annual Accounts in Compliance with International Accounting Standards") have been observed.

The IASB and the IFRIC (International Financial Interpretations Committee) have issued the following standards, interpretations and amendments to existing standards, but their application is not yet obligatory, and Drillisch AG has not prematurely applied them. The application of these IFRS presumes that they will be taken over by the EU within the scope of the IFRS endorsement procedure.

The following standard and the following amendments of standards as well as the following interpretations will become binding as of fiscal year 2009:

- IFRS 8 "Operating Segments"
- Amendment of IAS 1 "Presentation of Financial Statements"
- Amendment of IAS 23 "Borrowing Costs"
- Amendments of IAS 32 and IAS 1: "Puttable Financial Instruments and Obligations Arising on Liquidation"
- Amendments of IFRS 1 and IAS 27: "Acquisition Costs of Shares in Subsidiaries"
- Amendments of IFRS 2 "Share-based Payment"
- "Improvements to the International Financial Reporting Standards"
- IFRIC 13 "Customer Loyalty Programmes"
- Amendments of IAS 39 and IFRS 7: "Reclassification of Financial Instruments"

As the situation stands today, we do not expect any major effects on the consolidated annual accounts from the new regulations.

Consolidated Notes

The application of following amendments to standards and the following interpretations became binding for the first time in fiscal year 2008:

- Amendments of IAS 39 and IFRS 7: "Reclassification of Financial Instruments"
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions"
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"

The new regulations did not affect the consolidated annual accounts.

Moreover, the following amendments of IASB standards and the following interpretations of IFRIC have been published in English, but not yet acknowledged by the EU:

Application compulsory for fiscal years beginning on or after:	
1 July 2009	Amendment of IAS 27 "Consolidated and Separate Financial Statements"
1 July 2009	Amendment of IAS 39 "Financial Instruments: Recognition and Measurement: Eligible Hedge Items"
1. July 2008	Amendment of IAS 39 "Reclassification of Financial Assets: Effective Date and Transition"
1. July 2009	Revised version of IFRS 1 "First-time Adoption of International Financial Reporting Standards"
1. July 2009	Revised version of IFRS 3 "Business Combinations"
1. January 2008	IFRIC 12 "Service Concession Arrangements"
1. January 2009	IFRIC 15 "Agreements for the Construction of Real Estate"
1. October 2008	IFRIC 16 "Hedges of a Net Investment in a Foreign Operation"
1. July 2009	IFRIC 17 "Distributions of Non-cash Assets to Owners"
1. July 2009	IFRIC 18 "Transfers of Assets from Customers"

As the situation stands today, we do not expect any major effects on the consolidated annual accounts from the new regulations.

2 Consolidated Companies and Consolidation Principles

Consolidated Companies

The following companies are included in the consolidated annual accounts:

		Share in capital	Held by
		%	No.
1.	Drillisch AG, Maintal		
2.	Drillisch Telecom GmbH, Maintal	100	1
3.	IQ-optimize Software AG („IQ-optimize AG"), Maintal	100	1
4.	SIMply Communication GmbH („SIMply GmbH"), Maintal	100	1
5.	MS Mobile Services GmbH („MS Mobile GmbH"), Maintal	100	2

Consolidated Notes

One change in comparison with the previous year was the inclusion of MS Mobile GmbH in the consolidated annual accounts pursuant to the company's commencement of business operations. This does not have any major implications for the comparability of the accounts with the previous year.

The joint venture MSP Holding GmbH ("MSP Holding GmbH"), Maintal (share in capital 50%), and, as an associated company, the shares held by Drillisch AG in freenet AG, Büdelsdorf (share in capital 6.12%), are disclosed in the consolidated annual accounts according to the equity method.

The following companies were not included in the consolidated annual accounts due to their minor importance for representation of the liabilities and assets and the financial and earnings position:

Forster Kommunikationselektronik GmbH i.L. ("Forster GmbH i.L."), Munich (share in capital 100%), Acoon GmbH, Marl (share in capital 63%), Open-Net Oy, Helsinki (share in capital 51%, in bankruptcy), Drion GmbH, Bietigheim-Bissingen (share in capital 35%), Phone Partner GmbH, Dietzenbach (share in capital 25%, in bankruptcy), and Connect Handelsgesellschaft mbH, Krefeld (share in capital 100%, in bankruptcy) as subsidiary of Drillisch Telecom GmbH.

Drillisch Telecom GmbH

Drillisch Telecom GmbH (formerly McSIM Mobilfunk GmbH) resulted from the merger of VICTORVOX GmbH, Krefeld, Alphatel Kommunikationstechnik GmbH, Maintal, and Telco Services GmbH, Idstein, with McSIM Mobilfunk GmbH, Maintal, which is now operating under the company name of Drillisch Telecom GmbH. The merger became retroactively effective as per 01 October 2008 upon being entered in the Commercial Register on 06 January 2009.

Consolidation Principles

Corporate mergers are measured according to the acquisition method. The purchase price is allocated to the indentified assets and liabilities of the acquired subsidiary. The value relationships at the point in time at which the control over the subsidiary is obtained are authoritative. Measurable assets and the assumed liabilities are valued at their full attributable market value, regardless of the amount of the participation. Any remaining positive difference is shown as goodwill. A negative difference which remains is included as directly effective on income. The disclosed hidden reserves and hidden encumbrances are carried forward to the following periods in the same way as the handling of the corresponding assets and liabilities, written off as scheduled or reversed.

Joint ventures are included in accordance with the equity method. The balance sheets for these companies are prepared with their identified, proportionate assets which have been revaluated (plus any goodwill) and liabilities in one item. The goodwill derived during the application of the equity method is not written off as scheduled depreciation, but it is reviewed at least once a year for any signs of a decrease in value. The equity measurement is always updated by the proportionate period results. Unrealised profits and losses from business transactions with these companies are eliminated proportionately.

All of the receivables and payables as well as income and expenditures among the companies included in the consolidated annual accounts were eliminated.

In December 2008, Drillisch AG concluded a contract regarding the acquisition of the majority shareholding in eteleon e-solutions AG, Munich. The transaction was completed by the acquisition of 71.4% on 27 February 2009. Owing to the chronological proximity of the release date of the consolidated annual accounts, it is not yet possible to provide any additional information related to the corporate merger pursuant to IFRS 3.

Consolidated Notes

3 Accounting and Evaluation Methods

Intangible Assets

Intangible fixed assets are shown in the balance sheet at acquisition or manufacturing costs, less scheduled depreciation calculated according to the straight-line method. A useful life of three to four years is taken as the basis. The manufacturing costs include overhead costs as well as the immediately attributable direct costs.

Intangible assets with an indeterminate useful life are not written off according to a schedule, but are instead subjected to a recoverability test once a year and, in addition, whenever there are indications of a decrease in value; as appropriate, this is based on units which generate cash. If the book value of the intangible asset or of the cash-generating unit on which it is based exceeds the recoverable value, the asset must be written off to the recoverable amount.

If the reasons for the previously recorded devaluations cease to exist, the assets are written up without goodwill.

In accordance with IFRS, there has no longer been any scheduled depreciation of goodwill since fiscal year 2005. The goodwill is reviewed annually to determine any loss of value.

Within the framework of the review of loss of value, the goodwill acquired during a corporate merger is allocated to the cash-generating units which will presumably profit from the assets which determine the value, but which cannot be measured. The recoverability test is conducted once a year and, in addition, whenever there are indications for a loss of value in the corresponding cash-generating unit. If the book value of the cash-generating unit exceeds its recoverable value, the goodwill allocated to this cash-generating unit must be written off in the amount of the difference; devaluations are not reversed in this case.

The recoverable value for a cash-generating unit is calculated on the basis of its use value. The use value is determined by application of the DCF procedure. The calculations are based on projections resulting from financial plans approved by management and are also used for internal purposes.

Tangible Assets

Tangible assets are evaluated at acquisition costs less scheduled straight-line depreciation. The depreciation period for fixtures, fittings and equipment varies between two and ten years. Additions during the fiscal year are written off pro rata temporis. Borrowing costs are recorded as expenses according to the benchmark method in the period in which they are incurred.

Other Financial Assets

Other financial assets are always measured at acquisition costs less required valuation allowances.

Inventories

The inventories, comprising solely and exclusively merchandise and payments on account, are evaluated at the lower of acquisition costs or realisable net sales value. The evaluation of the merchandise is based on the FIFO principle.

Consolidated Notes

Financial Instruments

A financial instrument is a contract which simultaneously leads to the creation of a financial asset for one company and to the creation of a financial liability or equity instrument for another company. Financial instruments are included in the consolidated balance sheet at the point in time at which a consolidated company becomes the party of the financial instrument. However, the day of performance is relevant in the case of purchases and sales usual on the market for the initial inclusion in and the removal from the balance sheet.

A financial asset is derecognised when the conditions of IAS 39.17-39.18 have been fulfilled. If the Group assigns its contractual rights to payment flows from an asset and retains essentially all of the threats and opportunities related to the ownership of this asset, the Group continues to record the assigned asset in the scope of its ongoing commitment.

Financial assets include in particular cash and cash equivalents, trade receivables and loans and receivables and derivative financial assets maintained for commercial purposes. Financial liabilities include trade accounts payable, liabilities due to banks, liabilities from financing leasing relationships and derivative financial liabilities. Financial assets and financial liabilities are shown as balances only if there is an offset right with respect to the amounts and the intention is to realise a balance on a net basis.

Financial instruments are valued at their attributable market value when recognised for the first time. The transaction expenses which are directly attributable to the acquisition must be taken into account for all of the financial assets and liabilities which are subsequently valued at the attributable market value without effect on income. The attributable market values measured in the balance sheet correspond as a rule to the market prices of the financial assets and liabilities.

The subsequent valuation depends on whether a financial instrument is held for commercial purposes or until its final maturity, whether the financial instrument is available for sale or whether it comprises loans and receivables of the company. Financial instruments held for commercial purposes are valuated at the attributable market value with effect on income. If it is intended, and can also from a commercial standpoint be expected with reasonable confidence, that the financial instruments will be held until their final maturity, they are valuated in accordance with the effective rate of return method with the acquisition costs carried forward. All other original financial assets, unless they are loans and receivables, must be classified as available for sale and valuated at the attributable market value. The profits and losses resulting from the valuation at the attributable market value are included in shareholders' equity as non-operating results. This does not apply if there are permanent or major losses in value or if there are changes in the value of borrowed capital instruments as a consequence of currency exchange rates. When the financial instruments are derecognised, the cumulative profits and losses recorded in shareholders' equity are shown in the income statement effective on income.

Receivables and Other Assets

Receivables and other assets were measured at nominal value in the balance sheet. Valuation allowances were created for default risks. Receivables and liabilities related to the network operators T-Mobile, Vodafone, E-Plus and O2 are shown in the balance sheet as balances in each case. Any receivables which result from the calculation of the balance are shown in the other current assets, liabilities under the trade accounts payable.

Liabilities

Financial liabilities are shown at acquisition costs carried forward in accordance with IAS 39. Directly attributable issue costs are deducted when financial liabilities are taken out and distributed with effect on earnings over the entire term.

Consolidated Notes

Leasing Relationships

Leasing relationships are classified, pursuant to IAS 17, as finance leases if and when essentially all of the threats and opportunities associated with the ownership of the leased object are transferred to the lessee. Any other lease relationships are to be classified as operating lease relationships.

Assets held within the framework of finance lease relationships are capitalised at the beginning of the lease relationship at their attributable market value or, if it is lower, at the cash value of the minimum leasing instalments, then written off according to straight-line depreciation. The corresponding liability to the lessor is shown in the balance sheet as obligation from finance lease. The leasing instalments are allocated proportionately to financing expenses and reduction in the lease obligation so that over the periods a constant interest rate on the remaining balance of the obligations is created for each reporting period. Rent payments from operating lease relationships are recorded according to the straight-line method with effect on income over the term of the pertinent leasing relationship.

Pension Provisions

Pension provisions for merit-based pension commitments are determined actuarially according to the projected unit credit method and shown in the balance sheet on the basis of an assessor's valuation on the balance sheet date.

The pension commitments shown in the balance sheet represent the cash value of the merit-based commitment adjusted for the service period expenses which are to be offset retroactively and for actuarial profits and losses. Actuarial profits and losses are taken into account and allocated to the average future remaining service period solely to the extent that they exceed a corridor corresponding to 10% of the obligation in each case.

Short-term Provisions

Provisions are created for legal or de facto obligation which originated in the past if it is probable that the fulfilment of the obligation will result in an outflow of Group resources and a reliable estimate of the amount of the obligation can be made.

Deferred Taxes

Deferred taxes are shown according to the liability method for all temporary differences between the tax value measurements and the book values. The tax rates which will presumably apply at the point in time of the reversal of the temporary differences are applied. Deferred taxes are not created if the temporary difference results from goodwill.

Deferred taxes are shown as tax revenue or expenses in the income statement unless they directly affect items included in shareholders' equity as non-operating results; in this case, the deferred taxes as also shown as non-operating results in shareholders' equity.

Realisation of Income and Expenses

In the wireless services segments, sales are generated from the offered wireless services, one-time installation charges and from the sale of mobile end devices and accessories. Sales from wireless services include monthly service charges, charges for special features and connection and roaming charges. Sales from wireless services are realised on the basis of utilisation units which have been used and contractual charges, less credit notes and adjustments due to price discounts. The turnover generated from the sale of mobile telephones, mobile data devices and accessories and the related expenses are realised as soon as the products are delivered and accepted by the customers.

Consolidated Notes

In the segment software services, sales are generated from the offered customised software solutions and from maintenance and support services. Sales from software solutions and sales from maintenance and support services are based on contractual provisions.

Operating expenditures are recorded as expenses when the service is used or at the point in time they are caused.

Interest expenses are recorded appropriately for the period in consideration of the outstanding loan total and the effective interest rate which is applicable. The effective interest rate is the interest rate which results in the cash value of the estimated future payments over the expected useful life of the financial asset being the equivalent of the net book value. Dividend income from financial investments is recorded when a legal claim to payment arises.

Share-based Compensation

Drillisch AG has concluded a share-based payment agreement with its Management Board members as a part of the total compensation. The consideration which is received is valuated indirectly on the basis of the attributable market value of the equity instruments and recorded pro rata temporis as personnel expenses and as a provision. The attributable market values are determined for the first time on the day of the grant and subsequently on each and every balance sheet date, applying suitable option price models. Changes in the attributable market value are recorded effective on income.

Usage of Assumptions and Estimates

During the preparation of the consolidated annual accounts, assumptions were made and estimates applied which affected the disclosure and measurement of the assets, liabilities, earnings, expenditures and contingent liabilities shown in the balance sheet. These assumptions and estimates are related primarily to the determination of commercial lifetimes used as a standard throughout the Group, the assumptions concerning the recoverability of goodwill, brand rights, receivables and investments, the valuation of provisions and share-based payments and the realisability of future tax relief. The actual values may, in individual cases, deviate from the assumptions and estimates which have been made, especially with respect to dividend returns, interest rates and volatilities. Any changes will be given due consideration with effect on the results whenever more precise knowledge becomes available.

The Drillisch Group has a key approach in its financial risk management for the identification, measurement and control of risks. The risk items are derived from the income and expenditures affecting payments which are undertaken and planned throughout the Group.

Consolidated Notes

4 Contingent Receivables

Based on purchase contracts dated 7 April 2004 and supplementary agreement dated 3 May 2004, Drillisch AG sold 4,744,202 options for treasury stock to the VS Verwaltungs- und Beteiligungsgesellschaft mbH, Hanau (VS GmbH) for a total price of €1.00. The sale was subject to the provisions that VS GmbH would exercise the call option by 7 April 2004, which was done, and would not sell the acquired shares before 31 December 2005 without the prior consent of Drillisch AG. In addition, Drillisch AG is entitled to 76% of the profit from the sales in the event that VS GmbH sells the stock. The profit from the sale is the difference between the realised sales proceeds and the price paid for exercise of the option (€1.45).

As per the balance sheet date, there is therefore a contingent asset of €1,010k. The calculation of the contingent asset is based on a closing price as per 31 December 2008 of €1.73.

5 Sales

	2008	2007
	€k	€k
Telecommunications		
Wireless services providing	349,878	360,889
Miscellaneous	159	288
Software services	79	346
	350,116	**361,523**

Other sales refer to landline network sales of Drillisch Telecom GmbH.

6 Other Operating Income

	2008	2007
	€k	€k
Receipt of written-off receivables	1,332	1,017
Reversal of provisions	303	545
Reimbursement of dunning fees (lawyer and court fees)	50	50
Insurance benefits	8	15
Contribution profit freenet stock	0	13,322
Other	1,284	1,412
	2,977	**16,361**

Consolidated Notes

7 Cost of Materials/Expenditures for Purchased Services

	2008	2007
	€k	€k
Expenditures for purchased goods and services	276,772	285,708
Other expenditures	0	54
	276,772	**285,762**

8 Personnel Expenses

	2008	2007
	€k	€k
Wages and salaries	16,940	18,042
Social contributions	2,558	3,001
	19,498	**21,043**

The number of employees (excluding Management Board, part-time employees converted to equivalent full-time positions) came to:		
Annual average	345	372
Annual average – vocational trainees	18	18

In fiscal year 2007, the Drillisch AG Supervisory Board decided to establish a share-based payment programme ("Long-term Incentive Plan") for the Management Board members for the years 2007 to 2010. Pursuant to this programme, each of the Management Board members is entitled to 100,000 share appreciation rights.

These share appreciation rights entitle the holder, after the expiration of blocking periods of 10, 22, 34 and 46 months and achievement of the success target (increase in the price of the Drillisch stock, starting from the base price, by 5%, 10%, 15% and 20% and more successful development than the Technology All Share Index), to payment of a cash sum.

The payment claim results from the difference between the base price of €5.54 and the exercise price, whereby the base price was calculated using an average volume-weighted market capitalisation based on the final Xetra price of the Drillisch stock in the period from 1 October 2006 to 31 December 2006, and the final price of the Drillisch stock at the point in time of the exercise of the right represents the exercise price. The payable difference per share appreciation right is subject to a maximum of €10.00.

The share appreciation rights are distributed among four tranches of 25,000 share appreciation rights each in the years 2007 to 2010. The number of outstanding share appreciation rights at the beginning of the year came to 150,000. During the fiscal year, 50,000 rights from the first tranche were exercised. The final price for this exercise of 50,000 share appreciation rights came to €7.07 (exercise price based on November 2007).

Consolidated Notes

The market value of a share appreciation right as per 31 December 2008 came to €0.28 (previous year: €5.99). The market value of the scheme amounts to €21k (previous year: €446k). Expenditures of €15k and a provision of €15k were taken into account in the consolidated accounts of Drillisch AG.

The share appreciation programme is a share-based payment with cash settlement within the sense of IFRS 2.30 and following. The consideration which is received is valuated indirectly on the basis of the attributable market values of the equity instruments and is recognised pro rata temporis for consideration to be received in future over the period as personnel expenses and as provisions. It is assumed that consideration has already been received for the time period between the beginning of the term of the tranche and the point in time of the commitment. Consequently, the full claim which has already been vested for this period is created as a provision on the balance sheet date.

The market value of the scheme was calculated on the basis of a Monte Carlo simulation. This took into account a volatility of 62% and 37% (index), derived from the historical two-year volatility of the Drillisch stock and of the Technology All Share Index in Xetra trade. Expected dividends were not taken into account in calculating the attributable market value. A hypothetical zero-coupon bond without a credit default risk with a corresponding term in the amount of 1.83% was used as a risk-free interest rate.

9 Other Operating Expenses

	2008	2007
	€k	€k
Legal and professional fees	3,199	4,952
Billing / External work	2,810	3,010
Rent and secondary costs	2,401	2,701
Bad debts and valuation allowances	2,325	3,537
Advertising expenses	1,570	1,425
Postal and telephone fees / Dedicated lines	798	1,133
Incidental costs for money transactions	684	556
Motor vehicle expenses	555	830
Indemnification agreement MSP Beteiligungs GmbH	0	10,000
Other	3,854	4,932
	18,196	**33,076**

Bad debt losses and valuation allowances are related solely to the valuation category "Loans and Receivables".

10 Depreciation and Amortisation

	2008	2007
	€k	€k
Software		
Own produced software	2,530	2,173
Customer relationships	2,163	1,802
Purchased software	685	640
Tangible assets	1,324	1,149
	6,702	**5,764**

Consolidated Notes

11 Financial Results

Result from Financial Investments Shown in the Balance Sheet According to the Equity Method

This item contains the portion of the updating of the proportional equity of the investment in MSP Holding GmbH, valuated at equity, effective for income and the shares in freenet AG held directly. In addition to the portion of the updating of the proportional equity effective for income, this item includes unscheduled (impairment) and scheduled depreciation. The scheduled depreciation results from the disclosure of hidden reserves pursuant to a purchase price allocation. In addition, effects of profits and losses from the sales of shares in freenet AG and derivatives on shares of freenet AG are measured in this item.

The book value of the shares in MSP Holding GmbH amounts to €18.1 million, that of the shares in freenet AG held directly to €34.1 million, corresponding to the market value. The proportionate earnings of freenet AG taken into account are attributable to Drillisch AG at the MSP Holding GmbH level at a value of €11.0 million and were taken into account at a value of €5.5 million within the scope of the measurement at equity of the shares held directly. The share in the results of the discontinued business unit of freenet AG contained in this item amounts to -€5.6 million. In calculating the depreciation, a package surcharge or control commission of 5% was measured, based on a market price for freenet AG as per 31 December 2008 of €4.15.

The unscheduled depreciation on the shares of freenet AG taken at the MSP Holding GmbH level is attributable to Drillisch AG in the amount of €145.6 million. The unscheduled depreciation on the freenet AG shares held directly amounts to €85.0 million.

Interest Income/Interest and Similar Expenses

The interest income results solely from the valuation category of the "Loans and Receivables". Interest and similar expenses are allocated solely to the valuation category "Financial Liabilities Measured at Amortised Cost".

The interest and similar expenses include bank charges and commissions of €501k.

12 Taxes on Income

	2008	2007
	€k	€k
Current taxes on income	10,481	4,369
Deferred taxes	1,221	-992
Disclosed expenses for income taxes	**11,702**	**3,377**

Taxes on income which have either been paid or which are owed as well as deferred taxes as shown as taxes on income. Taxes on income comprise corporate income tax, solidarity surcharge and trade tax. Limited stock companies are subject to effective and deferred taxes as follows: corporate income tax of 15.0% (previous year: 25.0%), solidarity surcharge as in the previous year of 5.5% and trade tax, of which the amount varies according to the tax rates specific to the local community.

Consolidated Notes

The transition from the expected expenditures for taxes on income which would result from application of the Group's income tax rate to the shown tax expenditure is presented below:

	2008	2007
	€k	€k
Profit before taxes on income	-172,373	27,707
Tax expenses from application of the Group income tax rate of 31.58% (previous year: 39.65%)	-54,435	10,986
Taxes for previous year	-139	80
Trade tax additions	173	593
Non-deductible expenses and tax-free income	66,239	-7,213
Effects of changes in tax rates	0	-698
Other effects	-136	-371
	11,702	**3,377**

The deferred taxes are calculated on the basis of the tax rates which are applicable according to the present legal situation or which are expected at the point in time of realisation. A tax rate of about 31.58% (previous year: about 31.58%) was applied, comprising corporate income tax of 15.0% (previous year: 15.0%), the solidarity surcharge of 5.5% and an average trade tax rate of 15.76%.

The deferred tax reimbursements and liabilities are composed of the following:

	2008	2007
	€k	€k
Deferred tax reimbursements		
Other intangible assets	820	741
Other current assets	1,603	1,342
Leasing liabilities	377	499
Pension provisions	122	105
Financial assets	0	219
	2,922	**2,906**
Deferred tax liabilities		
Other intangible assets	3,799	4,664
Financial assets	2,338	59
Leasing assets	405	521
Short-term provisions	0	95
Bank loans and overdrafts	184	298
	6,726	**5,637**
	-3,804	**-2,731**

The deferred tax reimbursements comprise €1,451k (previous year: €1,241k) on short-term and €1,471k (previous year: €1,665k) on long-term assets. The deferred tax liabilities comprise €3,951k (previous year: €2,031k) on short-term and €2,776k (previous year: €3,606k) on long-term assets.

Consolidated Notes

13 Other Intangible Assets

	Trademark Telco	Customer relationships	Own produced software	Purchased software	Total
	€k	€k	€k	€k	€k
Acquisition costs					
As per 01 January 2007	**0**	**0**	**8,298**	**1,818**	**10,116**
Additions	6,668	8,650	3,514	982	19,814
Disposals	0	0	2	1	3
As per 31 December 2007	**6,668**	**8,650**	**11,810**	**2,799**	**29,927**
Additions	0	0	1,934	431	2,365
Disposals	0	0	0	420	420
As per 31 December 2008	**6,668**	**8,650**	**13,744**	**2,810**	**31,872**
Accrued depreciation					
As per 01 January 2007	**0**	**0**	**5,136**	**904**	**6,040**
Additions	0	1,802	2,173	640	4,615
Disposals	0	0	2	1	3
As per 31 December 2007	**0**	**1,802**	**7,307**	**1,543**	**10,652**
Additions	0	2,163	2,530	685	5,378
Disposals	0	0	0	70	70
As per 31 December 2008	**0**	**3,965**	**9,837**	**2,158**	**15,960**
Book values					
as per 31 December 2007	6,668	6,848	4,503	1,256	19,275
as per 31 December 2008	**6,668**	**4,685**	**3,907**	**652**	**15,912**

The additions of the own produced software are related to the development of software used by the Company.

Within the framework of the purchase price allocation of Telco GmbH in 2007, customer relationships, own produced software and the trademark Telco were identified. The trademark Telco is an intangible asset with an unlimited useful life. Based on the analysis of the relevant factors (planning related to the future use of the asset, expected market behaviour, and so on), there is no foreseeable limitation to the periods in which the trademark will presumably generate net cash flows.

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14 Goodwill

The goodwill was allocated to the units generating funds as shown below:

	Acquisition costs	Accrued Amortisation and depreciation to 31 December 2008	Book values
	€k	€k	€k
Drillisch Telecom GmbH	89,314	22,976	66,338
IQ-optimize AG	103	41	62
	89,417	**23,017**	**66,400**

The goodwill of Drillisch Telecom GmbH results from the original goodwill in the companies Alphatel GmbH, VICTORVOX GmbH and Telco GmbH.

The acquisition costs and the accrued depreciation as well as the resulting book values did not change in comparison with the previous year.

The value of the original goodwill was reviewed using the amounts realisable for these cash-generating units, calculated on the basis of their utilisation values. The utilisation values result from the future cash flows, including interest. The company planning approved by management for the years 2009 to 2012 and for the time after that is based on a sustained net profit at a constant growth rate of 0.5% and 1%, respectively, derived from the budgetary figures for 2013. Interest paid on the cash flows for the period 2009 to 2012 was calculated at an interest rate of 8.3% and for the following period at an interest rate of 7.3% and 7.8% pa. The number of subscribers is a major fundamental assumption for the planning of the cash-generating units. No adjustments in the value of the goodwill were required in fiscal year 2008.

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15 Tangible Assets

	Fixtures, fittings and equipment	Buildings	Total
	€k	€k	€k
Acquisition costs			
As per 01 January 2007	**4,265**	**217**	**4,482**
Additions	1,324	0	1,324
Disposals	361	0	361
As per 31 December 2007	**5,228**	**217**	**5,445**
Additions	1,561	4	1,565
Disposals	608	0	608
As per 31 December 2008	**6,181**	**221**	**6,402**
Accrued depreciation			
As per 01 January 2007	**2,375**	**102**	**2,477**
Additions	1,116	33	1,149
Disposals	115	0	115
As per 31 December 2007	**3,376**	**135**	**3,511**
Additions	1,292	32	1,324
Disposals	156	0	156
As per 31 December 2008	**4,512**	**167**	**4,679**
Book values			
as per 31 December 2007	1,852	82	1,934
as per 31 December 2008	**1,669**	**54**	**1,723**

Consolidated Notes

16 Financial Assets Shown in Balance Sheet According to Equity Method

Drillisch AG holds 50% of the shares in MSP Holding GmbH. The shares in the joint venture and the shares in freenet AG held directly are disclosed in this item according to the equity method.

The table below shows the proportionate long-term and short-term assets and liabilities and the performance indicators for the joint venture MSP Holding GmbH consolidated according to the equity method. These amounts are each contained in an item in the consolidated balance sheet and the consolidated income statement:

	2008	2007
	€k	€k
Fixed assets	27,734	158,588
Current assets	156	10,896
Long-term liabilities	0	0
Short-term liabilities	9,858	4,124
EBT	-147,328	-27
Earnings after taxes	-147,328	-40

As per 31 December 2008, freenet AG announced sales of €2,873.8 million and consolidated profits of €111.6 million (thereof discontinued business unit: -€36.8 million) as provisional operating figures. As per 31 December 2007, assets at freenet AG amounted to €902.6 million and liabilities to €530.5 million.

17 Inventories

	2008	2007
	€k	€k
Merchandise	2,194	2,597
Value allowances for merchandise	0	-140
Payments on account	3,421	8,133
	5,615	**10,590**

The merchandise consists primarily of mobile phones and accessories. The payments on account represent primarily vouchers in storage.

18 Trade Accounts Receivable

	2008	2007
	€k	€k
Gross receivables	25,355	44,622
Valuation allowances on receivables	-752	-11,003
	24,603	**33,619**

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Analysis of Maturity of Trade Receivables

	Book Value	Thereof neither devalued nor overdue as of closing date	Thereof not devalued as of closing date and overdue in the following time spans			
			Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days
	€k	€k	€k	€k	€k	€k
31/12/2008	24,603	11,351	4,179	1,871	1,731	5,236
31/12/2007	33,619	15,718	7,184	2,038	1,255	5,832

With respect to the receivables which as of the closing date had not been devaluated and which were not overdue, nothing was known as of the closing date which would indicate that the debtors would not fulfil their payment obligations.

Receivables which as of the closing date were not devaluated, but which were overdue, comprise essentially receivables due from customers and suppliers with whom payment in instalments has been agreed. As long as these debtors fulfil their payment obligations, there will not be any valuation allowances and the receivables will continue to be valuated at acquisition costs.

In the Drillisch Group, valuation allowances are created on doubtful receivables to take into account estimated losses which result from customers' insolvency. The criteria used by management for the assessment of the reasonableness of the valuation allowances for doubtful receivables are the maturity structure of the receivable balances and experience related to the write-offs of receivables in the past, the creditworthiness of the customers and the changes in terms and conditions of payment. If the customers' financial position deteriorates, the scope of the write-offs which must actually be taken can exceed the scope of the expected write-offs.

The valuation allowances on trade receivables have developed as shown below:

	2008	2007
	€k	€k
Valuation allowances as per 1 January	**11,003**	**1,274**
Addition from the change in the group of consolidated companies	0	7,982
Additions (expenses for valuation allowances)	9,139	11,083
Consumption / Reversal	-19,390	-9,336
Valuation allowances as per 31 December	**752**	**11,003**

19 Tax Reimbursement Claims

	2008	2007
	€k	€k
Corporate income tax	272	4,460
Trade tax	77	2,476
	349	**6,936**

The corporate income tax claims include corporate income tax credits of €162k.

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20 Other Current Assets

	2008	2007
	€k	€k
Call option	6,425	0
Insurance claims	294	286
Security deposits	185	344
Commission receivables	0	689
Loan receivables	0	1
Miscellaneous	1,159	1,606
	8,063	**2,926**

Drillisch AG holds a right to purchase 5,399,409 shares in freenet AG at a price of €3.38 plus 10% pa on or before 28 February 2009.

The call option has a market value of €6.4 million as per 31 December 2008. The market value was calculated with the aid of an option price model. The calculation used a volatility of 123.11% and a base price of €3.38.

21 Equity

The Company's share capital in the amount of €58,507,916.50 is distributed in 53,189,015 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10.

The Annual General Meeting on 18 May 2007 adopted a resolution authorising the Drillisch AG Management Board to acquire treasury stock totalling up to 10% of the share capital at the time of the Annual General Meeting 2007 on or before 17 November 2008.

A second stock repurchase programme was decided by the adoption of a resolution by the Annual General Meeting on 30 May 2008. The repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting 2008 (5,318,901 shares) and runs from 16 June 2008 to 29 November 2009. Within the framework of this stock repurchase programme, Drillisch AG acquired a total of 3,456,668 shares at an average price of €3.58 through stock exchange purchases in fiscal year 2008. This corresponds to a nominal value of €3,802,334.80 or 6.50% of the Company's share capital.

The acquisition of treasury stock serves the purpose of using this stock for the financing of possible acquisitions of companies or parts of companies, of holdings in companies or of other assets or of activities related to corporate mergers. Nor is a later redemption or resale of these shares to third parties against cash payment excluded.

The Annual General Meeting of 30 May 2008 adopted a resolution to distribute a dividend of €0.10 for each and every share entitled to receive a dividend. The number of issued shares totals 53,189,015, from which the 1,674,666 no-par shares in the Company's possession as of the point in time of the distribution must be deducted for the calculation of the amount of the distribution. The distribution consequently amounts to a total of €5,152k.

As a consequence of the capital increase in 2007, subsequent expenses in the amount of €319k were incurred in fiscal year 2008 and were offset directly against equity.

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Approved Capital

The Annual General Meeting 2007 authorised the Management Board, subject to the approval of the Supervisory Board, to increase the share capital by as much as €19,223,067.00 by a single or multiple issue of new shares against cash contributions or contributions in kind before the lapse of 17 May 2012 (approved capital). On 27 November 2007, the Management Board placed 17,439,020 shares with a proportionate share in the share capital of €1.10 on the market. After the conclusion of the capital increase, the approved capital amounted to €40,145.00. This approved capital was revoked in the Annual General meeting on 30 May 2008.

The Annual General Meeting of 30 May 2008 authorised the Management Board, subject to the approval of the Supervisory Board, to increase the Company's share capital by as much as €29,253,957.70 by a single or multiple issue of new shares against cash contributions and/or contributions in kind before the lapse of 29 May 2013 (approved capital). In the event of cash contributions, the new shares may also be taken over by one or more banks, subject to the obligation to offer them for purchase to the shareholders (indirect subscription right). On principle, a subscription right is to be granted to the shareholders. However, the Management Board is authorised, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights

- So that fractional amounts are excluded from the subscription right;
- If the capital increase is achieved by cash contributions and the issue price of the new shares is not significantly lower than that of the equivalent shares already traded on the exchange at the time of the final determination of the issue price by the Management Board. The number of shares issued subject to exclusion of the subscription pursuant to Section 186, Subsection 3, Sentence 4 AktG (German Company Law) may not exceed 10% of the share capital, neither at the point in time at which the authorisation becomes effective nor at the point in time that it is exercised. Any shares which have been issued or must be issued to satisfy subscription rights from options or convertible bonds, provided that the debenture bonds have been issued during the term of this authorisation subject to application mutatis mutandis of Section 186, Subsection 3, Sentence 4 AktG and excluding the subscription right must be included in this figure. Furthermore, any shares which are issued or sold, subject to the exclusion of a subscription right, during the term of this authorisation on the basis of an authorisation for the use of treasury stock in accordance with Section 71, Subsection 1, Item 8, and Section 186, Subsection 3, Sentence 4 AktG must be included in this figure;
- If the capital increase against contributions in kind is carried out for the purpose of providing shares within the framework of corporate mergers or of acquiring companies or parts of companies, holdings in companies or other assets;
- So that new shares up to a proportionate amount of the share capital totalling €2,925,395.00 may be issued as staff shares to employees of the Company or of affiliated companies within the sense of Section 15 and following AktG.

Furthermore, the Management Board is authorised, subject to the approval of the Supervisory Board, to determine the further content of the stock rights and the terms and conditions of the issue of the shares. The Supervisory Board is authorised to amend the current version of the Company Charter in accordance with the specific utilisation of the approved capital or after the expiration of the authorisation.

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22 Leasing Agreements

The tangible assets and the software include the following finance lease relationships:

	Fixtures, fittings and equipment	software	Total
	€k	€k	€k
Acquisition costs			
As per 01 January 2007	**5,417**	**1,131**	**6,548**
Additions	526	0	526
Disposals	0	0	0
As per 31 December 2007	**5,943**	**1,131**	**7,074**
Additions	984	0	984
Disposals	0	0	0
As per 31 December 2008	**6,927**	**1,131**	**8,058**
Accrued depreciation			
As per 01 January 2007	**4,117**	**317**	**4,434**
Additions	666	362	1,028
Disposals	0	0	0
As per 31 December 2007	**4,783**	**679**	**5,462**
Additions	951	362	1,313
Disposals	0	0	0
As per 31 December 2008	**5,734**	**1,041**	**6,775**
Book values			
as per 31 December 2007	1,160	452	1,612
as per 31 December 2008	**1,193**	**90**	**1,283**

Leasing liabilities	Up to 1 year	1 - 5 years
	€k	€k
Leasing payments	697	476
Interest	29	8
Cash values	**668**	**468**

Various fixed assets were sold to GEFA-Leasing and then leased back on the basis of sale-and-lease transactions. The cash value of the leasing instalments was carried as a liability. The leasing agreements include extension and purchase options.

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23 Pension Provisions

Provisions are created for commitments from pension expectancies and current benefits paid to present and former employees or their survivors.

Pension provisions are shown in the balance sheet and valuated in accordance with IAS 19. The future commitments are valuated by applying actuarial procedures and using prudent estimates of the relevant influential variables. The company pension plan in the Group is merit-based and as a rule depends on the time of service to the Company and the compensation paid to the employees.

The following calculation parameters are used in addition to the assumptions about life expectancy:

Calculation parameters	2008	2007
	%	%
Calculated interest rate	5,80	4,75
Expected development of income	0	0
Expected development of pensions	0	0

The pension provisions are always valuated by applying the 10% corridor rule. Actuarial profits or losses are not considered with effects on income provided that they do not exceed 10% of the higher of the scope of the commitments or market value of the scheme assets. Any amount exceeding this corridor is distributed with effect on income over the average remaining time of service of present employees.

The reference tables 2005 G from Dr Klaus Heubeck were used for the biometrical basis of the calculations. The fluctuation probability was estimated specifically to age and sex.

As of the closing date, the amount of pension commitments which result are shown in the balance sheet as follows:

Balance sheet obligations	2008	2007
	€k	€k
Cash value of pension expectancies for pension commitments (DBO)	920	952
Actuarial profits/losses not considered	55	30
Costs for changes in claims from previous years not considered	0	0
Pension provisions as per 31 December	**975**	**982**

Development of cash value of pension expectancies (DBO)	2008	2007
	€k	€k
As per 1 January	952	0
Addition to consolidated companies	0	922
Costs for pension claims acquired in fiscal year	7	13
Interest	56	47
Pension payments	0	0
Service period expenses to be offset retroactively	-40	0
Actuarial profits/losses	-55	-30
As per 31 December	**920**	**952**

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During the fiscal year, the adjustment of debts based on experience came to €25k (2.6%). The cash value of the pension expectancies as per 31 December 2006 amounted to €922k.

Pension expenditures (NPPC)	2008	2007
	€k	€k
Costs for pension claims acquired in fiscal year	7	13
Interest	56	47
Actuarial profits/losses recognised effective for income	0	0
Service period expenses to be offset retroactively	-40	0
	23	**60**

While the costs for the pension claims acquired during the fiscal year are recognised in personnel expenses, the interest is shown in the financial results.

24 Short-term Provisions

	As per 01.01.2008	Utilisations	Reversals	Additions	As per 31.12.2008
	€k	€k	€k	€k	€k
Basic charges	3,219	3,219	0	2,158	2,158
Commissions	743	742	1	233	233
Litigation risks	335	98	79	74	232
Removals	204	0	60	0	144
Recourse claims of MSP Beteiligungs GmbH	5,000	5,000	0	0	0
Other	206	206	0	433	433
	9,707	**9,265**	**140**	**2,898**	**3,200**

The Drillisch Group presumes that there will be an outflow of funds in fiscal year 2009.

25 Tax Liabilities

	2008	2007
	€k	€k
Corporate income tax	4,687	1,035
Trade tax	2,733	677
Turnover tax	885	512
	8,305	**2,224**

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26 Bank Loans and Overdrafts

	2008	2007
	€k	€k
Long-term liabilities	75,413	74,119
Short-term liabilities	20,000	13,767
	95,413	**87,886**

A loan agreement for a total of €100 million was agreed between West LB AG, Düsseldorf, and Drillisch AG on 16 April 2008. This is a revolving credit line, and as per 31 December 2008, a total of €96 million had been utilised. The interest rate comprises two components: the EURIBOR applicable to the relevant interest period and a margin agreed in the loan agreement. As of 31 December 2008, the combined interest rate came to 4.243%. The loan has a term running until 15 April 2011. During the term of the loan, amortisation payments of €10.0 million must be effected on 30 June and 31 December of each and every year. The first amortisation payment will be made on 30 June 2009. Voluntary premature amortisation is possible at any time.

Since 30 June 2008, the applicable margin has been adjusted quarterly and oriented to the ratio of consolidated net financial debt to consolidated EBITDA on the basis of the 12 months previous to the relevant quarterly closing date. The minimum margin is 0.95% and is applied if the ratio of consolidated net financial debt to consolidated EBITDA is less than 1.5 to 1. If this ratio is greater than 2 to 1, the maximum possible margin of 1.5% applies.

To minimise the risk of change in interest rate, the Company has concluded an interest limitation transaction (cap) which covers the risk of an increase in the EURIBOR to more than 4% pa. The cap secures a loan sum of €50.0 million. The market value of the cap, valuated according to the Black-Scholes model, amounted to €106k on the balance sheet date. This was based on a volatility of 35.2%.

The bank charges of €665k due and payable when the loan became available were set off against the nominal amount of the loan and distributed per schedule over the term.

All of the present and future shares and options in freenet AG held by Drillisch AG or subsidiaries have been designated as collateral to secure the loan. As of the balance sheet date, collateral totalled €34.1 million resulting from the pertinent book values found in the individual annual accounts of Drillisch AG. No financial instruments within the sense of IFRS 7 are included here.

The loan is tied to particular financial indicators; in the event of failure to comply with these indicators, the loan agreement may be terminated.

Pursuant to an agreement of 11 September 2006 and various addenda, Drillisch AG took out a loan for an original value of €120.0 million with a term running until 31 December 2011. As per 31 December 2007, €87.9 million of this loan had been utilised. The loan was repaid in full pursuant to a notice of termination of 22 April 2008.

The interest expenses related to the loans amounted to €3,737k in fiscal year 2008 (previous year €6,297k).

27 Trade Accounts Payable

This item includes essentially invoices from network operators.

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28 Payments Received on Account

This item includes income from sold vouchers and top-ups by pre-paid customers which had not yet been used for phone calls as of the balance sheet date.

29 Other Liabilities

	2008	2007
	€k	€k
Liabilities due to sales partners	3,908	2,125
Put option	1,711	0
Payroll	1,665	1,792
Income tax	270	323
Employers' liability insurance association	63	111
Security deposits	51	51
Holiday leave	7	22
Indemnification agreement MSP Beteiligungs GmbH	0	5,000
Basic charges	2,689	2,925
Other	821	957
	11,185	**13,306**

Drillisch AG has concluded a stock option transaction for the sale of freenet stock with BHF-Bank. According to this agreement, BHF-Bank is entitled to sell 1,800,000 shares of freenet AG stock to Drillisch AG at any time on or before 31 March 2009 at a price of €7.00. In return, Drillisch AG has received an option premium of €6.0 million. The put option has a negative market value of €5.1 million which, balanced against a resulting credit bank balance at BHF-Bank, is recognised under the other liabilities. The market value was calculated with the aid of an option price model. The calculation used a volatility of 50.0% and a base price of €7.00.

30 Analysis of Maturity

	Book value	Cash Flow 2009			Cash Flow 2010-2014
		< 1 month	1 to 3 months	3 months to 1 year	> 1 year
	€k	€k	€k	€k	€k
Bank loans and overdrafts	95,413	309	618	22,587	82,283
Trade accounts payable	7,915	7,915	0	0	0
Liabilities from Finance Leases	1,136	107	213	377	487

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31 Net Profits and Losses from Valuation Categories

	Interest	From subsequent valuation			Net results	
		At fair value	Valuation allowances	From disposals	2008	2007
	€k	€k	€k	€k	€k	€k
Loans and Receivables (LaR)	1,293	0	-2,325	1,332	300	-1,370
Available for sale (AFS)						
– Effective for income	0	0	0	0	0	13,846
Derivatives	0	7,153	0	0	7,153	187
Financial liabilities measured at amortised cost (FLAC)	-4,922	0	0	0	-4,922	-7,293
	-3,629	**7,153**	**-2,325**	**1,332**	**2,531**	**5,370**

32 Other Financial Obligations

	Rents	Leasing	Total
	€k	€k	€k
2009	1,028	1,076	2,104
2010 to 2014	301	344	645
2015 and later	0	43	43
	1,329	**1,463**	**2,792**

In the fiscal year, €1,683k (previous year: €1,708k) from rent and leasing payments was included in expenditures.

33 Financial Instruments

A financial reporting system responsible for the security and financing activities of the Group has been installed throughout the Drillisch Group. Market, liquidity and loan risks of the Group can be identified and appropriate measures and strategies determined with the aid of this financial reporting system. The risks are managed centrally in accordance with guidelines adopted by the Management Board.

The Drillisch Group is subject to various threats in its business fields. These threats and their management are described in detail in the risk report which is part of the consolidated management report. Capital management is described under Point 1.9 of the consolidated management report.

The risks resulting from the financial instruments are related to loan risks, liquidity risks and market risks. The loan risks take the form of the risks of losses of financial assets. Liquidity risks are refinancing risks and are risks of the on-time fulfilment of the Group's existing payment obligations. Market risks occur in the Group in the form of interest risks and stock price risks.

The risk of asset losses in the Group is limited as a maximum to the book values of the financial assets. For the derivatives, this is the total of all of the positive market values, and for the original financial instruments, it is the total of the book values. The risk of asset losses is given due consideration by valuation allowances. To minimise the risk of asset losses from derivative financial instruments, the relevant tran-

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sactions are concluded only with partners with a top-class credit rating. There is no concentration of risks of loss of assets on individual debtors, especially because of the mass business. When seen against this background, the risk of loss is deemed to be slight.

Early recognition of the future liquidity situation is obtained by considering payment flows, taking into account the planned assets and liabilities and earning position in the 5-year planning of the Group. The short-term liquidity planning is updated daily with actual figures.

IFRS 7 requires sensitivity analyses to show market risks. The influence of risk variables on earnings and equity is to be described by hypothetical changes in these variables based on past experience. In this regard, risks due to changes in interest and stock prices are above all relevant for the Drillisch Group.

The holdings in the financial instruments as of the balance sheet date are representative for the entire fiscal year. The holdings in the financial instruments are valuated as imputed values with additions and deductions to the risk variables to determine their effects on earnings and equity.

Interest risks results from changes in the market interest level. The Company has secured this risk by concluding an interest limitation agreement in the amount of €50.0 million. Within the framework of the sensitivity analysis of IFRS 7, the effects of changes in the market interest level are shown, taking into account the interest limitation agreement, on interest payments, interest expenses and interest income, on other sectors of the results and on equity.

The following premises apply for the sensitivity analyses of interest risks. Original financial instruments with fixed interest rates are subject to interest risks only if they are valuated at the attributable market value. Financial instruments which are valuated at acquisition costs are not subject to any risks from changes in the market interest level.

Original financial instruments with a variable interest rate are subject to market interest risks and are included in the sensitivity analysis, taking into account the interest limit agreement.

Sensitivity Analysis

In the event of a change in the market interest level as per 31 December 2008 of ±100 base points, the Group results would be €960k lower or €960k higher.

This hypothetical effect on earnings results from original financial debts with variable interest rates and the effects from loan security effective on income.

In the event of a change in the stock price for freenet AG as per 31 December 2008 of ±10% with respect to the financial instruments classified as derivatives, the consolidated results would be €2,475k higher or €2,313k lower.

Miscellaneous Information About Financial Instruments

None of the financial assets were reclassified into another valuation category of IAS 39 during the reporting period. None of the financial assets and financial liabilities were designated as effective for income at the attributable market value during the reporting period. The pertinent book value for short-term financial assets and liabilities which are not derivatives is a reasonable approximation of the attributable market value within the sense of IFRS 7.29(a).

The book values of financial assets which serve as collateral for liabilities and the terms and conditions of collateral are shown under the item “Liabilities due to banks” before consolidation and IFRS adjustment measures.

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The valuation categories shown below result from the classification of all assets and liabilities pursuant to IAS 39:

	Valuation categories as per IAS 39	Book value 31.12.2008		Book value 31.12.2007	
			thereof no financial instrument		thereof no financial instrument
		€k	€k	€k	€k
Assets					
Cash	LaR	4,325	—	84,681	—
Trade accounts receivable	LaR	24,603	—	33,619	—
Other Financial Assets	AFS	—	—	13	—
Accounts due from affiliated companies	LaR	105	—	103	—
Accounts due from companies in which there is a participating interest	LaR	23	—	4,206	—
Other current assets	LaR/n.a.	8,063	184	2,926	406
thereof derivatives	n.a.	6,531	—	396	—
Shareholders' equity and liabilities					
Trade accounts payable	FLAC	7,915	—	14,364	—
Bank loans and overdrafts	FLAC	95,413	—	87,886	—
Other liabilities	FLAC	11,185	5,513	13,306	6,130
thereof derivatives	n.a.	1,711		—	
Liabilities from financing leasing	n.a.	1,136	1,136	1,293	1,293

thereof aggregated as per valuation categories as per IAS 39		
Loans and Receivables (LaR)	30,404	124,733
Financial assets available for sale (AFS)	—	13
Financial liabilities measured at amortised cost (FLAC)	107,289	109,426
Derivatives	4,820	396
Liabilities from financing leasing	1,136	1,293

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34 Segment Reporting

	2008	2007
	€k	€k
Sales		
Telecommunications (sales with third parties)	350,037	361,177
Software services (sales with third parties)	79	346
Software services (in-house sales)	5,983	5,999
Consolidation	-5,983	-5,999
Group	**350,116**	**361,523**
Segment results		
Telecommunications	33,728	33,944
Software services	131	83
Group	**33,859**	**34,027**
Scheduled depreciation		
Telecommunications	6,659	5,711
Software services	43	53
Group	**6,702**	**5,764**
Investments in tangible and intangible assets		
Telecommunications	3,898	2,774
Software services	33	39
Group	**3,931**	**2,813**
Segment assets		
Telecommunications	182,122	385,784
Software services	137	197
Group	**182,259**	**385,981**
Segment liabilities		
Telecommunications	149,889	151,822
Software services	629	490
Group	**150,518**	**152,312**

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

Consolidated Notes

35 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 starting point for the capital flow statement has been the earnings after taxes and not the operating results (EBIT) since the consolidated annual accounts 2007.

36 Auditor's Fee

Fees posted as expenditures:

	2008	2007
	€k	€k
1. Audit	264	250
2. Other certification or evaluation services	101	400
3. Tax accountant services	116	86
4. Other services	0	0
	481	**736**

In addition, auditor's fees for additional confirmation and valuation services in the amount of €83k (previous year: €583k) are shown without effect for income in the consolidated annual accounts for the fiscal year.

37 Relations to Relatives and Companies

As per 31 December 2008, there were claims due from and liabilities due to relatives and companies as shown below:

There are claims due from Forster GmbH i.L. in the amount of €105k (previous year: €103k).

The Baugemeinschaft Maintal, consisting of the shareholders Paschalis Choulidis and Marianne Choulidis, has rented office space in Maintal to the Drillisch Group. The lease has a fixed term until 30 June 2010 and will automatically be extended for additional periods of five years each unless six months' notice of termination, expiring at the end of a term, has been given. Rent in 2008 came to €507k (previous year: €507k).

Ms Marianne Choulidis and Ms Simone Choulidis received compensation totalling €76k (previous year: €76k) as employees of Drillisch Telecom GmbH (until the merger: Alphatel GmbH).

The company Flexi Shop GmbH, shareholder Mr Jannis Choulidis, realised sales in the amount of €128k (previous year: €0k) with the Drillisch Group in fiscal year 2008.

Consolidated Notes

38 Supervisory Board

Dr Hartmut Schenk, Dipl.-Kfm.
(similar to Bachelor of Commerce)
Tax consultant, Saarbrücken
– Chairperson –
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld) (Supervisory Board chairperson)
Optima Gruppe AG, Saarbrücken (Supervisory Board chairperson), since 11 December 2008

Johann Weindl, Dipl.-Kfm.
Chartered Public Accountant and Tax Accountant, Munich
– Vice Chairperson –
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld)

Nico Forster
Merchant, Kraiburg
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld)
ARIADNE AG, Tunzenberg
IQ-optimize Software AG, Maintal
EMG Casting AG, Waldkraiburg
EMG Milling AG, Waldkraiburg
EMG Real AG, Waldkraiburg

Michael Müller-Berg, Dipl.-Kfm.
Director, Cologne
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld)
Knowledge Intelligence AG, Cologne
Communology GmbH, Cologne (Advisory Board)

Horst Lennertz, Dr.-Ingenieur
(Doctor of Engineering)
Consultant, Meerbusch
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld)
E-Plus Mobilfunk Geschäftsführungs GmbH, Düsseldorf
GAH Anlagentechnik GmbH, Heidelberg

Marc Brucherseifer, Dipl.-Kfm.
Merchant, Frechen
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal (until the merger: VICTORVOX GmbH, Krefeld)
Nanjing Biocomposite Ltd., Nanjing/China

The following members of the Supervisory Board were members of the following committees in 2008:

Committee	Members
Nominating Committee	All Supervisory Board members; chair: Dr Schenk
Audit Committee	Mr Weindl, Mr Forster, Mr Brucherseifer and Dr Lennertz; chair: Mr Weindl
Personnel Committee	Mr Müller-Berg, Dr Lennertz and Dr Schenk; chair: Mr Müller-Berg

Consolidated Notes

39 Management Board

Paschalis Choulidis
Board Spokesperson, Gelnhausen
– Executive Officer Finances, Controlling and IT Management –
Seats held on supervisory boards required by law or other supervisory bodies:
IQ-optimize Software AG, Maintal

Vlasios Choulidis
Gelnhausen
– Executive Officer Sales, Marketing and Customer Care –
Seats held on supervisory boards required by law or other supervisory bodies:
IQ-optimize Software AG, Maintal

40 Compensation Paid to Management in Key Positions and Supervisory Board

The compensation paid to the Management Board in the Group during fiscal year 2008 totalled €1,895k, thereof €1,000k variable (previous year total €2,110k). In accordance with the resolution adopted by the Annual General Meeting on 26 May 2006, the compensation paid to the individual Management Board members is not itemised (Section 286, Subsection 5 HGB).

Compensation paid to the members of the Supervisory Board in the reporting period amounted to €118.9K (previous year: €117.4k).

The description of the compensation system and the disclosure of the individualised compensation paid to members of the Management and Supervisory Boards is included in the compensation report which is a component of the consolidated management report.

41 Directors' Holdings

As per 31 December 2008, the Management Board members held the following stock in Drillisch AG:		
Paschalis Choulidis	1,891,125 no-par shares	via the SP Beteiligungs-Gesellschaft mbH
Vlasios Choulidis	1,816,340 no-par shares	via the MV Beteiligungs-Gesellschaft mbH

The Supervisory Board members held the following stock in Drillisch AG as per 31 December 2008:	
Marc Brucherseifer	4,331,733 no-par shares
Nico Forster	1,761,079 no-par shares
Johann Weindl	7,439 no-par shares
Dr Hartmut Schenk	5,000 no-par shares

Management Board and Supervisory Board hold a total of 18.45% of the stock as per 31 December 2008.

42 Declaration in Accordance with Section 161 AktG

Management Board and Supervisory Board of Drillisch AG submitted the declaration required by Section 161 of the German Company Law (Aktiengesetz) on 19 December 2008 and made it permanently accessible to shareholders at the Internet address www.drillisch.de.

Consolidated Notes

43 Profit per Share

	2008	2007
Consolidated profit allocated to shareholders in €m	-184,075	24,330
Weighted average, less own shares held	51,417,732	37.081,573
Consolidated Profit per Share in €	**-3.58**	**0.66**

44 Exemption from the Obligation to Disclose the Annual Accounts Pursuant to Section 264, Subsection 3 HGB:

The following German subsidiaries in the legal form of a stock corporation fulfilled the conditions required pursuant to Section 264, Subsection 3 HGB for the exercise of the exemption provisions (Sections 325 to 329 HGB) in fiscal year 2008:

- *Drillisch Telecom GmbH, Maintal*
- *IQ-optimize Software AG, Maintal*
- *SIMply Communication GmbH, Maintal*
- *MS Mobile Services GmbH, Maintal*

Maintal, 03 March 2009

Drillisch Aktiengesellschaft

Paschalis Choulidis and Vlasios Choulidis

Auditor's Opinion

We have audited the consolidated financial statements prepared by the Drillisch AG, Maintal, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1. January 2008 to 31. December 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on my/our audit. In addition We have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a paragraph 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Düsseldorf, 03. March 2009

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed Dr. Gorny	signed ppa. Meier
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Affidavit by Legal Representatives (Balance Sheet Oath)

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

Maintal, March 03, 2009

Paschalis Choulidis and Vlasios Choulidis

Publications · Contacts
Information and Order Service

Publications

This Annual Report 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

Our Press/Investor Relations Department will be glad to answer any questions you may have concerning the Annual Report and Drillisch AG:

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Information and Order Service

Please use our online order service under the heading Investor Relations on our website www.drillisch.de. Naturally, we would also be happy to send you the desired information by post or by fax. We will be glad to help you with any personal queries by telephone.

Glossary

Aktiengesetz (German Company Law)
The German Company Law (Aktiengesetz, AktG) regulates the structure and bodies of stock corporations, e.g., Supervisory Board and Management Board, and shareholder rights.

ARPU
Average revenue per user.

Consolidated Cash Flow Statement
The consolidated cash flow statement is the liquidity-oriented part of accounting. It represents a determination of the value of payment flows over the course of a fiscal year, broken down into the categories of current business operations, investment activities and financing activities. Incoming and outgoing payments during the relevant reporting period are compared with one another; on this basis, the changes in cash inventory are determined and explained.

Corporate Governance
Code of conduct (guidelines) for good company management.

Credit Customer
A customer who pays for the wireless services which have been performed after the issue of an invoice.

Debit Customer
Customer who pays for the wireless services in advance.

DCF
Stands for Discounted Cash Flow. A DCF analysis is based on the total of all of the cash flows projected for the future and discounts them to the present value.

Directors' Dealings
Stock transactions undertaken by the Management Board or Supervisory Board or the relevant report of holdings

Dividends
The dividend is the profit which is distributed proportionally for each share of stock in the stock corporation. The General Meeting of the stock corporation decides about the amount of the dividend and its distribution.

Earnings per Share
This figure shows the amount of the realised consolidated profit or deficit which can be appropriated to a single share of stock. The figure is calculated by dividing the results for the year (consolidated profit/deficit) by the weighted average of the number of issued shares.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation..

Flat Rates (wireless services)
A flat rate is a fixed monthly amount which covers all telephone calls to the German landline network and to the wireless network of the relevant provider, but not to the wireless networks of other providers.

Free Float
Number or proportion of shares which can be freely traded on the stock market rather than being held by strategic investors.

g~paid
Virtual cash card system which makes possible the secure distribution of activation codes for adding credit for calls by electronic means.

GPRS
Technology for faster data transmission rates in GSM networks (General Packet Radio Service).

GSM
Pan-European standard in the frequency ranges of 900 and 1,800 MHz for digital wireless services (Global System for Mobile Communications).

HSDPA
HSDPA (High Speed Downlink Packet Access) is a transmission protocol for the wireless standard UMTS. HSDPA enables data transmission at a speed of 7.2 Mbit/s.

IFRS
International Financial Reporting Standards.

Issuer
An issuer is the party who issues securities.

MMS
MMS (Multimedia Messaging Service) makes it possible to use a mobile phone to send multimedial messages to other mobile end devices or to e-mail addresses.

Mobile Television
Mobile television refers to the viewing of television programmes broadcast by television companies on a mobile phone.

Multimedia
Buzzword for the simultaneous integration of text information, still photos, video films and sounds.

No frills Provider
No frills means nothing fancy. These are products which are offered at comparatively low prices, but with very few options or additional features. On the wireless services market, the discounters are frequently referred to as "no-frills providers."

Roaming
Process allowing telephone calls to be placed using the networks of various network operators, such as international roaming in the pan-European GSM system.

SMS
Digital brief message (texts, graphics images) via wireless end devices (Short Message Service).

Stock Index
The stock index provides comprehensive information regarding the development of prices on the stock markets. One example for the German stock market is the Deutsche Aktienindex (DAX); changes in stock prices as well as dividend payments are integrated into the calculation of its values.

Supervisory Board
The Supervisory Board is the governing body of stock companies which is elected by the General Meeting and, depending on the number of employees in the company, by the workforce. It is responsible for monitoring the management of the corporation. The Supervisory Board of a stock corporation consists of a minimum of three members, who may not be members of the Management Board.

TecDAX
The TecDAX is a stock market index and was introduced on 24/03/03. It is the successor of the Nemax50 and compiles the results of the 30 most important technology stocks.

UMTS
Universal Telecommunications Services; international wireless standard of the third generation which combines mobile multimedia and telematics services under the frequency range of 2 GHz.

Value-Added Services (VAS)
Services which produce additional value, such as ring tones for mobile phones.

Wireless Services Discounter
Provider of very low wireless services rates which do not include subsidisation of the device subject to transparent terms and conditions. As a rule, no basic fee, minimum turnover or term of contract.

Wireless Services Provider
Private telephone company without its own wireless network which on its own behalf and for its own account sells wireless services, SIM cards and wireless end devices as well as value-added services (e.g., SMS, SMS Premium, MMS).

Security Identification Number
The six-digit security identification number is the unique designation for each security.

Workflow Management System
Automation of processes using special software.

Editorial Information

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Drillisch AG

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Paschalis Choulidis (Spokesperson)
Vlasios Choulidis

Supervisory Board:
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Johann Weindl (Deputy Chairperson)
Marc Brucherseifer
Nico Forster
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Michael Müller-Berg

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Future-oriented Statements:
This report contains certain statements oriented to the future and 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.