DRILLISCH AG
ANNUAL REPORT 2007

FACTS AND FIGURES

Key Indicators of the Drillisch Group

Drillisch-Group	2007	2006	2005
Turnover in €m	361.5	282.2	323.2
Wireless service division in €m	361.2	282.1	323.0
Software services in €m	0.3	0.1	0.2
EBITDA in €m	39.8	32.0	27.8
EBITDA, adjusted, in €m	38.0	29.3	27.8
EBIT in €m	34.0	28.8	24.0
EBT in €m	27.7	28.1	25.1
Consolidated profits in €m	24.3	17.2	14.4
Profit/loss per share in €	0.66	0.54	0.45
EBITDA margin in % of turnover	11.0	11.3	8.6
EBIT margin in % of turnover	9.4	10.2	7.4
EBT margin in % of turnover	7.7	9.9	7.8
Consolidated profit margin in % of turnover	6.7	6.1	4.5
Equity ratio (equity % of balance sheet total)	60.5	44.8	63.9
Return of equity (ROE) (ratio Group result to equity)	21.7	24.3	24.9
Cash flow from current business operations in €m	5.4	23.4	15.6
Depreciation excluding goodwill in €m	5.8	3.2	3.8
Investments (in tangible and intangible fixed assets), adjusted, in €m	2.8	4.2	3.7
Staff as annual average (incl. Management Board)	374	306	332
Wireless services customers as per 31/12 (approx. in thousands)	2,201	1,763	1,701
Wireless services customers Debit	1,359	1,194	1,186
Wireless services customers Credit	842	569	515

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TO OUR SHAREHOLDERS

Letter from the Management Board

Management Board

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

Vlasios Choulidis
Director of Sales, Marketing and Customer Care

Dear Sir or Madam,

Drillisch AG closed out the fiscal year 2007 with yet another record-setting result. Owing to the acquisition of the wireless services provider Telco Services GmbH in the spring of 2007, turnover rose by 28.1% to €361.5 million. The operating EBITDA (earnings before interest, taxes, depreciation and amortisation, adjusted for special effects from M&A transactions), the most important performance indicator for us, improved by 29.7% to €38.0 million. The unadjusted EBITDA rose by 24.4% to €39.8 million. These figures mean that we exceeded our earnings predictions from spring 2007 and have further developed our position as one of the most profitable wireless services providers in Germany. All of our divisions – post-paid, pre-paid and discount – contributed to these good results.

Our years of success demonstrate that profitable growth is indeed possible in this dynamic market environment. The predictions we made at the Drillisch AG Annual General Meeting in May 2007 were realised by the market more rapidly than expected by most of the industry experts. Using mobile phones for calls has shed its image of "expensive" and is more and more frequently becoming the instrument of choice over landline phones. As prices for mobile telephoning continue to fall rapidly, more and more people reach for their mobiles to make calls. While the number of minutes for calls on mobile phones is rising sharply, the number of calls made from landline phones is dropping. There are already substantially more wireless service contracts in Germany than there are people.

We recognised this situation very early and became the first service provider to place products on the discount market. Focus must be on low prices for making telephone calls, not on subsidies for expensive end devices in combination with high fees and long contract terms. Our strategy aims to use innovative ideas to acquire new customers on the discount market in particular. But we also want to offer attractive contracts and simple, low rates in the post-paid business to increase turnover with both current and new customers. We will strive to improve further our profitability through sensible, efficient operations and strict control of costs. Our strategy will continue to focus on promoting the Company's value and not on the mere rise in turnover without any benefit for profits.

Our objective in pursuing this growth strategy is to become one of the leading wireless service providers in Germany. As part of our efforts to achieve this goal, we also intend to maintain our active role in the consolidation of the service provider market in Germany. The successful integration of Telco Services GmbH in 2007 and of VICTORVOX GmbH in 2004 and 2005 into the Drillisch Group is the result of a profitable merger of differing corporate cultures. Drillisch AG has been steadily expanding its influence over what is today freenet AG since the autumn of 2006. In January 2008, the interest in freenet AG, held essentially by MSP Holding GmbH, amounted to more than 25%. MSP Holding is a joint venture with United Internet AG; each of the companies holds 50% of the venture. The goal of Drillisch AG is to merge the wireless

Letter from the Management Board

service provider business of freenet AG, which operates the subsidiary mobilcom Communicationstechnik GmbH, with Drillisch. Drillisch AG has kept all of its options open for a possible acquisition of the wireless service provider division of freenet AG as well as of other wireless service providers.

Drillisch AG carried out two capital increases, one in January and one in November 2007, to secure the long-term strength of the equity basis. We feel that we are well prepared to exploit the opportunities which are to be found on the service provider market in Germany. New products, new distribution channels, integrated communications solutions and wireless services in combination with other products and services are the tools we will use to achieve our goals.

Once again, we have successfully closed out a business year, one which made heavy demands on each and every one of us every day. All of us here at Drillisch AG and the Group subsidiaries, management and staff alike, are very proud of what we have accomplished. On behalf of the Supervisory Board and our shareholders, we want to thank you, our valued employees, for your commitment, your performance and your very personal contribution to the success of our Company. Our thanks also go to our customers, business partners and shareholders for your confidence in us and your support in 2007, and we look forward to continuing our good work together in the new year.

Further exciting challenges with good potential for earnings lie ahead of us. We will – as in the past – seek to realise our objectives with persistence, experience and new ideas.

Warmest regards from Maintal.

Paschalis Choulidis and Vlasios Choulidis

Report of the Supervisory Board

Dr. Hartmunt Schenk
Business graduate, chartered accountant and tax consultant, Saarbrücken. Chairman of the Supervisory Board of Drillisch AG.

Dear Sir or Madam,

Drillisch AG is looking back on an eventful year, and by achieving the best results in the Group's history and taking further steps in the direction of market consolidation, the Company has set its course for further growth.

During the entire fiscal year 2007, 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, in particular the deviation in turnover in comparison with the budget which was caused by the abandonment of a distribution channel with new customers of unsuitable quality, were explained in detail to the Supervisory Board, and we carefully reviewed these events on the basis of the submitted documents.

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 seven Supervisory Board meetings were held as live meetings during fiscal year 2007. They took place on 7 March, 22 March, 18 May, 30 May, 21 August, 17 October and 27 November 2007. In addition, the Supervisory Board participated in a total of twelve 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:

- Conduct of the two capital increases in January and November 2007
- Takeover of Telco Services GmbH, the general conditions and terms for the takeover, including the financing of the acquisition
- Various investment projects aimed at pursuing the strategic goal of consolidation of the wireless services provider market, the selection of target objects, intensive discussion of possible sequences of events on the basis of known shareholder, decision-making and power structures of the target objects in consultation with various investment banks and legal consultants, presentation of competition and escape scenarios and the related opportunities and risks
- The submission of a binding offer for the acquisition of Talkline Management and Finance Holding GmbH, its general legal, commercial and market conditions after completion of the full due diligence and its financing
- The conclusion of a purchase contract for a stock package in freenet AG with Vatas International BV, its general legal, commercial and market conditions after completion of a tax and legal due diligence on the basis of generally available information; opportunities and risks posed by the financing of this acquisition as well as various scenarios for exercising further influence on the company

- Subsequently the setting of objectives, the course and the results of the talks with the Management Board of freenet AG with the goal of creating maximum information transparency
- The submission of a binding offer for the acquisition of the MSP division of freenet AG, its general legal, commercial and market conditions after completion of a full due diligence and its financing
- Strategic cooperation with United Internet AG in MSP Holding GmbH
- The distancing of the Company from the purchase contract concluded with Vatas International BV for shares in freenet AG as a consequence of economic considerations
- Appropriation of profits 2006 (allocation to the earnings reserves)
- Strategy concerning the high acquisition costs per customer in the contract customer business
- Various cooperation and market development projects
- Initiation of a programme for increasing share value for the Management Board as a way to create long-term incentive components

The employment contracts of the two members of our Management Board were extended in February 2007 until 31/03/2011 pursuant to a relevant Supervisory Board resolution.

Moreover, the development of turnover and profits, the development of the number of customers 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, other 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.

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 27 November 2007. 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 14 June 2007. Management and Supervisory Board submitted an updated Declaration of Conformity in accordance with Section 161 AktG on 30 November 2007 and made it permanently accessible to our shareholders on the Company's website.

Report of the Supervisory Board

The Audit Committee, the only committee established by the Supervisory Board, met once, on 27 November 2007, during fiscal year 2007; 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 consolidated annual accounts, the consolidated management report and the individual annual accounts and management report for fiscal year 2007 were audited by the BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft engaged to perform the audit and were certified by the issue of an unqualified auditor's opinion.

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 26 March 2008. 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 acquisition of the stock in freenet AG, the migration of the Telco customers to the Group's own billing system and the internal control system in the sales division.

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, and agreed to the proposal for the appropriation of the retained earnings. During its meeting on 26 March 2008, the Supervisory Board approved the annual accounts and consolidated annual accounts; the annual accounts have thus been adopted.

After conducting its own review, the Supervisory Board expressly agrees with the information provided by the Management Board in the management report pursuant to Section 289, Subsection 4 and Section 315, Subsection 4 HGB (German Commercial Code) with respect to correctness and completeness. The Supervisory Board is convinced that the information provided by the Management Board is complete and correct.

Dr Bernd H. Schmidt resigned his position on the Supervisory Board, effective as per 30 May 2007, for personal reasons. The Supervisory Board expresses its thanks to Dr Schmidt for his constructive and expert contributions as well as for the good work in an atmosphere of trust.

Mr Marc Brucherseifer was appointed by a court to replace Dr Schmidt as Supervisory Board member in October 2007.

The Supervisory Board wishes to thank the Management Board for its work and its successful business activities in 2007. 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, 26 March 2008

On behalf of the Supervisory Board

Dr Hartmut Schenk

Corporate Governance

Corporate Governance Report

A major factor for the success of a company is its management. Responsible, value-oriented and effective company management has always been highly valued at Drillisch. This is why the Management and Supervisory Boards annually review and, as necessary, adapt the implementation of the Corporate Governance Codex at Drillisch on the basis of the modifications made in the Codex by the government commission.

In accordance with Item 3.10 of the German Corporate Governance Codex, Management and Supervisory Board 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. Regular, complete corporate communications on the Company's own initiative is absolutely essential to accomplish this. Information relevant to stock prices is submitted to the capital market without delay in the form of ad hoc reports. All of the 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.

The Management Board conducts business on its own responsibility

Above all, good corporate governance at Drillisch means constructive cooperation in a spirit of trust between Management and Supervisory Boards with the aim of achieving company management oriented to added value. The Management Board, in consultation with the Supervisory Board, develops the strategic orientation of the Company and manages the Drillisch Group on its own responsibility. This responsibility includes the submission of regular reports, orally and in writing, to the Supervisory Board concerning the course of business, the position of the Group, the planning for the Company's future and the risk situation. The rules of internal procedure regulate the division of authority within the Management Board and define the transactions and events which require approval by the Supervisory Board.

The Supervisory Board monitors and advises the Management Board

The Supervisory Board at Drillisch does not limit its activities to its function as a conscientious controlling body; its members also advise the Management Board. The internal rules of procedure regulate all of the administrative and organisational matters in this respect. The Supervisory Board chairperson reports on the Board's work in a separate Supervisory Board report.

Managing risks effectively

Doing business entails risks. The effective management of these risks is decisive for the success of a company. The risk management system at Drillisch ensures the responsible handling of these risks. It is especially designed to recognise risks early, then to assess and control them. The system is subject to constant further development and adapted as necessary to changing circumstances. 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 2007. 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.

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 2007.

Directors' Dealings - Management Board

Date	Transition type	Shares	Price/ €	Reporting person
31 Jan.	Securities lending	359,996 shares	--	Paschalis Choulidis
31 Jan.	Securities lending	340,000 shares	--	Vlasios Choulidis
09 Feb.	Securities lending	359,996 shares	--	Paschalis Choulidis
09 Feb.	Securities lending	340,000 shares	--	Vlasios Choulidis
29 Nov.	Subscription from capital increase	90,975 shares	6.10	Paschalis Choulidis
29 Nov.	Subscription from capital increase	80,000 shares	6.10	Vlasios Choulidis

Directors' Dealings - Supervisory Board

Date	Transition type	Shares	Price/ €	Reporting person
31 Jan.	Securities lending	350,000 shares	--	Nico Forster
05 Feb.	Sale	10,000 shares	7.65	Nico Forster
07 Feb.	Sale	10,000 shares	7.71	Nico Forster
12 Feb.	Securities lending	350,000 shares	--	Nico Forster
22 Aug.	Sale	100,000 shares	6.00	Nico Forster
29 Nov.	Subscription from capital increase	2,439 shares	6.10	Wife SB member
29 Nov.	Subscription from capital increase	977,502 shares	6.10	Marc Brucherseifer
29 Nov.	Sale purchase rights	1,273,695 PR	0.093	Marc Brucherseifer
29 Nov.	Subscription from capital increase	4,878 shares	6.10	Child SB member
29 Nov.	Subscription from capital increase	4,878 shares	6.10	Child SB member

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

Corporate Governance

Drillisch Aktiengesellschaft
Declaration of Conformity Pursuant to Section 161 AktG (Germany Company Law)
Declaration by the Management and Supervisory Boards of Drillisch AG
Regarding the Recommendations of the "Government Commission German Corporate Governance Codex" Pursuant to 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. The Declaration below refers to the Codex as last revised on 12/06/2006 for the period from 01/12/2006 to 19/07/2007 and to the Codex as last revised on 14/06/2007 for the period since 20/07/2007:

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 5.4.7 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, 30/11/2007

On behalf of the Supervisory Board	The Management Board	
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. There is no stock option programme. 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 5.4.7

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	
Security Identification Number	554 550
ISIN	DE0005545503
Stock abbreviation	DRI
Initial listing	22 April 1998
Listed on	Prime Standard
Index	Technology All Share
Class	No-par shares
Number of shares	53,189,015
Share capital as per 31/12/2007	€ 58,507,916.50 Euro
Year-end closing price on 28/12/2007	€ 5.50 (Xetra)
Highest price on 15/02/2007	€ 8.60 (Xetra)
Lowest price on 17/12/2007	€ 4.82 (Xetra)
Average of traded stock (shares) on Xetra	205,478/day (previous year: 93,509)
Designated Sponsors 2007	Commerzbank AG HSBC Trinkaus & Burkhardt KGaA Sal. Oppenheim jr. & Cie. KGaA

The Stock Exchange Year 2007 – A Good Year Which Has Passed Its Risks On to 2008

In 2007, the DAX improved by 22.3% to 8,067.32 points (2006: 6,596.92), while the TecDAX rose by 30.2% to 974.19 points (2006: 748.32).

Over the course of the year, confidence in the performance capability of the Germany economy rose. The consistent drivers for developments on the stock exchange were the M&A announcements which reached their highest point since November 1999 in March 2007 and were moreover more than double the long-term average. The ongoing crisis on the American mortgage market retreated for the moment into the background. During the stock exchange year 2007, a correction occurred in March, but it was quickly compensated and the indices continued to rise steadily until the end of June. A substantial correction movement began in the international markets in July. The crisis on the US mortgage market and a change in risk perceptions of investors put a strain on stock markets. Warning signs such as the continuing crisis on the US mortgage market as well as the run on banks in Great Britain were mollified with a reference to the expected fall in interest rates. In November, the international stock markets suffered a significant slump, during which the small and midsize stocks were affected overproportionately. Our reference index, the TecDAX, lost 4.6%. These losses were recovered only in part in December. At the end of the year, many institutional investors reduced their holdings in second-line stocks.

Stock Losses in Contrast with the Increase in Market Capitalisation in 2007

The Drillisch stock closed out 2007 at a price of €5.50. This is 5.1% less than the close-out price at the end of 2006. But during the same period of time, the market capitalisation increased by 55.1% to €292.5 million, and the number of shares rose from 32,500,000 to 53,189,015 as a consequence of capital measures. On a daily average, 205,478 shares of Drillisch stock (previous year: 93,509 shares) were traded on the Frankfurt stock exchange, an increase of 119.7% in comparison with the previous year.

Investor Relations-Report

Capital Increases 2007

As per 01 January 2007, Drillisch AG held 410,064 shares of its own stock; these shares were sold by 15 January. In January 2007, capital was increased by raising the number of shares by 3,249,995 at €6.75 per share to 35,749,995, under the exclusion of any purchase rights. In accordance with a resolution adopted by the Annual General Meeting on 18 May 2007, the share capital was increased by €878,860.27 with company funds from the earnings reserves to €39,324,994.50. In November 2007, capital was increased by 17,439,020 shares at €6.10 each to 53,189,015 shares.

Investor Relations

We achieved the IR targets for the year 2007. We were able to familiarise the interested public with the corporate strategy of Drillisch AG at a number of national and international road shows, during meetings at the Company headquarters in Maintal, at various Company presentations and in interviews with journalists.

The corporate strategy of Drillisch AG and its two core elements – the focus on and further development of the discount market in Germany and the assumption of an active role in the consolidation of the wireless service providers in Germany – proved to be convincing to investors in Germany as well as abroad. Drillisch AG plays an active role in the consolidation. 100% of Telco Services GmbH was taken over in spring 2007. In taking this step, the Drillisch AG Management Board increased the value of the Company. The new subsidiary was fully integrated during the course of 2007. Drillisch AG made an excellent offer at the upper end of a commercially reasonable range for the takeover of Talkline in 2007, but the Company was outbid by debitel AG. In September 2007, Drillisch AG and United Internet AG bundled their consolidation interests in the joint subsidiary MSP Holding GmbH, which had positioned itself in December as the second-largest shareholder at freenet AG. This solidified Drillisch AG's position for further consolidation.

The demands being made on companies to provide information which is always complete and contemporaneous to all investors became even stricter in 2007. Drillisch AG has met all of the relevant obligations, in part by undertaking a substantial revision of its Internet site.

The annual press conference was held in Frankfurt on 22 March 2007, while the annual analysts' conference took place at the Small & MidCap Day of the CeBIT in Hanover on 19 March 2007. Furthermore, we conducted intensive discussions with interested journalists and analysts on the days when each of the quarterly results was announced. Significant use was made of this possibility for providing contemporaneous information.

Invest Relations Events 2007

January:	Road Show Paris, Milan
February:	Road Show USA
March:	CeBIT "MidCap and Small Cap Conference", Hanover
April:	Road Show London
June:	Corporate Conference Deutsche Bank Frankfurt
September:	Road Show USA, Scandinavia
October:	Road Show London
November:	Road Show Germany, France, Great Britain, Luxembourg, Austria, Switzerland

Latest Analyst Assessments 2008 (as per 29 February 2008)

Institute	Investment Rating	Target Price	Date
SES Research	"Buy"	€7.70	27 February
Sal. Oppenheim	"Buy"	Fair value €6.50	20 February
Commerzbank	"Hold"	€8.00	20 February
Berenberg Bank	"Buy"	€9.00	19 February
West LB	"Buy"	€7.50	24 January
Landsbanki Kepler	"Buy"	€7.50	23 January
HSBC Trinkaus	"Overweight"	€5.80	18 January

IR Goals 2008

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

Directors' Holdings as per 31 December 2007

Management Board	No-par shares
Paschalis Choulidis	928.375 → 1.75%
Vlasios Choulidis	728.984 → 1,37%
Supervisory Board	**No-par shares**
Dr. Hartmut Schenk (Chairperson)	0
Johann Weindl (Deputy Chairperson)	0
Marc Brucherseifer (since 22 October 2007)	4,255,067 → 8,00%
Nico Forster	1,447,879 → 2,72%
Dr. Horst Lennertz	0
Michael Müller-Berg	0
Dr. Bernd H. Schmidt (until 30 May 2007)	0

Directors' Dealings - Management Board

Date	Transition type	Shares	Price/€	Reporting person
31 Jan.	Securities lending	359,996 shares	--	Paschalis Choulidis
31 Jan.	Securities lending	340,000 shares	--	Vlasios Choulidis
09 Feb.	Securities lending	359,996 shares	--	Paschalis Choulidis
09 Feb.	Securities lending	340,000 shares	--	Vlasios Choulidis
29 Nov.	Subscription from capital increase	90,975 shares	6.10	Paschalis Choulidis
29 Nov.	Subscription from capital increase	80,000 shares	6.10	Vlasios Choulidis

Directors' Dealings - Supervisory Board

Date	Transition type	Shares	Price/€	Reporting person
31 Jan.	Securities lending	350,000 shares	--	Nico Forster
05 Feb.	Sale	10,000 shares	7.65	Nico Forster
07 Feb.	Sale	10,000 shares	7.71	Nico Forster
12 Feb.	Securities lending	350,000 shares	--	Nico Forster
22 Aug.	Sale	100,000 shares	6.00	Nico Forster
29 Nov.	Subscription from capital increase	2,439 shares	6.10	Wife SB member
29 Nov.	Subscription from capital increase	977,502 shares	6.10	Marc Brucherseifer
29 Nov.	Sale purchase rights	1,273,695PR	0.093	Marc Brucherseifer
29 Nov.	Subscription from capital increase	4,878 shares	6.10	Child SB member
29 Nov.	Subscription from capital increase	4,878 shares	6.10	Child SB member

Ad-hoc Reports 2007

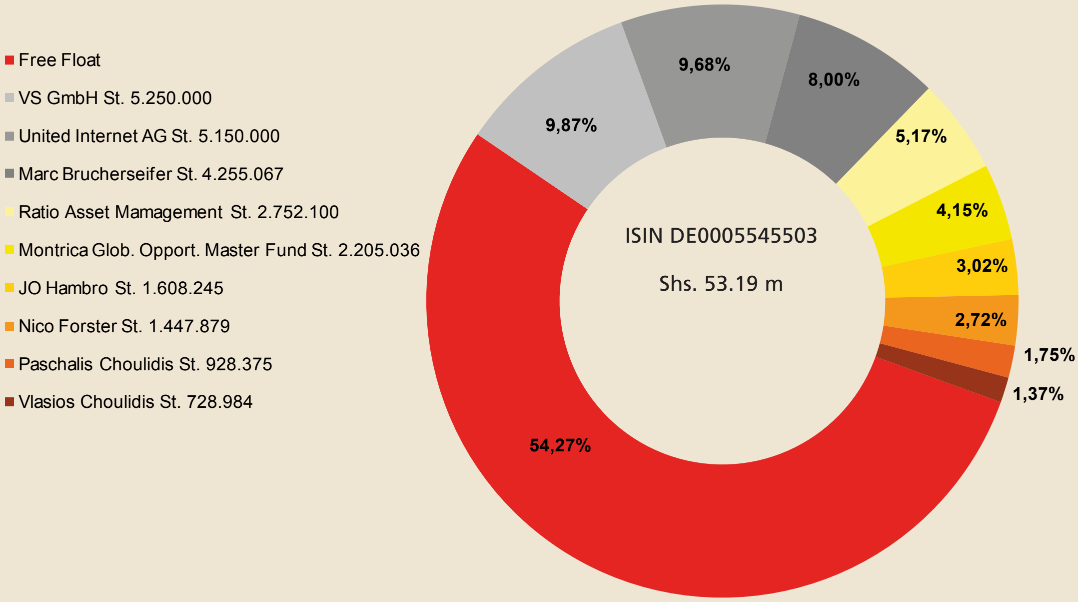
13/12/07	Extraordinary earnings from the contribution of freenet stock to MSP Holding GmbH
29/11/07	Modification of the participation agreement concluded with United Internet related to freenet AG
27/11/07	Successful placement of new Drillisch shares
21/11/07	Offering price for new Drillisch shares set at €6.10 per share
20/11/07	Drillisch remains committed to capital increase
14/11/07	Drillisch AG, freenet AG and United Internet AG announce that they have begun concrete talks regarding a possible strategic partnership
07/11/07	Drillisch AG decides to increase capital from the approved capital
29/10/07	9 months: 2007 turnover €266.1 million (+29.6%); EBITDA €27 million (17.6%)
21/09/07	Entry into a strategic participation with United Internet concerning the participation in freenet AG
22/08/07	Acquisition of a stock package of 18.49% in freenet AG
14/08/07	1st half-year: turnover €169.9 million (+25.7%); EBITDA €17.0 million (+29.6%)
15/05/07	1st quarter: turnover €76.8 million (+14.3%); EBITDA €7.5 million (+21.9%)
08/03/07	Completion of the takeover of Telco Services GmbH, Idstein
12/02/07	Prov. results 2006: Turnover €282.2 million (€323.2 million); EBITDA €32 million (€27.8 million)
31/01/07	Successful private placement generates over €21.9 million for Drillisch AG
30/01/07	Drillisch AG plans capital increase without purchase rights by up to 3,249,995 shares
15/01/07	Sale of own stock successfully completed
14/01/07	Takeover of Telco Services GmbH, Idstein

Financial Dates 2008 *

Wednesday, 26 March	Publication of financial statements 2007 & press and analyst conference
Thursday, 15 May	Report 1st quarter 2008
Friday, 30 May	Annual General Meeting
Thursday, 14 August	Report 2nd quarter 2008
Friday, 14 November	Report 3rd quarter 2008
November	DVFA Analysts' Event

* Subject to change

Shareholder Structure of Drillisch AG (Last revised 31 January 2008)



Source: Disclosures by the corporations pursuant to sections 21 ff German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and unless the company was not informed of a more recent figure (as of Jan. 31, 2008).

THE DRILLISCH GROUP AND THE MARKET ENVIROMENT

Strategy: Profitable Growth

Steady Improvement in Results for Five Years

Drillisch AG is one of the most profitable wireless services providers in Germany and has been growing profitably for five years. The corporate strategy focuses on increasing the Company's value. In the long run, all of the management decisions are oriented towards this goal. But constant growth can be achieved only if business operations consistently produce good results. Some of our competitors, driven by strategic considerations, are currently buying market shares and have forced customer acquisition costs to record levels. Such measures lead only to greater competition and to declining profit margins. That is why Drillisch AG consciously refuses to buy additional turnover which makes no or only very little contribution to profit. The business relationship with every customer must always realise a reasonable minimum return for Drillisch AG, the reason why the clientele is constantly being examined and optimised for its profitability. Indeed, Drillisch is not afraid to ignore turnover and market share in the short run if this will favour the profit situation.

Drillisch Is Actively Involved in the Market Consolidation

To achieve its objective of continuing to grow profitably, Drillisch pursues a strategy of consolidation on the German wireless services provider market. This approach enables the realisation of high synergy effects. The Company intends to continue to play an active role in the consolidation process. Drillisch AG has proven that acquired companies can be successfully integrated into the Group within a very short time, securing a long-term rise in the value of the Company as a whole.

The integration of the purchased subsidiaries which increases this value is guaranteed in particular by our great IT competence and innovative strength in the development of new products and alternative distribution channels, plus the years of experience of our management. The potential synergies can be exploited within a short period in each case. These effects range from the harmonisation of the IT by adaptation of the front ends to the implementation of the proven workflow management system developed by the subsidiary IQ-optimize to the accounting and alignment of the pay scales.

The migration of the purchased end customer relationships to the billing system at Drillisch, which is permanently developed further, optimised and maintained by the Group company IQ-optimize, has also made a major contribution to cutting costs. The enterprise's own billing software is one of the major success factors of the Company. It keeps Drillisch independent of external services providers so that the Company can respond quickly and flexibly to changes in market conditions and creatively develop and securely implement its own billing rates. Most recently, it was possible to harmonise, integrate and optimise the sales, marketing and administration departments after the takeover of Telco within about three months. Purchasing, storage and shipment departments for the mobile phones were merged. The greater volume enables the Drillisch Group to negotiate an improved commission structure with the network operators. The integration procedure which has proven itself in the past can also be transferred to future incorporations to achieve great commercial benefits.

When it acquired the first holdings in the competitor mobilcom AG (today freenet AG) in the autumn of 2006, Drillisch AG took a further step towards the consolidation of the wireless services provider market in Germany. In the meantime, mobilcom and freenet.de have merged into freenet AG. As part of the consolidation strategy, the interest held in freenet AG was increased during the reporting period. In September 2007, Drillisch AG entered into a strategic alliance with United Internet AG. Each of the companies holds 50% of the stock in the joint venture MSP-Holding. The participation in freenet AG is concentrated in MSP-Holding. Drillisch AG has kept all of its options open for a possible acquisition of the wireless services provider division of freenet AG as well as of other wireless services providers.

Strategy: Profitable Growth

Aiming to Continue Growth in the Discount Business

In its established business, Drillisch AG aims to acquire more new customers, especially in the wireless services discount sector. Despite the intensity of the competition in the field, the discount segment in particular harbours good opportunities for growth. Customers are becoming more and more price-conscious, and as the rates decline, the mobile telephone is increasingly stepping up as a competitor for landline connections. Discounters are rapidly gaining market shares at this time with their simple rate schedules and low prices. Attractive offers are being used to maintain the loyalty of customers in the traditional pre-paid and post-paid business.

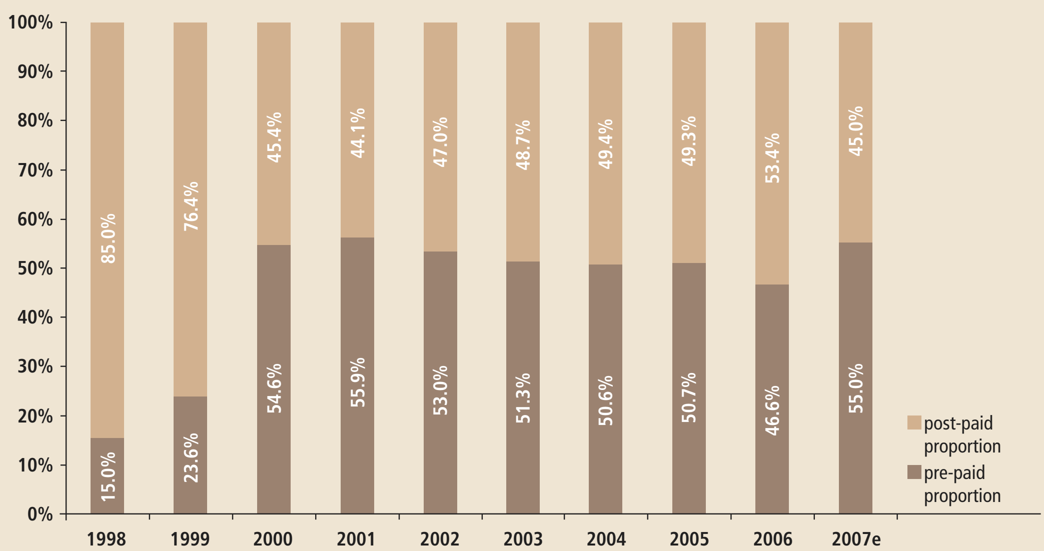
Drillisch AG is once again a pioneer on the discount market. As early as spring 2005, the Company became the first service provider in Germany to offer a discount rate when it introduced the brand name simply. The principle is simple and low-cost. The customers order their startup package comprising a SIM card and phone credit on the Internet by logging onto www.simplytel.de; after just a few days, they receive the SIM card in the post, which they then insert into any mobile phone already in their possession, and they can start phoning immediately. And this is possible in most of the rate schedules without a basic fee, a fixed contract term or minimum charges. As an option, mobile phones are also offered at especially low prices on the simply Internet site. Since the customers are not provided with a phone free of charge and because they handle all of the administration themselves on the Internet, the costs for the service provider are lower than in the conventional post-paid business. The company can pass this advantage on to its customers in the form of lower rates. Both profit: the customer from a lower telephone bill and the service provider from profitable margins for telephone calls or data transfer.

Since the middle of 2006, Drillisch has developed alternative distribution channels for its wireless services discount services. The Company appears as a white label service provider to offer the products "PENNY MOBIL" and "ja! mobil" as discount rates. Within the framework of a cooperative venture with the REWE Group, PENNY MOBIL is available in about 2,000 Penny markets, ja! mobil in more than 3,000 REWE supermarkets, toom SB stores and toom DIY stores. In addition, Drillisch AG is seeking to find other cooperation partners for its attractive products.

The core brand simply is marketed both as a pre-paid and post-paid product, primarily on the Internet. The contract customer business is handled by the subsidiaries Telco and VICTORVOX. Telco is a premium brand which is responsible for post-paid products with a comprehensive service package. VICTORVOX has specialised in select forms of distribution.

Pre-paid and Post-paid Subscribers (Market Share)

Source: Bundesnetzagentur, Tätigkeitsbericht 2007



Strategy: Profitable Growth

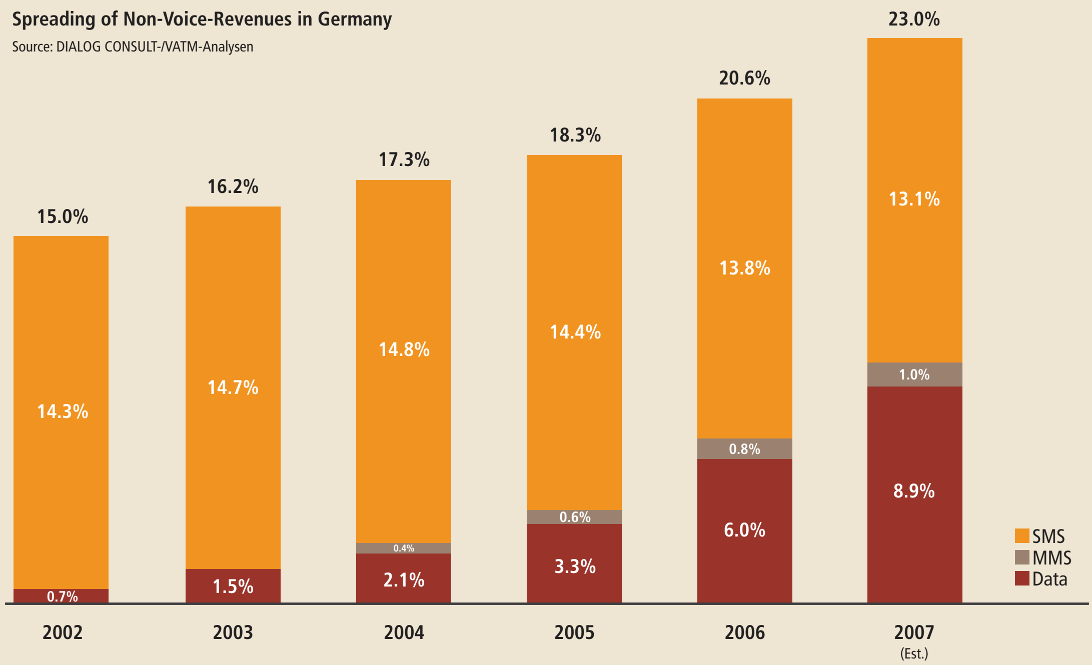
Mobile Data Utilisation Will Be the Growth Driver in the Future

Over the past 15 years, mobile phones have developed from clumsy, bulky telephones to multimedia all-rounders small enough to fit into a shirt pocket. During the last two years, data communication has grown rapidly due to the increasing availability of fast transmission via UMTS, making surfing on the Internet and the downloading of music and short films highly convenient. You can even watch TV on a mobile phone today. Drillisch AG has again played a pioneering role in this segment.

The wireless services market in Germany is in a state of flux. In September 2007, there were more than 93 million wireless services contracts for a total population of 82 million. In other words, active mobile telephone users now possess several SIM cards. The wireless services discounters have contributed to this development to a significant degree. Experts are unanimous in their opinion that the market share of the discounters will continue to grow. This growth will come largely at the expense of the classical wireless services contracts. The number of minutes people spend talking on their mobile phones every day is expected to continue to rise. But due to the fall in prices, the potential for increasing turnover on the market as a whole is limited. However, there will be substantial shifts within the various market segments.

Spreading of Non-Voice-Revenues in Germany

Source: DIALOG CONSULT-/VATM-Analysen



Growth Strategy – Integrated Communications Solutions

Drillisch AG is relying on integrated communications solutions to continue its strategy of profitable growth. This entails using the existing customer relationships to expand business, acquire new customers and generate additional turnover and earnings. Differing communications products are being combined with each other even now. Furthermore, Drillisch AG is exploiting the cross-selling potential which is appearing. Since the beginning of 2007, the Company has been cooperating with the landline provider Arcor to offer wireless service, landline service and DSL, conveniently and at a low price, from a one-stop shop. But the Company does not plan to restrict itself to products from the sector of telecommunications in the future. It is also considering combinations from the fields of utilities, insurance and bank services, just to mention a few possibilities.

MARKETING REPORT

MARKETING REPORT

simply Makes a Clear Statement on the Wireless Services Discount Market
simply Expands Distribution to Specialist Retailers

Simply Makes a Clear Statement on the Wireless Services Discount Market

In 2007, Drillisch AG expanded its position on the dynamically developing wireless services discount market by launching the brand simply. The concept of simple and transparent rate schedules with low minute prices around the clock, no contractual obligations, no minimum charges and no basic fee has been continuously and persistently developed further.

In the second half of 2007, for example, simply introduced the first mobile phone flat rate family to the market, called "SIMfix", as a supplement to the classical pre-paid and post-paid rates. Customers can choose between landline, wireless services or combined voice flat rates, whichever is most appropriate for their individual telephone use. "SIMfix Festnetz Flat" offers unlimited telephone calls to the German landline network for € 9.95 a month. Calls within the SIMfix community cost 8 eurocents, calls to other German wireless services networks 18 eurocents a minute. The "SIMfix Mobilfunk Flat" at € 59.90 a month includes all phone calls from one mobile phone to another within the national networks in Germany. Calls to the German landline networks cost 18 eurocents a minute. The "SIMfix Voice Flat" at € 69.90 a month is a well-positioned flat-rate offer from simply on the German discount market; this fixed amount includes any and all calls to the German landline network and to all of the national wireless services networks.

In January 2008, simply once again proved its innovative strength by setting two new records for low prices and introducing a completely new, simplified rate schedule landscape: customers using the rate schedule "simply easy" can phone around the clock in all networks at the lowest standard price found in Germany of 8.5 eurocents a minute. It was only logical that simply easy took first place as the lowest price pre-paid card in the 04/08 issue of the magazine Computer Bild. The rate schedule "simply partner" which was launched at the same time offers calls at only 3 eurocents a minute within the simply community. Both of these rate schedules – another innovation – are available as either a pre-paid or post-paid variations. Current customers can change from their previous rate schedule to one of the new offers.

The discount brand McSIM, which was launched at the end of 2006, has established a firm position on the market. It supplements the product line of Drillisch AG by adding wireless services at discount prices in the Vodafone network. This makes Drillisch the only service provider with discount products in more than one wireless network.

Simply Expands Distribution Via Specialist Retailers

After the launch of "ja! mobil" as a second discount brand – alongside "PENNY MOBIL" – for the retail chain REWE in January 2007, simply Communication GmbH, working as a strategic partner with the REWE Group, realised attractive options and additional services for both pre-paid products in the course of the year. One example: an attractive landline and community flat rate for € 14.99 as well as a volume-based data rate for sending multimedia messages (MMS) or for mobile surfing on the Internet, which is becoming increasingly popular, were introduced in the autumn. Within the framework of this cooperation between the REWE Group and simply, more than 5,000 supermarkets and stores of the corporation – REWE, Penny, toom, toom Baumarkt and ProMarkt – offer attractive wireless services.

In 2007, simply was able to acquire two additional cooperation and distribution partners in the retail grocery trade by concluding agreements with HIT Handelsgruppe GmbH & Co. KG and RATIO Handel GmbH & Co. KG. simply products are sold in 87 markets in North Rhine-Westphalia, Rhineland-Palatinate, Hesse and Bavaria under the brand name "HIT mobile". RATIO Handel GmbH & Co. KG sells wireless services from simply under the label RATIOPHONE in about 30 specialist stores, shopping centres and cash-and-carry discount markets in North Rhine-Westphalia, Lower Saxony and Hesse. The cooperation with sales partners in specialist retail trades (wholesale products WSP) is being continuously developed further and new partner brands are being realised.

MARKETING REPORT

Drillisch Strengthens Position in Specialist Retail Trade Test Winner „Voice-Drei-Punkt-Neun“

Since the beginning of 2008, special simply products have also been marketed in specialist stores. This gives specialist dealers the opportunity to offer attractive rate schedules to price-conscious customers who nevertheless do not want to do without support and advice. Specialist stores therefore have the chance to set themselves apart from the competition and to develop new clientele by the marketing of communities – friends, relatives, co-workers. “simply Premium Sensation” costs € 9.99 a month and includes 50 minutes and 30 text messages a month at no extra charge. Any additional calls to the national landline network or to one of the German wireless services networks cost 9.9 eurocents a minute. “simply Premium Max”, available for € 12.95 a month, includes all of the calls to the German landline network. Calls to all of the national wireless services networks cost 25 eurocents per minute.

Drillisch Strengthens Position in Specialist Retail Trade

The integration of the service provider Telco into the strong Drillisch federation at the beginning of 2007 has strengthened the position of Drillisch AG in specialist retail trade. Along with the subsidiary VICTORVOX, which had previously been integrated into the corporation and was responsible for the demanding distribution channel specialist retail trade, Telco now offers “the best of two worlds” on a high-quality sales platform to about 400 telecommunications retail trade stores. VICTORVOX will in future concentrate on strengthening its position in wide-area marketing.

Test Winner “Voice-Drei-Punkt-Neun”

Drillisch introduced a new family of voice rates, setting a new record for low prices, to specialist trade right on time for Christmas business in 2007. Customers using the “Voice Rates” can phone for prices as low as 3.9 eurocents a minute. Alphatel, VICTORVOX and Telco were thus able to offer rates well below the 9.9 eurocents found at the competitors. This price campaign outside of the usual discount distribution channels opens up new clientele especially to specialist trade. Three different packages are offered as SIM-only variants (wireless services contracts without a free mobile telephone). Voice 3.9 includes 1,000 minutes of calls for a monthly package price of € 39. The magazine Computer Bild declared this rate to be the test winner in the 02/2008 issue. Customers who use their mobile phones less frequently can take Voice 7.9 at a monthly rate of € 19.80 for 250 minutes (equivalent of 7.9 eurocents a minute). The alternative Voice 9.9 with 100 minutes of calls costs € 9.90 (corresponding to 9.9 eurocents a minute). So customers can choose the ideal rate according to their personal telephone needs.

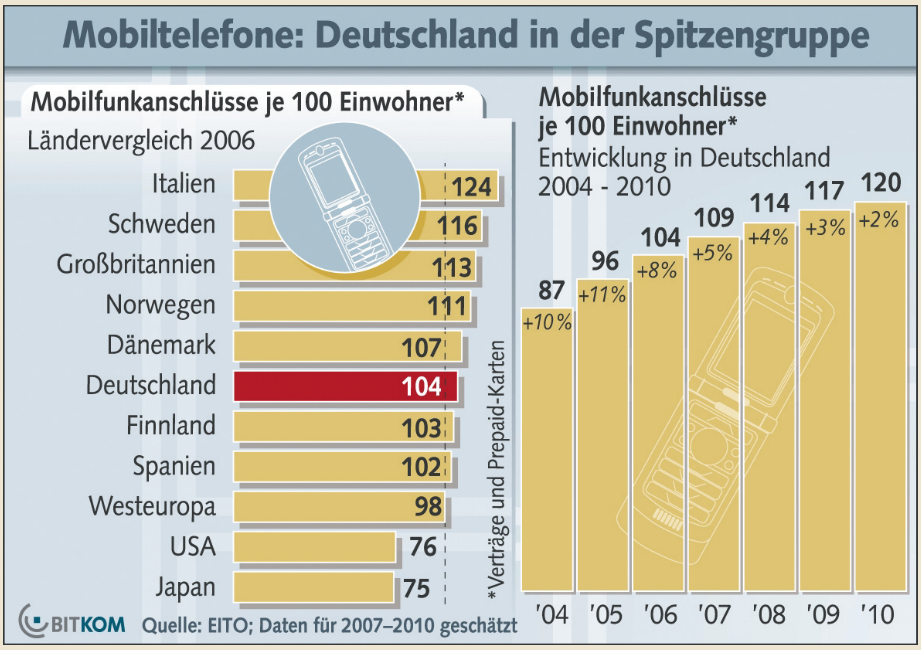
Telco launched its online shop at the end of May 2007. It combines the advantages of Internet distribution with those of specialist trade. Customers can do their shopping around the clock and profit from the lower prices. Moreover, they have the sellers as knowledgeable contacts nearby. Dealers benefit from the Telco online shop because, for the first time, they have the opportunity to operate a professional online shop at favourable conditions and with professional support. In implementing this concept, Telco addresses all customers who like to use the Internet, but who do not want to do without the knowledgeable advice of a specialist. In addition, Telco supports specialist dealers by providing a low-price sales platform which strengthens customer loyalty.

Top Up the Mobile with g~paid and Remain Anonymous

Top Up Your Mobile Phone with g~paid and Pay Anonymously

Drillisch is the only service provider in Germany to market innovative cash cards and cash codes via its own server platform. Customers can use "g~paid" at about 3,000 points of sale in Germany to top up their mobile phones or to process e-payment transactions without having to disclose their account information. This may be in a supermarket, a bookshop, at a filling station or at a cash point or ticket machine. Transport companies are playing a pioneering role here. Since the end of November, the transport companies in Wuppertal have joined Berlin, Dortmund and Duisburg in offering the chance to top up pre-paid cards by e-loading.

The former IQ-work Software AG has been operating under the new name IQ-optimize Software AG since May 2007. This company bundles the IT know-how of the Drillisch Group. In addition to providing support of the affiliated companies regarding all IT issues, IQ-optimize develops, implements and maintains solutions in the field of business process management and workflow automation. The core competence of the company is located in the re-engineering of business processes and the development of user-oriented, customised software solutions for midsize businesses. Rapid realisation and continuous support round off the service. The software solutions from IQ-optimize automate, rationalise and optimise complex processes and support the entire range of process-oriented material and transaction processing. This enables a substantial reduction in response, processing and throughput times within the business processes – significant cost savings and an enormous increase in productivity are the results.



CONSOLIDATED MANAGEMENT REPORT

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 about 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 O_2 (Germany) GmbH & Co. OHG ("O_2") 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 includes all of the services, without exception, that are offered by the network operators relating to the transmission of voice, data and other content based on current standard transmission technologies. The 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. This subsidiary performs IT services for all of the Group companies. Moreover, IQ-optimize Software AG 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 five active service providers Telco Services GmbH ("Telco"), Idstein; VICTORVOX GmbH ("VICTORVOX"), Krefeld; Alphatel Kommunikationstechnik GmbH ("Alphatel"), Maintal; SIMply Communication GmbH ("simply"), Maintal; and McSIM Mobilfunk GmbH ("McSIM"), Maintal, handle the business operations for wireless services. All of the IT know-how of the Drillisch Group has been collected in IQ-optimize Software AG ("IQ-optimize"), Maintal. The acquisition and holding of the stock in freenet AG ("freenet"), Büdelsdorf, by MSP Holding GmbH ("MSP Holding"), Maintal, serves to position Drillisch strategically on the wireless services provider market.

Telco strengthens the post-paid business

The service provider Telco has been a part of the strong Drillisch corporate Group since 8 March 2007. The integration of Telco is going according to plan. Since the beginning of June, the marketing activities in the telecommunications speciality trade have been merged under the premium brand Telco. Taking as their slogan, "The best from both worlds", Telco and VICTORVOX speciality shops now have a joint market appearance with the same product portfolio. The service provider VICTORVOX concentrates on special sales forms and wide-area marketing.

Wide-ranging pre-paid business with own processor status

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

Wireless services discount products in two networks

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

IQ-optimize guarantees IT competence

The IT competence at Drillisch is bundled in the subsidiary IQ-optimize (formerly IQ-work Software AG). The company performs all of the IT services for the Group firms and markets its own workflow management software. The company has been operating under a new name since 29 May 2007. IQ-optimize Software AG thus documents its strategic further development and orients the company name logically to its core competence – the optimisation of business processes by the use of innovative software solutions.

Joint venture MSP Holding holds the participation in freenet

MSP Holding is a joint venture in which Drillisch and United Internet AG ("United Internet"), Montabaur, each hold an interest of 50%. As per 31 December 2007, this company held a total of 20.05% of the voting shares of freenet. Drillisch contributed the shares of stock in freenet (formerly mobilcom AG and freenet.de AG) which it had purchased since autumn 2006 to MSP Holding. The participation in MSP Holding is valued "at equity" in the Drillisch consolidated annual accounts.

1.2. Company Management – Objectives and Strategies

Drillisch's goal is to become one of the leading providers of wireless services in Germany in this market environment of increasingly keen competition. The Company has already played an active role in the consolidation of the market through the acquisition of VICTORVOX and Telco and the participation in freenet.

The focus of new business is on the discount sector because the inexpensive and transparent rate schedules here, in the Management Board's opinion, offer the greatest opportunities for growth on the German wireless services market. But the Company also 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.

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. Attention is always centred on profitability. 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 work 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 the stagnation in the market environment, the Company improved earnings in both of the years 2005 and 2006 even though consolidated turnover declined in the same time period. 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 – most recently the acquisition of Telco in spring 2007 – 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

Declining prices mean that the mobile rings more often

Sales of wireless services in Germany for 2007 are estimated at € 26.4 billion in comparison with € 26.8 billion in 2006. At the same time, the connection minutes for placed calls per day in Germany rose from 155 million in 2006 to an estimated 202 million in 2007. The so-called non-voice share (telecommunications services not using speech such as text messages, data and information services) in the wireless services sales rose from 20.6% in 2006 to about 23.0% in 2007 (source: DIALOG Consult/VATM, Der deutsche Telekommunikationsmarkt – Zehn Jahre Liberalisierung im Festnetzmarkt of 16 October 2007).

The third quarter of 2007 saw about 93.3 million customers using the German wireless networks. This translates into a per capita average of 1.13 wireless services contracts for each person living in Germany (source: Federal Network Agency, Statistics on Customer Development 2007). While sales of classical rate packages of the providers are growing more slowly than in past years, the wireless discount business has realised comparatively high growth rates in both of the last two years.

The first discount offers appeared on the market during 2005, and by the end of 2005 1.7 million customers were already using these products. As of the end of 2006, this sector had acquired an estimated 4.9 million customers and achieved a market share of almost 6% (Annual Report 2006 of the Federal Network Agency). The growth in the discount sector is coming at the expense of the classical rate schedules and providers (Telecommunications 2006, Axel Springer AG). The discount products also triggered a decline in prices for wireless services; since the appearance of the discount providers on the market in 2005, charges have fallen by more than 30%. The fall in prices slowed down in 2007. The year average for the decrease in costs for using mobile phones was 2.4% (Federal Statistics Office, 4 January 2008).

The healthy economy also had a positive effect on the IT market which grew by 3.5% to € 72.5 billion in 2007. This was the conclusion of a study conducted by the BITKOM (Bundesverband Informationswirtschaft, Telekommunikation und neue Medien e.V.) in September 2007.

Drillisch is the Number Three 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 O_2) and the other wireless service providers. The network operators have a market share of about 75% in Germany. The remainder is divided essentially among four large service providers. As of 30 June 2007, Drillisch had a market share of approximately 9% in the wireless service provider segment and was in third place.

1.4. General Economic Conditions

The German economy stayed on course for growth in 2007. In real terms, the gross domestic product (GDP) rose by 2.5%. The major driving force behind the growth was once again the strong export business. Exports rose by 8.3%. Expenditures for private consumption declined by 0.3%. This is presumably in part a reflection of the increase in the value-added tax which prompted consumers to move purchases originally planned for 2007 to 2006. The available income in private households rose by 1.6% to € 1,518 billion. In contrast to 2006, households once again displayed a greater reluctance to spend. The savings rate rose to 10.8%, 0.3% more than the year before. The improvement in the economy also led to a substantial drop in unemployment. The number of employed people rose by 1.7% to 39.7 million.

On the other hand, a number of factors and risks with adverse economic effects arose over the course of the year; while their influence in 2007 was limited, they could prove to be of major importance for economic growth in the following years. They include:

- The crisis on the US mortgage market (“subprime crisis”) which appeared in the middle of the year
- Significant increases in costs of raw materials and foodstuffs
- Rising prices; the rate of inflation in Germany was the highest in the last 13 years
- A slowdown in the US economy
- A strong euro in relation to the dollar, which negatively influences export business longterm

The Drillisch AG Management Board noticed only a slight effect on the Company’s own wireless services business from the general reluctance to spend by private consumers and their increased cost of living. 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 2007, the Drillisch Group increased sales from 2.2 million (previous year: 1.8 million) customers (38% post-paid and 62% pre-paid customers) by 28.1% to € 361.5 million. The item Sales includes 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 acquiring new customers have reached dimensions never known before. The amortisation period for new customers is in the meantime frequently longer than 22 months for 24-month contracts. Drillisch has refused to become caught up in this subsidy competition. Besides the reasonable efforts to acquire new customers, the Company has increased its investments in the prolongation of already existing customer relationships.

Other operating income rose by € 10.2 million to € 16.4 million. Most of this increase can be traced back to earnings from the disposal of Other financial assets. Drillisch contributed its stock in freenet to MSP Holding, an action which led to a book profit of more than € 13.3 million.

The cost of materials rose underproportionately to the growth in turnover by 27.2% to € 285.8 million. As a consequence, gross profit (turnover less cost of material) rose by 31.7% to € 75.8 million. The gross profit ratio (gross profit to turnover) improved by 20.4% to 21.0%. Personnel expenses rose by 28.7% to € 21.0 million. The personnel expenses ratio (personnel expenses to turnover) remained constant at 5.8%. The improvement in the gross profit margin and the lack of change in the personnel expenses ratio are clear proof of the successful integration of Telco.

Other operating expenses rose by € 16.1 million to € 33.1 million. They include the expenditures assumed from MSP Beteiligungs GmbH related to M&A transactions, legal and professional fees for various acquisition projects and increased structural costs related to the Telco acquisition.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) improved by 24.4% to € 39.8 million. It was heavily influenced by one-time and extraordinary factors in fiscal year 2007. Adjusted for these special factors, the EBITDA amounted to € 38.0 million compared to an adjusted EBITDA in 2006 of € 29.3 million (corresponding to an increase of 29.7%). The adjustments in 2007 comprise earnings from the contribution of freenet shares to MSP Holding and paid and assumed expenditures related to M&A transactions. In the previous year, the EBITDA contained a book profit of about € 2.7 million from the disposal of Other financial assets.

Depreciation increased by 79.2% to € 5.8 million. The background for this change, besides the additions to fixed assets, is the attribution of the purchase price paid for the takeover of Telco to individual assets. Then, in particular, the customer relationships, the software created by the Company itself and the trade marks were capitalised. Depreciation was taken on some of these measurements in the balance sheet. As a consequence, the EBIT (earnings before interest and taxes) rose by 18.3% to € 34.0 million.

The interest result came to € -6.3 million (previous year: -0.7 million). The background for this change is the financing of the participation in freenet – increased during the year – by loans. Moreover, a basis effect appeared here because the first tranche of the participation was not acquired until autumn 2006.

The earnings before taxes on income (EBT) declined slightly by € 0.4 million to € 27.7 million. Taxes on income fell from € 10.9 million to € 3.4 million. 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 rate. The consolidated profit increased by 41.5% to € 24.3 million. Owing to the capital increases, the number of shares entitled to dividends rose on the average from 32.0 million to 37.1 million. In total, the profit per share increased from € 0.54 to € 0.66.

1.6. Assets, Liabilities and Financial Position

The balance sheet total of the Drillisch Group rose by more than half in fiscal year 2007, by € 135.1 million to € 386.0 million. The capital increases and the good profit situation increased equity by € 121.3 million to € 233.7 million. The equity ratio reached 60.5% in comparison with 44.8% of the previous year.

Cash rose by € 75.6 million to € 84.7 million, mainly due to the capital increases. Part of the cash inflow was used, among other actions, to purchase additional stock in freenet. By the time of the contribution to the MSP Holding, Drillisch had increased its freenet holdings to about 10.08% of the share capital of freenet AG. MSP Holding is shown in the balance sheet as per 31 December 2007 under the financial assets measured according to the equity method. In the previous year, the freenet stock was capitalised under the Other financial assets. The goodwill rose by € 31.8 million to € 66.4 million, essentially a consequence of the acquisition of the service provider Telco. The acquisition caused an increase of € 15.2 million in the value of the Other intangible assets to € 19.3 million. The background is the purchase price attribution of the Telco acquisition as described above. The capitalisation included the customer relationships at about € 8.7 million, the trade marks at € 6.7 million and the software created by the company at € 1.7 million. The long-term assets increased by a total of € 30.2 million to € 242.9 million. Their share of the balance sheet total is 62.9%.

The greatest change in the short-term assets – besides the increase in cash described above – is found in the trade receivables. This increase comes mainly (at about € 16 million) from the Telco acquisition. Receivables due from affiliated companies are primarily the consequence of a loan to MSP Holding.

Subscribed capital rose by € 24.0 million to € 58.5 million, essentially owing to the capital increases. The capital surplus increased by € 105.1 million to € 128.4 million. A market valuation reserve (as in the previous year) is no longer shown because the freenet stock has been contributed to MSP Holding and share price fluctuations can now have only an indirect effect on the annual accounts as a consequence of the MSP Holding being shown in the balance sheet according to the equity method.

The deferred tax liabilities rose by € 3.6 million to € 5.6 million largely in relation to the capitalisation of assets within the framework of the Telco purchase price attribution. Restructuring measures were carried out for the liabilities due to banks. € 24 million of the BHF loan with a volume of € 100 million was repaid as part of an unscheduled amortisation. In addition, € 11.4 million was repaid as scheduled. € 13.3 million has been scheduled for repayment in fiscal year 2008 and was rebooked in the short-term liabilities due to banks.

Reserves increased by € 8.6 million to € 10.7 million This increase is primarily the result of the creation of a reserve related to the M&A transactions involving MSP Beteiligungs GmbH. In addition, reserves for premature contract terminations and commissions and subsidies of advertising costs are the major factors here. Tax liabilities declined as a result of the lower tax levies by € 6.2 million to € 2.2 million.

Short-term liabilities due to banks decreased by € 1.0 million to € 13.8 million. Trade liabilities rose by € 6.3 million to € 14.4 million, mainly a consequence of the balance sheet date and the strong expansion of business. This also affected the payments received on account. This was affected by the expansion of the pre-paid business – in the discount segment as well.

1.7. Cash Flow from Current Business Activities

Cash flow from current business activities decreased by € 18.0 million to € 5.4 million. The most important factors causing this decline included higher interest expenditures, profits from the disposal of Other financial assets – which did not affect payments – an increase in inventories and a rise in receivables and Other assets. There was a cash outflow of € 46.3 million from investments, especially the acquisition of the service provider Telco and a further increase in the stock held in freenet. The acquisition and the increase of the strategic participation were financed primarily by capital increases and dividend income. Cash flow from financing activities rose by € 23.5 million to € 116.5 million. The net cash flow (change in cash) rose by € 96.7 million to € 75.6 million (in the previous year, cash declined by € 21.0 million).

1.8. Employees

As an annual average, Drillisch Group employed a staff of 374, including the two Management Board members (previous year 306). The number of vocational trainees, who are not included above figure, rose from 16 to 18.

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 acquisition of Telco was financed in part with a short-term loan at variable interest rates. About € 21 million of the purchase price came from the capital increase in spring 2007. The Company strives to develop further and to optimise the financial management continuously.

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 Risks

2.1.1. Risk Management

Drillisch AG operates a risk management system throughout the Group which includes continuous observation to ensure early recognition and the standardised recording, assessment, control and monitoring of risks. The objective is to obtain information about negative developments and the related financial effects as early as possible so that the appropriate measures can be initiated to counteract them. The management of the company results and company value utilises the instrument of risk management, making it 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.

This procedure is in compliance with legal requirements such as the management board obligations described in the German Corporate Sector Supervision and Transparency Act (KonTraG).

2.1.2. Market-related Risks

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 2008.

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.

2.1.3. Company-specific Risk Factors

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 could also influence Drillisch owing to its participation in MSP Holding. 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.

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.

A tax audit is currently underway in the Drillisch Group. This tax audit will include the clarification of the dispute as to whether the so-called “IMEI number” was required as a component of an acceptable invoice for the input tax deduction claimed from incoming invoices for mobile telephones during the years 2000 to 2002. If the responsible tax authorities decide that this is the case, Drillisch would have to reimburse a substantial amount of input tax for those invoices which did not contain this number. But Drillisch, supported by various court decisions in similar cases and by a legal assessment prepared by Professor Wassermeyer, Bonn, classifies this risk as slight. As a consequence, the Company did not create a pertinent tax reserve in the consolidated balance sheet for this item nor was any reference included in the consolidated notes.

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.

2.2. Opportunities

Possible inflow from stock options

In April 2004, Drillisch sold about 4.7 million stock options to the VS Verwaltungs- und Beteiligungsgesellschaft mbH (“VS”), Hanau, which exercised the options immediately. In the event VS sells the stock, Drillisch will be entitled to 76% of the profit from the sale. The profit from the sale is the difference between the realised sales proceeds and the price paid for exercise of the option (€ 1.45 per share). Based on a closing price of the stock as per December 31, 2007 of € 5.50 per share, this contingent asset has an imputed value of € 14.6 million.

Prediction Report

3. Projection Report

3.1 General Economic Conditions

"Germany is on the right road," begins the annual economic report for 2008. The German government expects the economy in this country to continue to grow. Growth in the GDP this year is predicted at 1.7%. The number of people in gainful employment is expected to rise once more and unemployment will decline even further. Pay rises will presumably increase available income. But consumers in Germany remain cautious in their behaviour because of negative factors such as the continuing bank crisis, steadily rising prices and uncertainty about longer-term expectations for a strong economy. The German high-tech industry is still looking ahead to 2008 with great confidence. 78% of the companies surveyed by BITKOM expect turnover growth in the current year. The demand from business, government and private consumers for modern information and communication systems will also continue to grow in 2008.

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

The Drillisch AG Management Board expects the telecommunications market in Germany to continue its dynamic developments in this and the coming year. While increases in turnover are not to be expected, the shifts within the various segments will continue. The Management Board presumes that the landline telephony will continue to be displaced by the use of mobile telephone services. The major driver for growth in the mobile telephone segment will be the increasing use of data. The discounters with their simple, low rates will have good opportunities to increase their market share further. Prices will continue to decline, but not with the speed of the past three years. The decrease will come in part from the reduced forwarding charges, and new discount products will add to the competition. But lower sales prices will also show up in the form of lower procurement costs for wireless services providers.

3.3. Opportunities and Risks of the Future Development

The increasing cost awareness on the part of customers is a source of good growth potential especially for the wireless services discounters with their simple, transparent rate structures and low prices. Drillisch, being one of the pioneers in this market segment, has a good chance to profit from this expected development.

The rapid further technical development of the mobile end devices, additional products such as mobile TV and the increasingly convenient use of mobile data services, whether for personal or business reasons, harbour the opportunity for additional sources of turnover and earnings. The great innovative strength which has often enabled Drillisch in the past to set trends in development and structures offers the opportunity to develop new business fields ahead of the competition and to acquire additional customers.

The Drillisch AG Management Board has the clearly defined goal to drive forward actively the consolidation of the service provider market in Germany. Drillisch has successfully acquired and integrated companies and wants to exploit this potential to its benefit.

The freenet stock held by MSP Holding can have a significant negative effect on the earnings position of Drillisch AG in the event of a steady decline in the price of the freenet stock. But the holding also secures opportunities for the expansion of the strategic positioning of Drillisch on the wireless services provider market.

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

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 elements independent of success comprise fixed compensation as well as payment in kind and other benefits. The short-term components consist of elements independent of success and elements contingent on success. 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, serves as long-term incentive components. 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 2007 totalled € 2,110k, thereof variable € 1,220k (previous year in total: € 1,382k). 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 deputy chairperson one and a half times the regular compensation. 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 2007 totalled € 117.4k (previous year: € 112.7k).

Supplemental Information in Accordance with Section 315, Subsection 4 HGB

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

Following the capital increases carried out in January, August and November 2007, the subscribed capital amounts to € 58,507,916.50 and is distributed among 53,189,015 shares of common stock issued to the bearer. Each share is the equivalent of one vote. The securitisation of the stock is excluded.

Drillisch has undertaken the obligation, observing the pertinent regulations of Germany Company Law, not to issue, to sell, to offer, to obligate itself to the sale of, or to otherwise surrender, either directly or indirectly, stock in the Company or other securities or unsecuritised rights which can be converted into or exchanged for shares or which embody a right to the purchase of shares of the Company, or announce a related offer for such items, in particular not to use approved capital or sell own shares, for a period of six months as of the admission of the new shares to trading on the stock exchange (29 November 2007), or to propose a capital increase to the Annual General Meeting or to conclude transactions (including derivative transactions) which commercially correspond to the sale of shares before the point in time of the announcement of the ordinary Annual General Meeting 2008 which will adopt a resolution concerning the appropriation of the retained earnings for fiscal year 2007. The issue of shares within the framework of a capital increase against contributions in kind related to an acquisition or a joint venture to the partner of any such acquisition or joint venture is excluded from this obligation, provided that the recipient of the relevant shares agrees to this market protection and undertakes the corresponding obligation with respect to Drillisch.

Within the scope of the sale of options to VS, 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.

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 and following 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.

According to a resolution adopted by the Annual General Meeting on 18 May 2007, the Company is authorised to acquire up to 10% of the subscribed capital as per the time of the General Meeting, namely, € 38,446,134.23 in accordance with Section 71, Subsection 1, Item 8 AktG by no later than 17 November 2008. The Management Board has been authorised, subject to the approval of the Supervisory Board, to sell the acquired shares through channels other than the stock exchange.

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 Holding. 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 Holding. 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

Drillisch acquired 700,000 shares of freenet stock in January 2008.

The Drillisch Management Board has decided to carry out a stock repurchase programme. This decision is based on the authorisation granted by the Annual General Meeting on 18 May 2007 which authorised Drillisch to acquire own stock by no later than 17 November 2008. The repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting and runs from 15 February 2008 to 30 May 2008. As of 6 March 2008, Drillisch AG had acquired 357,527 shares of own stock.

An unscheduled repayment of € 64.6 million was made on the BHF loan on 29 February 2008.

Maintal, 6 March 2008

The Management Board

CONSOLIDATED ANNUAL ACCOUNTS

Consolidated Income Statement

Consolidated Annual Accounts for the Fiscal Year from 1 January 2007 to 31 December 2007

	Notes No.	2007 €k	2006 €k
Sales	5	361,523	282,211
Other own work capitalised		1,788	1,582
Other operating income	6	16,361	6,134
Cost of materials / Expenditures for purchased services	7	-285,762	-224,667
Personnel expenses	8	-21,043	-16,346
Other operating expenses	9	-33,076	-16,933
Amortisation and depreciation	10	-5,764	-3,216
Operating result		**34,027**	**28,765**
Result from participations shown in balance			
Financial investments recognised in balance sheet	11	-40	0
(Other) Financial result	11	-6,280	-708
Profit before taxes on income		**27,707**	**28,057**
Taxes on income	12	-3,377	-10,866
Consolidated profit		**24,330**	**17,191**
Earnings per share (in €)	44		
Undiluted		0.66	0.54
Diluted		0.66	0.54

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 1 January 2007 to 31 December 2007

ASSETS

	Notes No.	31.12.2007 €k	31.12.2006 €k
Fixed assets			
Other intangible assets	13	19,275	4,076
Goodwill	14	66,400	34,572
Tangible assets	15	1,934	2,005
Financial assets shown in balance sheet according to equity method	16	152,392	0
Other financial assets	17	13	168,875
Deferred taxes	12	2,906	3,216
Fixed assets, total		**242,920**	**212,744**
Current assets			
Inventories	18	10,590	5,812
Trade accounts receivable	19	33,619	16,533
Accounts due from affiliated companies		103	94
Accounts due from companies in which there is a participating interest		4,206	0
Tax reimbursement claims	20	6,936	4,924
Cash		84,681	9,038
Other current assets	21	2,926	1,757
Current assets, total		**143,061**	**38,158**
ASSETS, TOTAL		**385,981**	**250,902**

CONSOLIDATED ANNUAL ACCOUNTS

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 1 January 2007 to 31 December 2007

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes No.	31.12.2007 €k	31.12.2006 €k
Shareholders' equity			
Subscribed capital	22	58,508	34,510
Capital surplus	22	128,379	23,318
Earnings reserves		31,123	17,302
Market evaluation provision		0	31,180
Unappropriated retained earnings		15,659	6,029
Equity, total		**233,669**	**112,339**
Long-term liabilities			
Pension provisions	24	982	0
Deferred tax liabilities	12	5,637	2,047
Bank loans and overdrafts	27	74,119	84,055
Leasing liabilities	23	402	1,059
Long-term liabilities, total		**81,140**	**87,161**
Short-term liabilities			
Short-term provisions	25	9,707	2,111
Tax liabilities	26	2,224	8,384
Bank loans and overdrafts	27	13,767	14,764
Trade accounts payable	28	14,364	8,110
Payments on account	29	16,913	12,180
Leasing liabilities	23	891	691
Other liabilities	30	13,306	5,162
Short-term liabilities, total		**71,172**	**51,402**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**385,981**	**250,902**

Consolidated Statement of Change in Capital

Consolidated Annual Accounts for the Fiscal Year from 1 January 2007 to 31 December 2007

	Number of shares	Share capital	Capital reserves	Market valuation reserves	Earnings reserves	Unappro-priated retained earnings	Total
		€k	€k	€k	€k	€k	€k
As per 01/01/2006	**32,178,332**	**34,606**	**23,569**	**0**	**9,902**	**2,646**	**70,723**
Change in own shares	-88,396	-96	-251	0	0	0	-347
Market valuation of Other financial assets		0	0	31,180	0	0	31,180
Distribution of profits 2005		0	0	0	0	-6,408	-6,408
Allocation to earnings reserves		0	0	0	7,400	-7,400	0
Consolidated profit		0	0	0	0	17,191	17,191
As per 31/12/2006	**32,089,936**	**34,510**	**23,318**	**31,180**	**17,302**	**6,029**	**112,339**
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 increase January	3,249,995	3,495	17,975	0	0	0	21,470
Capital increase August	0	879	0	0	-879	0	0
Capital increase No-vember	17,439,020	19,183	85,019	0	0	0	104,202
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 profit		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**

Consolidated Capital Flow Statement

	2007	2006
	€k	€k
Consolidated profit	24,330	17,191
Interest paid	-7,890	-1,561
Interest received	1,199	1,126
Results from interest	6,280	708
Income tax paid	-14,633	-7,989
Income tax received	1,769	967
Taxes on income	3,377	10,866
Amortisation and depreciation	5,764	3,216
Losses from the disposal of tangible assets and intangible assets	38	20
Profit from the disposal of Other financial assets	-13,322	-2,689
Change in inventories	-4,524	3,280
Change in receivables and other assets	-2,157	5,278
Change in trade payables payable and other liabilities and provisions	578	-4,983
Change in payments received on account	4,595	-1,981
Cash flow from current business activities	**5,404**	**23,449**
Investments in tangible assets and intangible assets	-2,813	-4,214
Income from the disposal of tangible assets and intangible assets	175	1,138
Income from the disposal of Other financial assets	0	39,738
Payments for acquisitions less acquired cash	-41,604	0
Payment for the acquisition of shares in companies in which there is a participating interest	-10,340	0
Investments in Other financial assets	-43,942	-174,113
Received dividends or special dividends	52,264	0
Cash flow from investment activities	**-46,260**	**-137,451**
Change in own shares	2,508	-347
Dividend payments	0	-6,408
Capital increases	125,673	0
Outgoing payments for amortisation of loans	-35,400	0
Incoming payments from the taking out of loans	24,467	98,819
Change in investment liabilities	-749	911
Cash flow from financing activities	**116,499**	**92,975**
Change in cash	**75,643**	**-21,027**
Cash at end of period	84,681	9,038
Cash at beginning of period	9,038	30,065
	75,643	**-21,027**

Consolidated Notes

Consolidated Annual Accounts for the Fiscal Year from 1 January 2007 to 31 December 2007

Drillisch AG is a listed stock corporation which offers telecommunication services. Drillisch was founded in 1983. The business field of wireless services is the core business of the Drillisch Group and is situated in the wholly-owned subsidiaries Alphatel GmbH, VICTORVOX GmbH, McSIM GmbH, Telco Services GmbH and SIMply GmbH. The Group holds service provider licences for the networks T-Mobile, Vodafone, E-Plus and O_2 and markets wireless services products from the credit, debit and discount sectors. The Company's address is Wilhelm-Röntgen-Strasse 1-5, 63477 Maintal. The Company is registered at the Hanau Local Court under HRB 7384.

1 Applied Accounting Principles

These consolidated annual accounts have been prepared in conformity with the International Financial Reporting Standards (IFRS) and the relevant interpretations issued by the International Accounting Standards Board (IASB). Moreover, the commercial law provisions to be applied in accordance with Sections 315 and 315a, 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.

Amendment of IAS 1 Presentation of Financial Statements	Application compulsory for fiscal years beginning on or after 1 January 2009
IFRIC 11 Group and Treasury Share Transactions in accordance with IFRS 2	Application compulsory for fiscal years beginning on or after 1 March 2007
IFRIC 12 Service Concession Arrangements	Application compulsory for fiscal years beginning on or after 1 January 2008
IFRIC 13 Customer Loyalty Programmes	Application compulsory for fiscal years beginning on or after 1 July 2008
IFRIC 14 Minimum Financing Provision for Pension Schemes in Accordance with IAS 19	Application compulsory for fiscal years beginning on or after 1 January 2008
IFRS 8 Operating Segments	Application compulsory for fiscal years beginning on or after 1 January 2009
Amendment of IAS 23 Borrowing Costs	Application compulsory for fiscal years beginning on or after 1 January 2009
Amendment of IAS 32 Financial Instruments	Application compulsory for fiscal years beginning on or after 1 January 2009
Amendment of IFRS 2 Share-based Compensation	Application compulsory for fiscal years beginning on or after 1 January 2009
Amendment of IFRS 3 and IAS 20 Corporate Mergers	Application compulsory for fiscal years beginning on or after 1 July 2009

The initial application of the amendment of IAS 1 will lead to changes in the presentation of the annual accounts. As far as can be assessed today, the initial application of the other mentioned provisions will not have any material effects on the annual accounts.

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 ("Drillisch AG"), Maintal		
2.	VICTORVOX GmbH ("VICTORVOX GmbH"), Krefeld	100	1
3.	Alphatel Kommunikationstechnik GmbH ("Alphatel GmbH"), Maintal	100	1
4.	IQ-optimize Software AG ("IQ-optimize AG"), Maintal	100	1
5.	SIMply Communication GmbH ("SIMply GmbH"), Maintal	100	1
6.	McSIM Mobilfunk GmbH ("McSIM GmbH"), Maintal	100	1
7.	Telco Services GmbH ("Telco GmbH"), Idstein	100	1

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 of capital 100%); Acoon GmbH, Marl (share of capital 63%); Open-Net Oy, Helsinki (share of capital 51%, insolvent); and the following subsidiary of VICTORVOX GmbH: Connect Handelsgesellschaft mbH, Krefeld (share of capital 100%, in bankruptcy). MS Mobile Services GmbH, Idstein, as subsidiary of Telco GmbH (share in capital 100%).

The joint holding MSP Holding GmbH ("MSP Holding GmbH"), Maintal, is included in the consolidated accounts in accordance with the equity method.

Telco Services GmbH

Drillisch AG took over the service provider Telco GmbH on 8 March 2007. As a consequence of subsequent acquisition costs, the purchase price increased to €45,182k. The allocation of the purchase price to the identifiable assets and liabilities at the attributable market values was carried out as a purchase price allocation pursuant to IFRS 3.

The purchase price allocation resulted in the following adjustments for assets and liabilities:

	8 March 07
	€k
Customer relationships	8,650
Trade mark Telco	6,668
Own produced software	1,727
Pension Provisions	-35
	17,010

A useful life of 4 years was taken for the customer relationships and a useful life of 3 years was taken for the own produced software. The goodwill was calculated as shown in the table below:

Purchase price	44,000
Incidental acquisition costs	1,182
Total purchase price	45,182
Less net assets measured at the attributable market value	13,354
Goodwill	**31,828**

The book values of the acquired assets and liabilities immediately before the corporate merger and the corresponding market values are attributable to the takeover of Telco Services GmbH as shown below:

	Book Value	Adjustments	Attributable Market Value
	€k	€k	€k
Intangible assets	499	17,044	17,543
Tangible assets	443	0	443
Financial assets	13	0	13
Inventories	254	0	254
Receivables and other assets as well as cash	26,015	0	26,015
Long-term provisions	-884	-35	-919
Short-term liabilities and provisions	-23,237	0	-23,237
Deferred tax liabilities	0	-6,758	-6,758
Acquired net assets	**3,103**	**10,251**	**13,354**

From the time of the acquisition to 31 December 2007, the turnover at Telco GmbH amounted to €97,826k and the EBITDA came to €9,615k. If the company had already been included in the consolidated accounts as of 1 January 2007, it would have made a contribution of €119,233k to the consolidated turnover and €5,661k to the Group's EBITDA.

Owing to the major changes in the group of consolidated companies during the reporting period, a comparison with previous accounting periods is subject to limitations.

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. 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.

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.

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 synergies from the merger. 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 of a cash-generating unit is determined as its attributable market value less the cost of its sale. The attributable market value less the cost of its sale is calculated by applying the DCF method. 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. Low-value assets are written off in full in the year of acquisition and immediately shown as disposals. 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. In the previous year, the shares in mobilcom AG, Büdelsdorf, and in freenet.de AG, Hamburg, valued at the market prices on the balance sheet date, were shown under the item Other financial assets. Evaluation differences were shown without effect on income in equity as market evaluation provisions.

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.

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 deleted when the conditions of IAS 39.17 f. 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 measured 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 disposed of, 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 income over the entire term.

Leasing Relationships

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

Assets held within the framework of financing leasing relationships are capitalised at the beginning of the leasing 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 financing leasing. The leasing instalments are allocated proportionately to financing expenses and reduction in the leasing 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 leasing 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.

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

Estimates and assumptions must be made for the preparation of the consolidated annual accounts. These factors affect the amounts shown for assets, debts and contingent liabilities as per the balance sheet date and the earnings and expenses as shown for the reporting period. The actual amounts may deviate from these estimates.

The Drillisch Group has a key approach in its financial risk management for the identification, measurement and control of risks. The risk items result from the inflows and outflows taken and planned throughout the Group effective on payments as market risks and from interest rate change risks.

The goals, principles and tasks and competences for the financial department are defined as binding, applying the principle of separation of function, in in-Group guidelines.

4 Contingent Receivables

Drillisch AG acquired all of the shares in VICTORVOX AG on the basis of purchase contracts dated 25/28 July 2003, 10 October 2003 and 24 November 2003. The purchase price consisted of cash payments of about €3.5 million and the transfer of a total of 11 million no-par shares of stock in Drillisch AG.

Drillisch AG had call options for up to 75% of the issued shares. Drillisch AG was also entitled to have the rights exercised by a third party. As of the date of acquisition, 495,000 rights of the call options had already been handed over to a third party.

Furthermore, during 2004 3,010,798 options were exercised by Drillisch AG. 2,255,798 of these shares were redeemed in 2004 without reducing the share capital. The remaining 755,000 shares were used for an employee programme in 2004 and 2005.

Based on purchase contracts dated 7 April 2004 and supplementary agreement dated 3 May 2004, Drillisch AG sold 4,744,202 options 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 €14,603k. The calculation of the contingent asset is based on a closing price as per 31 December 2007 of €5.50.

5 Sales

	2007	2006
	€k	€k
Telecommunications		
Wireless Services Providing	360,889	281,602
Miscellaneous	288	540
Software services	346	69
	361,523	**282,211**

Other sales refer to landline network sales of VICTORVOX GmbH.

6 Other Operating Income

	2007	2006
	€k	€k
Contribution profit freenet stock	13,322	0
Receipt of written-off receivables	1,017	1,459
Reversal of provisions	545	993
Reimbursement of dunning fees (lawyer and court fees)	50	142
Insurance benefits	15	50
Other	1,412	3,490
	16,361	**6,134**

7 Raw Material, Consumables and Services Used

	2007	2006
	€k	€k
Expenditures for purchased goods and services	285,708	224,610
Other expenditures	54	57
	285,762	**224,667**

8 Personnel Expenses

	2007	2006
	€k	€k
Wages and salaries	18,042	14,034
Social contributions	3,001	2,312
	21,043	**16,346**

The number of employees

(excluding Management Board, part-time employees converted to equivalent full-time positions) came to:

Annual average	372	304
Annual average - vocational trainees	18	16

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. Within the framework of this programme, the Management Board members are each entitled to 100,000 share appreciation rights which are adjusted on the basis of changes in capital.

The 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 on the exercise day 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 share appreciation rights of the individual years represent an entitlement in the following years as well until the end of the programme to participate in share appreciation ("provisional exercise"). The number of outstanding share appreciation rights at the beginning of the year came to 200,000. 50,000 rights were provisionally exercised in the fiscal year. As a consequence of the capital increase at the end of November 2007, the number of share appreciation rights rose to 297,560 as of the end of the year. The final price for provisional exercise of 50,000 share appreciation rights at the beginning of November 2007 came to €7.07 (exercise price).

The market value of a share appreciation right as per 31 December 2007 came to €5.99. The market value of the scheme amounts to €446k. Expenditures of €259k and a provision of €259k 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 40% and 19%, derived from the historical three-year volatility of the Drillisch stock and of the Technology All Share Index in Xetra trade. A hypothetical zero-coupon bond without a credit default risk with a corresponding term in the amount of 4.11% was used as a risk-free interest rate.

9 Other Operating Expenses

	2007	2006
	€k	€k
Indemnification agreement MSP Beteiligungs GmbH	10,000	0
Bad debts and valuation allowances	3,537	4,395
Rent and secondary costs	2,701	2,385
Legal and professional fees	4,952	2,165
Billing / External work	3,010	1,858
Advertising expenses	1,425	1,357
Postal and telephone fees / Dedicated lines	1,133	786
Motor vehicle expenses	830	649
Incidental costs for money transactions	556	546
Other	4,932	2,792
	33,076	**16,933**

n accordance with an agreement with MSP Beteiligungs GmbH, Maintal, Drillisch AG assumes expenses from M&A transactions in the amount of €10,000k.

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

10 Amortisation and Depreciation

	2007	2006
	€k	€k
Other intangible assets		
Own produced software	2,173	1,752
Customer relationships	1,802	0
Purchased software	640	639
Tangible assets	1,149	825
	5,764	**3,216**

The customer relationships were capitalised within the scope of the Telco takeover.

11 Financial Result

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, Maintal, valuated at equity, effective for income.

(Other) Financial Result

	2007	**2006**
	€k	€k
Other interest and similar income	1,337	1,126
Interest and similar expenses	-7,617	-1,834
	-6,280	**-708**

Other interest and similar income result solely from the valuation category “Loans and Receivables”. Interest and similar expenses are allocated solely to the valuation category “Financial Liabilities Measured at Amortised Cost”.

The interest expenses include bank charges and commissions of €600k.

12 Taxes on Income

	2007	2006
	€k	€k
Current taxes on income	4,369	9,640
Deferred taxes	-992	1,226
Disclosed expenses for income taxes	**3,377**	**10,866**

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. Effective taxes are levied on the stock companies located in Germany as shown below: corporate income tax as in the previous year of 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. As a consequence of the corporate tax reform in Germany in 2008, corporate income tax of 15%, a solidarity surcharge of 5.5% and trade tax, of which the amount varies according to the tax rates specific to the local community are incurred for deferred taxes.

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:

	2007	2006
	€k	€k
Profit before taxes on income	27,707	28,057
Tax expenses from application of the Group income tax rate of 39.65%	10,986	11,125
Taxes for previous year	80	441
Trade tax additions	593	265
Non-deductible expenses and tax-free income	-7,213	-860
Effects of tax audits	0	-215
Effects of changes in tax rates	-698	0
Other effects	-371	110
	3,377	**10,866**

The deferred taxes were calculated on the basis of the tax rates which are applicable in the various states according to the present legal situation or which are expected at the point in time of realisation. In Germany, a tax rate of about 31.58% (previous year: about 39.65%) was applied, comprising corporate income tax of 15.0% (previous year: 25.0%), the solidarity surcharge of 5.5% and an average trade tax rate of 15.76%. As of 2008, the trade tax does not reduce its own assessment basis or, for stock corporations, the assessment basis for corporate income tax.

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

	2007	2006
	€k	€k
Deferred tax reimbursements		
Other intangible assets	741	988
Other current assets	1,342	1,327
Leasing liabilities	499	901
Pension provisions	105	0
Financial assets	219	0
	2,906	**3,216**
Deferred tax liabilities		
Other intangible assets	4,664	22
Financial assets	59	52
Market evaluation provision	0	631
Leasing assets	521	874
Short-term provisions	95	0
Bank loans and overdrafts	298	468
	5,637	2,047
	-2,731	**1,169**

There were deferred tax liabilities arising from the market valuation of the shares held in freenet AG in the amount of €631k booked as non-operating results in the previous year.

13 Other Intangible Assets

	Trade mark Telco	Customer relationships	Own produced software	Purchased software	Total
	€k	€k	€k	€k	€k
Acquisition costs					
As per 1 January 2006	**0**	**0**	**6,717**	**3,795**	**10,512**
Additions	0	0	1,619	1,038	2,657
Disposals	0	0	38	3,015	3,053
As per 31 December 2006	**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**
Accrued depreciation					
As per 1 January 2006	**0**	**0**	**3,385**	**2,686**	**6,071**
Additions	0	0	1,751	639	2,390
Disposals	0	0	0	2,421	2,421
As per 31 December 2006	**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**
Book values					
as per 31 December 2006	0	0	3,162	914	4,076
as per 31 December 2007	**6,668**	**6,848**	**4,503**	**1,256**	**19,275**

Additions from the takeover of Telco GmbH in the amount of €499k are included in the acquired software.

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

Within the framework of the purchase price allocation of Telco GmbH, customer relationships and the trade mark Telco were identified. The trade mark 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 trade mark will presumably generate net cash flows.

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

14 **Goodwill**	**Acquisition costs**	**Accrued depreciation** to 31 December 2007	**Book values**
	€k	€k	€k
Alphatel GmbH	30,000	19,822	10,178
VICTORVOX GmbH	27,486	3,154	24,332
Telco GmbH	31,828	0	31,828
IQ-optimize AG	103	41	62
	89,417	**23,017**	**66,400**

The acquisition costs and the accumulated depreciation as well as the resulting book values of Alphatel GmbH, VICTORVOX GmbH and IQ-optimize AG did not change in comparison to fiscal year 2006. The goodwill of Telco GmbH results from the purchase price allocation conducted in the reporting period. We refer to Point 2 for the calculation of the Telco GmbH goodwill.

The value of the goodwill for VICTORVOX GmbH, Alphatel GmbH and Telco GmbH was reviewed on the basis of the amounts realisable for these companies, based on their utilisation values. The utilisation values result from the future cash flows, including interest. The company planning approved by management for the years 2008 to 2011 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 2012. Interest paid on the cash flows for the period 2008 to 2011 was calculated at an interest rate of 9.7% and for the following period at an interest rate of 8.7% and 9.2% pa. A key basic assumption for the planning at Alphatel GmbH, VICTORVOX GmbH and Telco GmbH is the number of customers at each of these companies. No adjustments in the value of the goodwill were required in fiscal year 2007.

15 Tangible Assets	Fixtures, fittings and equipment	Buildings	Total
	€k	€k	€k
Acquisition costs			
As per 1 January 2006	**8,177**	**217**	**8,394**
Additions	1,557	0	1,557
Disposals	5,469	0	5,469
As per 31 December 2006	**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**
Accrued depreciation			
As per 1 January 2006	**6,523**	**70**	**6,593**
Additions	794	32	826
Disposals	4,942	0	4,942
As per 31 December 2006	**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**
Book values			
as per 31 December 2006	1,890	115	2,005
as per 31 December 2007	**1,852**	**82**	**1,934**

Tangible assets include additions in the amount of €443k from the takeover of Telco GmbH.

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 are recognised in this item in accordance with the equity method. The acquisition costs in the amount of €165,755k result from the contribution of shares in freenet AG and a cash contribution as well as incidental acquisition costs. As part of the elimination of interim profits, the balance sheet value was reduced by 50% of the book profit from the contribution of the freenet AG shares to MSP Holding GmbH (€13,322k).

The proportionate items of MSP Holding GmbH on which the equity method was based are shown below:

	2007
	€k
Fixed assets	158,588
Current assets	10,896
Long-term liabilities	0
Short-term liabilities	4,124
EBT	-27
Earnings after taxes	-40

17 Other Financial Assets

Other financial assets comprise the 100% holding of MS Mobile Service GmbH, Idstein.

18 Inventories

	2007	2006
	€k	€k
Merchandise	2,597	3,311
Value allowances for merchandise	-140	-81
Payments on account	8,133	2,582
	10,590	**5,812**

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

19 Trade Accounts Receivable

	2007	2006
	€k	€k
Gross receivables	44,622	17,807
Valuation allowances on receivables	-11,003	-1,274
	33,619	**16,533**

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			
			<30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days
	€k	€k	€k	€k	€k	€k
31/12/2007	33,619	15,718	7,184	2,038	1,255	5,832
31/12/2006	16,533	7,052	3,331	2,143	685	3,301

As far as 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 devalued, 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.

Drillisch AG creates valuation allowances 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:

	2007	2006
	€k	€k
Valuation allowances as per 1 January	**1,274**	**2,315**
Addition from the change in the group of consolidated companies	7,982	0
Additions (expenses for valuation allowances)	11,083	3,930
Consumption / Reversal	-9,336	-4,971
Valuation allowances as per 31 December	**11,003**	**1,274**

20 **Tax Reimbursement Claims**	2007	2006
	€k	€k
Trade tax	2,476	0
Corporate income tax	4,460	1,768
Capital gains tax	0	3,156
	6,936	**4,924**

The corporate income tax claims include corporate income tax credits of €184k. They result from changes in tax laws implemented by the SEStEG (Act Regarding Parallel Tax Measures for the Introduction of the European Company and for the Amendment of Other Tax Law Provisions).

21 **Other Current Assets**	2007	2006
	€k	€k
Commission receivables	689	42
Security deposits	344	374
Insurance claims	286	0
Loan receivables	1	307
Miscellaneous	1,606	1,034
	2,926	**1,757**

22 Shareholders' Equity

On 31 January 2007, it was decided to increase the share capital of the Company from approved capital by issuing 3,249,995 new no-par shares against cash contributions. Due to this increase, share capital now amounts to €38,446,134.23, distributed among 35,749,995 non-par value shares issued to the bearer.

During the Annual General Meeting on 18 May 2007, the share capital of the Company of €38,446,134.23 was increased in accordance with the provisions of German Company Law (Aktiengesetz) by means of a capital increase from company funds (Sections 207 and following AktG) by conversion of a partial amount of €878,860.27 from earnings reserves to a total of €39,324,994.50. The increase became effective upon its entry in the Commercial Register of the Hanau Local Court on 13 August 2007

On 27 November 2007, the share capital was increased by the issue of 17,439,020 new no-par shares against a cash contribution. The share capital is now distributed among 53,189,015 no-par shares and amounts to 58,507,916.50. The increase was entered in the Commercial Register on 28 November 2007.

During the period from 2 January 2007 to 15 January 2007, the Management Board sold the 410,064 own shares held by the Company, equivalent to 1.26% of the share capital or €440,989.59, at an average price of €6.12 each. The acquisition costs amounted to €1,833k. As of the balance sheet date, Drillisch AG did not hold any of its own shares.

The expenses of €3,863k which were incurred in the course of the capital increases were offset directly in equity. Taxes of €1,220k were calculated on these figures.

Original financial instruments contributed €31,180k to the changes in value in equity in the previous year. This figure includes deferred taxes in the amount of -€631k.

Approved Capital

The Annual General Meeting 2004 authorised the Management Board, subject to the approval of the Supervisory Board, to increase the share capital by as much as €17,475,500.00 by a single or multiple issue of new shares against cash contributions or contributions in kind before the lapse of 27 May 2009 (approved capital).

The Annual General Meeting also authorised the Management Board to exclude subscription rights of the shareholders so that

up to 3,495,100 new shares could be issued at a price which is not significantly below the stock market price of the Company's stock at the point in time of the determination of the issue price by the Management Board;

up to 17,475,500 new shares could be issued within the scope of a capital increase against contributions in kind for the purpose of acquiring investments in return for the surrender of Drillisch AG stock; and

up to 1,747,550 new shares could be handed over to members of the management of the Company or of affiliated companies, to members of the Supervisory Board of the Company or of affiliated companies or as staff shares to employees of the Company or of affiliated companies.

The Management Board made use of the first alternative in January 2007 and placed 3,249,995 no-par shares at a price of €6.75 each with institutional investors.

The remaining approved capital was revoked during the Annual General Meeting 2007.

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).

Making partial use of the approved capital in accordance with Section 4, Subsection 2 of the Company Charter, the Management Board decided on 7 November 2007, with the approval of the Supervisory Board on the same day, to increase the share capital of €39,324,994.50 by as much as €19,182,922.00 to as much as €58,507,916.50 by issuing as many as 17,439,020 new no-par shares of common stock issued to the bearer (no-par shares) with a proportionate amount in the share capital of €1.10 and with full entitlement to participation in profits as per 1 January 2007 ("new shares") against cash contributions.

The Management Board placed 17,439,020 shares at an issue price of €6.10 each on the market on 27 November 2007. The value of the issued totalled €106,378,022.00. The number of shares following the capital increase amounts to 53,189,015. The approved capital since that time amounts to €40,145.00.

The tangible assets and the software include the following financing leasing relationships:

23 Leasing Relationships

	Fixtures, fittings and equipment	Software	Total
	€k	€k	€k
Acquisition costs			
As per 1 January 2006	4,313	227	4,540
Additions	1,104	904	2,008
Disposals	0	0	0
As per 31 December 2006	**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**
Accrued depreciation			
As per 1 January 2006	3,858	227	4,085
Additions	259	90	349
Disposals	0	0	0
As per 31 December 2006	**4,117**	**317**	**4,434**
Additions	666	362	1,028
Disposals	0	0	0
As per 31 December 2007	**4,783**	**679**	**5,462**
Book values			
as per 31 December 2006	1,300	814	2,114
as per 31 December 2007	**1,160**	**452**	**1,612**

Leasing liabilities	Up to 1 year	1 – 5 years
	€k	€k
Leasing payments	929	410
Interest	38	8
Cash values	**891**	**402**

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.

24 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	2007	2006
	%	%
Calculated interest rate	4.75	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 Prof. 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	2007	2006
	€k	€k
Cash value of pension expectancies for pension commitments (DBO)	952	0
Actuarial profits/losses not considered	30	0
Costs for changes in claims from previous years not considered	0	0
Pension provisions as per 31.12	**982**	**0**

Development of Cash Value of Pension Expectancies (DBO)	2007	2006
	€k	€k
As per 01.01.2007	0	0
Addition consolidated companies	922	0
Costs for pension claims acquired in fiscal year	13	0
Interest	47	0
Pension payments	0	0
Service period expenses to be offset retroactively	0	0
Actuarial profits/losses	-30	0
As per 31.12.2007	**952**	**0**

During the fiscal year, the adjustment of debts based on experience came to €30k (3.3%). The cash value of the pension expectancies as per 31 December 2006 amounted to €922k.

Pension expenditures (NPPC)	2007	2006
	€k	€k
Costs for pension claims acquired in fiscal year	13	0
Interest	47	0
Actuarial profits/losses recognised effective for income	0	0
Service period expenses to be offset retroactively	0	0
	60	**0**

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.

25 Short-term Provisions

	As per 01.01.2007	Addition Consolidated companies	Utilisations	Reversals	Additions	As per 31.12.2007
	€k	€k	€k	€k	€k	€k
Recourse claims of MSP Beteiligungs GmbH	0	0	0	0	5,000	5,000
Basic charges	1,365	0	1,365	0	3,219	3,219
Commissions	156	1,486	1,642	0	743	743
Litigation risks	84	178	40	43	156	335
Removals	204	0	0	0	0	204
Other	302	0	302	0	206	206
	2,111	**1,664**	**3,349**	**43**	**9,324**	**9,707**

The Company presumes that there will be an outflow of funds in fiscal year 2008.

26 Tax Liabilities

	2007	2006
	€k	€k
Trade tax	677	4,522
Corporate income tax	1,035	341
Turnover tax	512	365
Capital gains tax	0	3,156
	2,224	**8,384**

27 Bank Loans and Overdrafts

	2007	2006
	€k	€k
Long-term liabilities	74,119	84,055
Short-term liabilities	13,767	14,764
	87,886	**98,819**

The Company has taken out a loan with a total volume of €120 million on the basis of the loan agreement of 11 September 2006 and addenda of 7 March 2007, 20 July 2007 and 5 November 2007. The loan is originally comprised of an amortisation cash credit facility of €100.0 million and an operating funds facility of €20.0 million. The operating funds facility is a revolving credit line which has in the meantime been raised to €35.0 million and had been used in the amount of €24.0 million as per 31 December 2007. The bank charges of €1.26 million due and payable when the loan became available were set off against the nominal amount of the loan and distributed over the scheduled term.

The amortisation cash credit facility has a term running until 31 December 2011 and must be amortised by the payment of quarterly instalments, the first payment being due on 31 December 2007. The annual repayments range between €11.4 million and €19.0 million.

The interest rate for the loan comprises the EURIBOR plus a margin defined in the loan agreement. As per the balance sheet date, the compiled interest rate came to 5.959% pa.

Since 30 June 2007, the applicable margin has been adjusted quarterly and oriented to the ratio of net financial debt to EBITDA on the basis of the 12 months previous to the relevant quarterly closing date. The minimum margin is 0.8% and is applied if the ratio of net financial debt to EBITDA is less than 1.5 to 1. If this ratio is greater than 4 to 1, the maximum possible margin of 2.25% applies.

To minimise the risk of the 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 €396k on the balance sheet date.

Interest costs associated with the loan came to €6,297k in 2007. Any and all current and future bank balances, any and all securities and their relevant claims to dividends and the existing business shares of the consolidated subsidiaries have been designated as collateral to secure the loan. As of the balance sheet date, collateral totalled €340 million resulting from the pertinent book values found in the individual annual accounts of Drillisch AG. Of this amount, €96 million is found in financial instruments within the sense of IFRS 7.

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

Effective as of 31 January 2008, the collateral will be released by the BHF-Bank and replaced by cash security which Drillisch AG must provide.

28 Trade Accounts Payable

This item includes essentially invoices from network operators.

29 Payments 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.

30 Other Liabilities

	2007	2006
	€k	€k
Indemnification agreement MSP Beteiligungs GmbH	5,000	0
Basic charges	2,925	2,075
Liabilities due to sales partners	2,125	694
Payroll	1,792	1,077
Income tax	323	214
Employers' liability insurance association	111	86
Security deposits	51	19
Holiday leave	22	15
Other	957	982
	13,306	**5,162**

31 Analysis of Maturity

		Cash Flow 2008			Cash Flow 2009 – 2013
	Book Value	< 1 Month	1 to 3 Months	3 Months to 1 Year	1 Year or More
	€k	€k	€k	€k	TEUR
Bank loans and overdrafts	87,886	331	4,307	12,415	87,294
Trade accounts payable	14,364	14,364	0	0	0
Liabilities from financing leasing	1,293	77	232	620	410

32 Net Profits and Losses from Valuation Categories

	Interest	From Subsequent Valuation			Net Results	
		At Fair Value	Valuation Allowances	From Disposals	2007	2006
	€k	€k	€k	€k	€k	€k
Loans and Receivables (LaR)	1,150	0	-3,537	1,017	-1,370	-1,810
Available for sale (AFS)						
– Effective for income	0	0	0	13,846	13,846	0
– Non-operating results	0	0	0	0	0	33,869
Derivatives	0	187	0	0	187	0
Financial liabilities measured at amortised cost (FLAC)	-7,293	0	0	0	-7,293	-1,771
	-6,143	**187**	**-3,537**	**14,863**	**5,370**	**30,288**

The market evaluation provision of €31,180k as per 31 December 2006 was taken from equity in fiscal year 2007 and recognised as income.

33 Other Financial Obligations

	Rents	Operating Leasing	Total
	€k	€k	€k
2008	1,414	1,325	2,739
2009 to 2013	1,195	729	1,924
2014 and later	0	0	0
	2,609	**2,054**	**4,663**

34 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 transactions 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 required 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 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 2007 of ±100 base points, the Group results would be €379k lower or €649k higher.

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

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 liabilities due to banks before consolidation and IFRS adjustment measures.

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

	Valuation categories as per IAS 39	Vook Value 31.12.2007		Book Value 31.12.2006	
			thereof no financial instument		thereof no financial instument
		€k	€k	€k	€k
Assets					
Cash	LaR	84,681	-	9,038	-
Trade accounts receivable	LaR	33,619	-	16,533	-
Other financial assets	AFS	13	-	168,875	-
Accounts due from affiliated companies	LaR	103	-	94	-
Accounts due from companies in which ther is a participating interest	LaR	4,206	-	-	-
Other current assets	LaR/n.a.	2,926	406	1,757	292
there of derivatives	n.a.	396	-	-	-
Shareholders' equity and liabilities					
Trade accounts payable	FLAC	14,364	-	8,110	-
Bank loans and overdrafts	FLAC	87,886	-	98,819	-
Other liabilities	FLAC	13,306	6,130	5,162	4,448
Liabilities from financing leasing	n.a.	1,293	1,293	1,750	1,750

thereof aggregated as per valuation categories as per IAS 39		
Loans and Receivables (LaR)	124,733	27,130
Financial Assets available for sale (AFS)	13	168,875
Financial Liabilities Measured at Amortised Cost (FLAC)	109,426	107,643
Derivatives	396	-
Liabilities from financing leasing	1,293	1,750

35 Segment Reporting	2007	2006
	€k	€k
Sales		
Telecommunications (sales with third parties)	361,177	282,142
Software services (sales with third parties)	346	69
Software services (in-house sales)	5,999	5,236
Consolidation	-5,999	-5,236
Group	**361,523**	**282,211**
Segment results		
Telecommunications	33,944	29,071
Software services	83	-306
Group	**34,027**	**28,765**
Scheduled depreciation		
Telecommunications	5,711	2,956
Software services	53	260
Group	**5,764**	**3,216**
Investments in tangible and intangible assets		
Telecommunications	2,774	4,165
Software services	39	49
Group	**2,813**	**4,214**
Segment assets		
Telecommunications	385,784	249,625
Software services	197	1,277
Group	**385,981**	**250,902**
Segment liabilities		
Telecommunications	151,822	138,181
Software services	490	382
Group	**152,312**	**138,563**

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.

36 Explanatory Comments on Cash 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 annual accounts 2007. The values of the previous year have been adjusted accordingly. The takeover of Telco included the take over of Cash in the amount of €3,578k.

37 Auditor's Fee

Fees posted as expenditures:

	2007	2006
	€k	€k
1. Audit	250	200
2. Other certification or evaluation services	400	45
3. Tax accountant services	86	91
4. Other services	0	18

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

38 Relations to Relatives and Companies

As per 31 December 2007, 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 €103k (previous year: €93k).

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 2007 came to €507k (previous year: €507k).

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

39 Supervisory Boards

Dr Hartmut Schenk, Dipl.-Kfm. (similar to Bachelor of Commerce), Chartered Public Accountant and Tax Accountant, Saarbrücken – Chairperson –
Seats held on supervisory boards required by law or other supervisory bodies:
VICTORVOX GmbH, Krefeld (Supervisory Board Chairperson)

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:
VICTORVOX GmbH, Krefeld

Marc Brucherseifer, Dipl.-Kfm., Merchant, Frechen (since 22 October 2007).
Seats held on supervisory boards required by law or other supervisory bodies:
Nanjing Biocomposite Ltd., Nanjing/China
Genthe Glas AG, Goslar (Chairperson of the Supervisory Board)

Nico Forster, Merchant, Kraiburg
Seats held on supervisory boards required by law or other supervisory bodies:
VICTORVOX GmbH, Krefeld
ARIADNE AG, Tunzenberg
IQ-optimize Software AG, Maintal
C + T Guttenburg AG, Kraiburg
EMG Casting AG, Waldkraiburg
EMG Milling AG, Waldkraiburg
EMG Real AG, Waldkraiburg

Horst Lennertz, Dr.-Ingenieur, (Doctor of Engineering), Consultant, Meerbusch
Seats held on supervisory boards required by law or other supervisory bodies:
VICTORVOX GmbH, Krefeld
E-Plus Mobilfunk Geschäftsführungs GmbH, Düsseldorf
GAH BETEILIGUNGS AG, Heidelberg
GAH Anlagetechnik GmbH, Heidelberg
IIC (Industrial Investment Council) GmbH, Berlin

Michael Müller-Berg, Dipl.-Kfm., Director, Cologne
Seats held on supervisory boards required by law or other supervisory bodies:
VICTORVOX GmbH, Krefeld
Knowledge Intelligence AG, Cologne

Dr Bernd H. Schmidt, Dipl.-Informatiker (similar to Bachelor of Computer Science), Managing Director, Saarbrücken (until 30 May 2007)
Seats held on supervisory boards required by law or other supervisory bodies:
VICTORVOX GmbH, Krefeld

40 Management Board

Paschalis Choulidis, Gelnhausen, Executive Officer Finances, Controlling and IT
Management Board Spokesperson
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

41 Compensation Paid to Management in Key Positions and Supervisory Board

The compensation paid to the Management Board in the Group during fiscal year 2007 totalled €2,110k, thereof €1,220k variable (previous year total €1,382k). 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 €117.4K (previous year: €112.7k).

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.

42 Directors' Holdings

As per 31 December 2007, the Management Board members held the following stock in Drillisch AG:

Paschalis Choulidis	928,375 no-par shares
Vlasios Choulidis	728,984 no-par shares

The Supervisory Board members held the following stock in Drillisch AG as per 31 December 2007:

Nico Forster	1,447,879 no-par shares
Marc Brucherseifer	4,255,067 no-par shares

Management Board and Supervisory Board hold a total of 13.84% of the stock.

43 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 on 30 November 2007 and made it permanently accessible to sharehol-ders at the Internet address www.drillisch.de.

44 Earnings per Share

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

	2007	2006
Consolidated profit allocated to shareholders in €m	24,330	17,191
Weighted average, less own shares held	37,081,573	32,045,090
Consolidated earnings per share in €	**0.66**	**0.54**

45 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 have fulfilled the conditions required pursuant to Section 264, Subsection 3 HGB for the exercise of the exemption provision:

- VICTORVOX GmbH, Krefeld
- Alphatel Kommunikationstechnik GmbH, Maintal
- IQ-optimize Software AG, Maintal
- SIMply Communication GmbH, Maintal
- McSIM Mobilfunk GmbH, Maintal

Maintal, 6 March 2007
Drillisch Aktiengesellschaft

Paschalis Choulidis

Vlasios Choulidis

Auditor's Report

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 2007 to 31. December 2007. 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, 7. March 2008

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

signed Rauscher	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 06, 2008

Paschalis Choulidis and Vlasios Choulidis

SERVICE CORNER

Publications · Contacts
Information and Order Service

Publications

This Annual Report 2007 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.

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.

ARPU
Average revenue per user.

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.

EBIT
Earnings before interest and taxes.

EBITDA
Earnings before interest, taxes, depreciation and amortisation.

Flatrate
A flat rate is a lump-sum rate for telecommunications services such as telephony and data transmissions. The wireless services industry offers flat rates for landline or wireless connections only or as a combination flat rate for all networks.

Glossary

Issuer
An issuer is the party who issues securities.

Profit 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.

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 3.6 Mbit/s.

IFRS
International Financial Reporting Standards.

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.

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.

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.

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Glossary

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).

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).

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.

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.

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Editorial Information

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Responsible:
Drillisch AG

Management Board:
Paschalis Choulidis (Spokesperson)
Vlasios Choulidis

Supervisory Board:
Dr. Hartmut Schenk (Chairperson)
Johann Weindl (Deputy Chairperson)
Marc Brucherseifer (since October 2007)
Nico Forster
Dr. H. Lennertz
Michael Müller-Berg
Dr. Bernd H. Schmidt (until May 2007)

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