



DRILLISCH AG  
REPORT ON FIRST HALF-YEAR 2008

## DATA AND FACTS

### Key Indicators of the Drillisch Group

Drillisch Group	I - II/2008	I - II/2007	I - II/2006
Turnover in €m	173.8	169.9	135.1
EBITDA in €m	20.0	17.0	13.1
EBITDA in €m (adjusted)	20.3	17.0	13.1
EBIT in €m	16.7	15.3	11.5
EBT in €m	16.3	12.4	12.1
Consolidated profits in €m	11.3	7.5	7.2
Profit/loss per share in €m	0.22 €	0.21 €	0.23 €
EBITDA-Margin in % of turnover	11.5%	10.0%	9.7%
EBIT-Margin in % of turnover	9.6%	9.0%	8.5%
EBT-Margin in % of turnover	9.4%	7.3%	8.9%
Consolidated profit margin in % of turnover	6.5%	4.4%	5.3%
Equity ratio (equity % of balance sheet total)	74.3%	49.5%	68.4%
Return on equity (ROE) (Ratio Group result to equity)	4.9%	4.7%	10.2%
Cash flow from current business operations in €m	19.8	9.7	3.7
Depreciation, excluding goodwill, in €m	3.3	1.7	1.6
Investments, adjusted, in €m	2.0	1.3	1.1
Staff as annual average (incl. Management Board)	352	375	311
Wireless services customers as per 30/06 (approx. in thousands)	2,281	2,076	1,647
Wireless services customers Debit	1,453	1,241	1,102
Wireless services customers Credit	828	835	545

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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,

We continued on our path of profitable growth during the second quarter of the current fiscal year. Sales rose to €89.2 million, an increase of 5.5% in comparison with the previous quarter. During the first half of 2008, sales rose by 2.3% in comparison with the same period last year. The number of wireless services subscribers increased by just under 10% to 2.281 million. We were able to post a gain in the prepaid segment of 17%, while the number in the post-paid segment remained virtually unchanged. One of the most important performance indicators against which we measure the commercial success of our Company, the EBITDA (earnings before interest, taxes, depreciation and amortisation), improved by 17.9% to €20.0 million. The EBITDA margin rose to 11.5% in the first half of 2008 in comparison with 10.0% in the previous year.

These figures are a vivid demonstration by the Drillisch Group of how profitably the wireless services provider business in Germany can be operated if one only takes note of customers' wishes and realises them as quickly as possible in new products through the company's own IT competence. Both our new and established cooperation partners benefit. A little more than three years ago – in April 2005 – we became the first service provider to offer our customers simple and low-cost mobile telephone rates under the brand name simply as a supplement to the traditional business in the post-paid and pre-paid segments. The idea has taken firm hold on the market. The discount market is the fastest-growing segment on the German telephone market. We have established a solid position on the market with steady growth in the number of subscribers with our rate schedules simply easy and simply partner. At the beginning of May 2008, we once again took over price leadership in Germany with our new brand maXXim. Offering a rate of 8 eurocents per minute and text message, maXXim is Germany's lowest wireless services rate and quickly garnered recommendations from the leading print and online media, including Computerbild and Stiftung Warentest.

Drillisch became the first service provider to begin marketing data-only rate schedules when it introduced these services in the Vodafone network in April 2007. Encouraged by the positive response of the market, we began marketing similar rates in the T-Mobile network in April 2008. These new products will play a significant role in the growth of the wireless services market in the future.

The Drillisch Group believes it has positioned itself well on the German wireless services market so that it can continue to exploit opportunities in the future and realise the most important corporate goals: increasing the number of subscribers and steadily improving profits. Based on current planning, the Management Board expects an EBITDA of about €40 million in fiscal year 2008 (previous year: €38.0m) and a subscriber base of about 2.35 million as of the end of the year (previous year: 2.2m).

Warmest regards from Maintal

Paschalis Choulidis

and

Vlasios Choulidis

## TO OUR SHAREHOLDERS

# Investor Relations Report

### The Capital Market – 01 April 2008 to 30 June 2008

The second quarter of 2008 was noteworthy for the strong euro and the high oil prices, along with a rising rate of inflation. The poor consumption atmosphere in the USA is making itself felt more and more strongly in Europe. There was a recovery on the stock markets at the beginning of the quarter, but this hesitant recovery was noted only in the quarterly reports of companies outside of the technology sector. Markets then suffered substantial setbacks in June. The TecDAX lost 9.6% in this month, the SDAX 11.5% and the DJ Euro STOXX 11.7%. The signs of a substantial slowdown in the economy in conjunction with the continuing rise in oil prices (+9% in the course of the month) have led to an increase in risk premiums on the capital markets around the world, casting a dark shadow on the outlook for the stock markets.

The DAX lost 116.65 points or about 1.8% in the second quarter, falling to 6,418.32 (31/03/2008: 6,534.97). The TecDAX lost about 6 points in the second quarter, dropping to 770.58 points. However, the TecAllShare Index closed out the quarter only slightly lower at 932.17 points.

### Drillisch stock – 1st half of 2008

	Close-out 2007	30 June 2008	% change
Drillisch	€ 5.50	€ 3.97	- 27.8
TecDAX	974.19	770.58	- 20.9
TecAllShare	1,199.56	932.17	- 22.3

The dominant topic in the second quarter, aside from operational business, was the consolidation process going on in the industry. The consolidation round we initiated in the autumn of 2006 entered the last phase with the acquisition of the Debitel Group by freenet AG.

### Capital measures in the first half of 2008

The Drillisch AG decided to carry out a stock repurchase programme on 13 June.

The repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting (5,318,901 shares) and runs from 16 June 2008 to 27 February 2009. The current repurchase programme gave Drillisch AG a total holding of 1,810,511 shares as per 30 June 2008, equivalent to 3.4% of the Company's share capital at an average purchase price of €4.387. Weekly reports on the status of the stock repurchase programme can be viewed by logging onto our Investor Relations home page.

## TO OUR SHAREHOLDERS

### Investor Relations Report

#### Current Research Studies (as per 23 July 2008)

Analyse	Votum	Kursziel	Datum
Commerzbank	"Add"	€ 4.90	23 July 2008
West LB	„Buy“	€ 6.50	16 June 2008
SES Research	„Buy“	€ 7.70	14 May 2008
Berenberg Bank	„Buy“	€ 8.50	08 May 2008
Sal. Oppenheim	„Buy“	„Fair Value“ € 6.50	08 May 2008
LBBW	"Buy" Initiation of Coverage	€ 7.50	17 April 2008
Landsbanki Kepler	„Buy“	€ 7.50	23 January 2008
HSBC Trinkaus	"Overweight"	€ 5.80	18 January 2008

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

03 April	Resumption of cooperation talks
09 May	Profitable growth continues: turnover €84.6 million (+10.2%); EBITDA €9.5 million (+27.8%)
13 June	Drillisch decides on stock repurchase programme

#### Investor Relations Events

05 June – Deutsche Bank German Corporate Conference 2008

Various meetings with investors

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

#### Directors' Dealings

The following dealings in securities requiring a report in accordance with Section 15a WpHG occurred during the reporting period of the second quarter 2008.

#### Directors' Dealings 2008

Date	Name	Function	Purchase/sale	Shares
20 June	J. Weindl	Supervisory Board	Carried forward from M. Weindl	7,439

## TO OUR SHAREHOLDERS

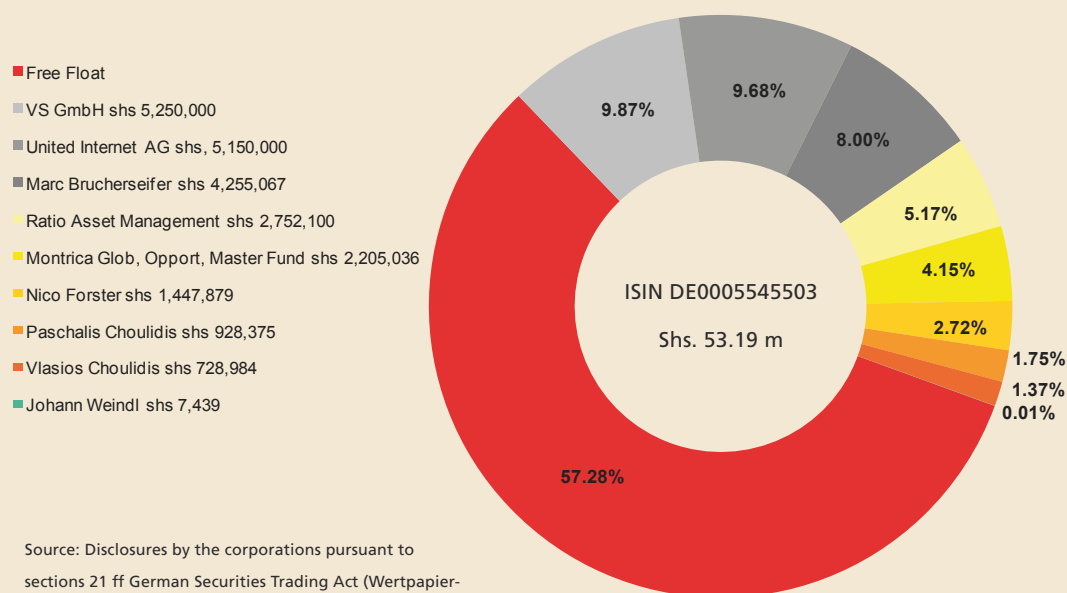
# Investor Relations Report

### Directors' Holdings (as of 30 June 2008)

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	0
Johann Weindl	7,439 → 0.01%
Marc Brucherseifer	4,255,067 → 8.00%
Nico Forster	1,447,879 → 2.72%
Dr Horst Lennertz	0
Michael Müller-Berg	0

### Shareholder Structure (as per 30 June 2008)

Free float according to stock exchange	43,683,948 → 72.45%
Free float according to Drillisch	30,464,135 → 57.28%



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 20 June 2008).

## MARKET ENVIRONMENT



## MARKET ENVIRONMENT

# The Wireless Services Market

### Wireless services – new impetus for the industry

Despite the declining prices, the potential for growth on the wireless services market is far from being exhausted. More and more people are deciding to do without a landline connection and to depend exclusively on their mobile phones. They are on the go constantly and want to be able to communicate or simply be reachable wherever they are. The most popular mobile phone functions are still voice and text messages. But thanks to the innovative handsets now on the market, accessing the Internet via mobile phone is achieving a breakthrough.

#### Landline telephone service becoming obsolete

24% of all European households are now using mobile phones exclusively and have discontinued their landline connections completely. This was the result of a representative survey carried out by Eurobarometer (June 2008) at the request of the EU Commission. Germany, where 11% of the households no longer have a landline phone, has a place in the middle of the table, but countries such as the Czech Republic (64%), Finland (61%) and Lithuania (53%) are harbingers of the opportunities open to the German market. Call volume on landline phones in this country declined last year in comparison with 2006 by 3.4% to 169 billion minutes. The use of mobile phones, in contrast, rose here over the same period by 20% from 57 billion to 68 billion minutes. Other indicators are reported sales numbers for mobiles. In July, the BITKOM published his outlook for sales of 181 m mobiles (2007: 178.1m), which represents an increase of 1.5% y-o-y. 27 million of the mobiles will be sold in Germany.



#### Data services driving wireless services market forward

The trend for the new wireless services devices is clearly moving in the direction of multimedia. Mobile phone cameras with steadily improving photo technology, MP3 players with outstanding sound quality and memory and display technology enabling users to enjoy films or TV programmes at any time and anywhere are dominating the market. And mobile phone manufacturers are setting their sights on „genuine“ Internet familiar to users from their home PCs. As the end devices become more and more powerful, the use of mobile Internet is increasing. Data services will be the growth drivers of the future on the wireless services market. More than half of the people questioned in a representative survey conducted by Aris Umfrageforschung and published by BITKOM at the beginning of July stated that they used their mobile phones, besides for phone calls, above all for text messages (SMS). But the utilisation of other data services is growing in proportion. In a survey of mobile phone users conducted by the market research company

## MARKET ENVIRONMENT

### The Wireless Services Market

ComScore (March to May 2008), for example, it was discovered that more than 80% of the iPhone owners in France, Germany and Great Britain go online with the Apple phone. The figure for users of other smartphones, in contrast, is only 32%. According to the ComScore study, mobile Internet usage in certain sectors such as social networking has risen by a factor of 13. 42% of the iPhone owners used their mobile phones to visit a social networking site in May – the same figure for other smartphone users was merely 10%. While only 26% of the owners of other mobile phones send and receive e-mails, almost 70% of the iPhone owners do so. Many mobile phone manufacturers have already announced the launch of new models which are in line with this trend and which will consequently have a decisive effect on improvements in the use of mobile Internet.

#### Mobile Internet – simple and inexpensive

Many users have been reluctant to pay the high costs. This barrier is falling more and more rapidly as the new end devices raise the level of acceptance for the new products. Both business and private customers are utilising „mobile Internet“ more and more frequently. This is a trend which we recognised early. The Drillisch Group has been offering a so-called „stand alone“ flat rate for data transmission in the Vodafone network via our subsidiary VICTORVOX since April 2007. A comparable rate schedule was added for the T-Mobile network in April 2008 so that we now offer to our customers an attractive and innovative product in the segment „mobile Internet“ in cooperation with the two network operators which are far and away the largest in Germany. The Drillisch Group has once again moved early into a new growth area so that it is poised to take advantage of future opportunities.

Access to „mobile Internet“ is now available at a speed of up to 7.2 Mbit/second so that it is no longer appreciably slower than broadband access via landline. So our solutions support the mobile living and working styles of people in the modern world and make it possible for them to surf the Internet while „on the go“ for only 29.95 a month. Our customers no longer require a landline connection. As a consequence, the classical landline connection is becoming increasingly less important even for broadband Internet access.

#### Drillisch Increases Lead as Price Front Runner in Discount Segment

New discount brand maXXim launched successfully



On 09 May 2008, Drillisch AG (Drillisch) launched yet another discount brand called maXXim. maXXim – a strictly prepaid product – offers Germany’s lowest mobile services rate at 8 eurocents per minute or text message. The high flyer on the wireless services discount market garnered awards and recommendations from leading print and online media almost immediately. For example, maXXim took first place in all of the categories for the lowest-price mobile phone rate schedules published by the magazine COMPUTER-BILD in several successive issues (12–14/2008) and is the rate recommendation for low-volume, normal-volume and high-volume phone users as well as the lowest-price pre-paid card in Germany without a monthly base rate. The magazine Finanztest (issue 07/2008) selected maXXim as the top mobile phone rate, and both the online industry magazine Areamobile and the Internet user magazine Xonio each designated maXXim as the rate tip of the month in May. Drillisch has launched maXXim to address all customers who

## MARKET ENVIRONMENT

### The Wireless Services Market The Software Industry

want to concentrate on the essentials: phoning without any mobile phone bells and whistles at the lowest possible price and with a fair rate structure. maXXim does not have a basic fee, no contract obligations and no other costs; every call to the mailbox is free, and there are no requirements for minimum use or other rate surcharges.

simply continues growth

simply, the first discount brand in Germany, was celebrating its 3rd anniversary this year and continues on its path of success with the two rate schedules simply easy and simply partner. The number of customers has been further increased by the lure of a low standard minute price of 8.5 eurocents and supplemented by regular special offers. During the European Football Championship in June, simply scored a hit with a special price of 5 eurocents a minute in both rates. The new customers acquired during this period will enjoy this unbeatable price until the end of September.

simply opens new contact centre for even better customer service

simply, the pioneer in discount wireless services, has gone on the attack when it comes to service. Starting immediately, all of the customers can contact the service team directly even more easily when they have any questions about simply. simply has made this possible by setting up a new contact and service centre on its Internet site. Queries can be submitted online here. They are fed directly into the customer service workflow. The new contact system is more secure as well as faster: it is 100% free of spam, and since the entire process of the communications can be viewed at any time and remains available even at a later point in time, none of the information is lost.

IT sector reaffirms expected growth in turnover

The majority of the companies in the IT and telecommunications sector in Germany continue to expect rising sales over the entire year 2008 in the second quarter. The latest industry survey conducted by BITKOM shows that 62% of the companies are assuming positive development. The industrial association therefore reaffirms, despite the darkening seen in the first quarter, the positive overall forecast for the current year, which expects turnover on the ICT market in Germany to grow by 1.6% in comparison with the previous year to €145.2 billion. Providers of software and IT services in particular have raised the bar for expectations: the BITKOM survey reveals that 72% of the companies in this sector expect a substantial plus in turnover for 2008 – more than half of them are planning to hire additional employees.

**COMMERCIAL DEVELOPMENT OF THE DRILLISCH GROUP  
ON FIRST HALF-YEAR 2008**

### Group Companies

#### **Business Developments for the Drillisch Group in the 1st Half of 2008**

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

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

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

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

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

#### **Wireless Services Discount Products in Two Networks**

Drillisch is the only service provider in Germany to offer discount products for two networks. The subsidiary SIMply Communication GmbH (simply) markets wireless services rate schedules in the T-Mobile network at especially favourable terms via the Internet and in cooperation with large retail chains. maXXim is the newest discount brand in the Drillisch Group; it is marketed by MS Mobile Services GmbH (MS Mobile) and is also in the T-Mobile network. The McSIM Mobilfunk GmbH (McSIM) concentrates on wireless services in the Vodafone network.

#### **MSP Holding Holds the Participation in freenet**

MSP Holding GmbH (MSP) is a joint venture in which Drillisch AG and United Internet AG each hold an interest of 50%. As per 30/06/2008, MSP holds an interest of close to 25% of the freenet AG (freenet) voting shares. The participation in MSP is valued according to the equity method in the Drillisch consolidated annual accounts.

#### **IQ-optimize Guarantees IT Competence**

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

#### **Employees**

In the first quarter of 2008, an average of 352 employees (previous year 375), including the two members of the Management Board, was on the payroll of the Drillisch Group. The number of vocational trainees, which is not included in the above figure, was 13 (previous year: 20).

### Turnover and Earnings Position

#### Turnover and Earnings Position

The Drillisch Group continued on its path of growth during the second quarter of fiscal year 2008. Sales rose to €89.2 million, an increase of 5.5% in comparison with the previous quarter. During the entire first half of 2008, sales rose by 2.3% in comparison with the same period last year to €173.8 million. The number of subscribers increased in comparison with the previous year by just under 10%, reaching 2.281 million. The sector Prepaid had an increase in the number of customers of over 17%. The figure here rose from 1.241 million to 1.453 million subscribers. Business in the sector Postpaid achieved virtually the same level as the previous year. The number of subscribers declined only slightly by just under one percent to 828,000.

The cost of materials rose underproportionately to the growth in turnover by 1.8% to €136.9 million. As a consequence, gross profit (turnover less cost of material) rose by 4.1% to €36.9 million. The gross profit margin (gross profit to turnover) improved by 20.9% to 21.2% and is already, although the first half of the year is the traditionally weaker season in terms of turnover and earnings, above the gross profit margin of the entire previous year of 21.0%. Other operating income rose by €0.8 million to €2.0 million. The rise was primarily a result of increased received payments on written-off receivables and from the reversals of provisions. Personnel expenses declined by 2.0% to €10.1 million. This meant a decline in the personnel expenses margin (personnel expenses to turnover) from 6.1% to 5.8%. Other operating expenses declined by 6.6% to €9.8 million.

The EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators for the Company, rose by 17.9% to €20.0 million. Earnings and expenses from the sale of financial assets in the amount of €0.3 million are included in the EBITDA. When adjusted for these factors, the EBITDA amounts to €20.3 million. The EBITDA margin (EBITDA to turnover) improved once again. It rose from 10.0% to 11.5% and exceeded the EBITDA margin of the entire previous year (11.0%).

Depreciation increased by €1.6 million to €3.3 million. The background for this development is the allocation of the purchase price paid for the takeover of Telco to individual assets. Then the customer relationships, the software created by the Company itself and the trade marks in particular were capitalised. Write-offs were taken on the value assessments of the customer relationships and of the software created by the Company itself as well as of the purchased software and the fixed assets. In total, the EBIT (earnings before interest and taxes) rose by 9.3% to €16.7 million. The EBIT margin (EBIT to turnover) rose from 9.0% to 9.6%.

In autumn of 2006, Drillisch began acquiring interest in the company which is today freenet AG (freenet). Since that time, the shareholding has been continuously increased. In the last fiscal year, the participation in freenet was contributed to MSP. Drillisch itself purchased additional freenet stock in the first half of 2008. The participation in MSP and the shares in freenet held directly are valued according to the equity method. The results from this inclusion came to €0.6 million (previous year: -) in the first six months of 2008. The (other) financial results improved by 65.3% to -€1.0 million because significant amounts of loans were repaid in the first half of 2008 following the capital increase at the end of the previous fiscal year and the financing structure has been optimised.

Earnings before taxes on income (EBT) rose by 31.5% to €16.3 million (previous year: €12.4 million). The EBT margin (EBT to turnover) improved by 2.1% to 9.4%. Taxes on income increased by a mere 2.6% to €5.1 million. One reason for this was the effect of the tax reform in Germany, which is why the average tax ratio for Drillisch in 2008 declined to 30.9% (previous year: 39.7%); another was that the profits from the financial assets shown in the balance sheet according to the equity method are taxed at a significantly lower percentage rate.

Consolidated net income increased by 50.6% to €11.3 million. The net return on turnover increased from 4.4% in the first quarter of the previous year to the present 6.5%. As a consequence of the capital increases in the past year and the stock repurchase programme in 2008, the average number of shares entitled

### Assets, Liabilities and Financial Position

to dividends changed from 35.7 million to 51.4 million. So the profit per share in the first half of 2008 rose from €0.21 to €0.22.

#### **Assets, Liabilities and Financial Position**

The balance sheet total of the Drillisch Group declined as per 30 June 2008 by €74.5 million to €311.5 million. The major reason was the repayment of a loan which was taken out before the capital increase to finance acquisition of the freenet stock. The equity ratio improved to 74.3%, rising from 60.5% at the end of fiscal year 2007, which means that the Company is solidly financed and has an equity endowment far higher than the average of German companies.

Due to the repayment of the cash loan facility and a further increase in the shareholding in freenet, cash declined by €78.5 million to €6.2 million. Other intangible assets declined by €1.5 million to €17.8 million. The background to this decline is above all the purchase price allocation of the Telco acquisition described above and the related write-offs on the capitalised intangible assets. The fixed assets increased by a total of €18.6 million to €261.6 million. Their share of the balance sheet total is 84%. 88.5% is covered by equity, and 96.5% is covered by equity and long-term debt.

The greatest change in the current assets is found in the reduction of cash which has already been mentioned. Trade receivables declined by €3.1 million to €30.5 million. This change is a consequence of the closing date and is also a result of the high volume of Christmas business. Receivables due from companies in which there is a participating interest fell by €4.1 million to €0.1 million. A loan to MSP was repaid by this company.

The two stock repurchase programmes in particular have led to a reduction in subscribed capital by €2.0 million to €56.5 million and in capital reserves by €6.3 million to €122.1 million. The shares acquired by the Company have been offset against equity. The subscribed capital per share was reduced by €1.10. The capital surplus was reduced by the remainder of the purchase price. The good earnings situation is shown in the unappropriated retained earnings which, despite the distribution of profits of €5.2 million, increased by €6.1 million to €21.8 million in comparison with the end of 2007. In total, equity decreased by €2.1 million to €231.5 million.

Long-term liabilities declined by €60.2 million to €20.9 million. Their share in the balance sheet total fell by 21.0% to 6.7%. The major cause of this was the repayment of a bank loan described above. Long-term liabilities due to banks decreased by €59.8 million to €14.4 million. These €14.4 million served to finance the acquisition of a part of the financial assets shown in the balance sheet according to the equity method. Short-term liabilities due to banks declined by €3.8 million to €10.0 million.

Other liabilities declined by €7.8 million to €5.5 million. The largest change is related to a short-term liability of €5.0 million which was settled. It had arisen as part of the M&A transaction with MSP.

#### **Cash Flow from Current Business Activities**

The good consolidated results also meant substantial improvement in cash flow from current business activities. It amounted to €19.8 million (previous year: €9.7 million). Investments in fixed tangible and intangible assets (primarily software created by the Company) rose by €0.6 million to €2.0 million. The investments in financial assets are primarily the investments in the freenet stock shown in the balance sheet according to the equity method. The stock repurchase programme reduced the cash item by €8.0 million.

### Future Corporate Growth Opportunities and Risks

#### **Risk Report**

Drillisch AG operates a risk management system throughout the Group which includes continuous observation to ensure early recognition and the standardised recording, assessment, control and monitoring of risks. The objective is to obtain information about negative developments and the related financial effects as early as possible so that the appropriate measures can be initiated to counteract them. The risk situation – in comparison with the risks described in the annual report for the year 2007 – did not essentially change during the first six months of fiscal year 2008. In the opinion of the Management Board, adequate precautions have been taken to counter all of the identified, probable risks.

Supplementarily to the risks from the interest held in freenet AG described in the Annual Report 2007, we refer here once again to the stock price risk of the freenet holding. The assets and liabilities, financial position and profit and loss at Drillisch could be significantly affected – via the participation in MSP – if the negative price development of the freenet stock continues.

#### **Relations to relatives and companies**

As per 30 June 2008, there were claims due from and liabilities due to relatives and companies as shown below:

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 the first half of 2008 amounted to €254k (previous year: €254k).

#### **Important Events Occurring after 30 June 2008**

At the beginning of July, Drillisch acquired further financial assets worth €71.9 million which are valued according to the equity method. This acquisition was financed by utilising credit lines.

#### **Outlook**

Based on current planning, the Management Board expects about 2.35 million subscribers for the entire year 2008 (previous year: 2.20 million) and that the EBITDA will increase to about 40 million (previous year: 38.0 million).



**CONSOLIDATED INTERIM ACCOUNTS  
AS PER 30 JUNE 2008**

## CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

### Consolidated Income Statement

	I-II/2008	I-II/2007*	II/2008	II/2007*	I/2008	I/2007*
	€k	€k	€k	€k	€k	€k
Sales	173,838	169,914	89,234	93,152	84,604	76,762
Other own work capitalised	1,075	1,160	567	637	508	523
Other operating income	1,979	1,218	970	584	1,009	634
Cost of materials/						
Expenditures for purchased services	-136,949	-134,484	-69,925	-72,977	-67,024	-61,507
Personnel expenses	-10,109	-10,316	-4,932	-5,829	-5,177	-4,487
Other operating expenses	-9,820	-10,514	-5,440	-6,051	-4,380	-4,463
Amortisation and depreciation	-3,321	-1,703	-1,731	-896	-1,590	-807
<b>Operating result</b>	<b>16,693</b>	<b>15,275</b>	<b>8,743</b>	<b>8,620</b>	<b>7,950</b>	<b>6,655</b>
Result from financial investments shown in the balance sheet according to the equity method	633	0	-583	0	1,216	0
(Other) Financial result	-991	-2,857	183	-1,442	-1,174	-1,415
<b>Profit before taxes</b>	<b>16,335</b>	<b>12,418</b>	<b>8,343</b>	<b>7,178</b>	<b>7,992</b>	<b>5,240</b>
Taxes on income	-5,053	-4,927	-2,890	-2,890	-2,163	-2,037
<b>Consolidated profit</b>	<b>11,282</b>	<b>7,491</b>	<b>5,453</b>	<b>4,288</b>	<b>5,829</b>	<b>3,203</b>
<b>Profit per share (in €)</b>						
Undiluted	0.22	0.21	0.11	0.12	0.11	0.09
Diluted	0.22	0.21	0.11	0.12	0.11	0.09
EBIT	16,693	15,275	8,743	8,620	7,950	6,655
EBITDA	20,014	16,978	10,474	9,516	9,540	7,462

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

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

Consolidated Balance Sheet

ASSETS	30/06/2008	31/12/2007
	€k	€k
<b>Fixed assets</b>		
Other intangible assets	17,777	19,275
Goodwill	66,400	66,400
Tangible assets	2,153	1,934
Financial assets shown in balance sheet according to equity method	172,424	152,392
Other financial assets	0	13
Deferred taxes	2,797	2,906
<b>Fixed assets, total</b>	<b>261,551</b>	<b>242,920</b>
<b>Current assets</b>		
Inventories	10,417	10,590
Trade accounts receivable	30,511	33,619
Accounts due from affiliated companies	103	103
Accounts due from companies in which there is a participating interest	85	4,206
Tax reimbursement claims	0	6,936
Cash	6,207	84,681
Other current assets	2,621	2,926
<b>Current assets, total</b>	<b>49,944</b>	<b>143,061</b>
<b>ASSETS, TOTAL</b>	<b>311,495</b>	<b>385,981</b>

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

Consolidated Balance Sheet

SHAREHOLDERS' EQUITY AND LIABILITIES	30/06/2008	31/12/2007
	€k	€k
<b>Shareholders' equity</b>		
Subscribed capital	56,516	58,508
Capital surplus	122,099	128,379
Earnings reserves	31,123	31,123
Unappropriated retained earnings	21,790	15,659
<b>Equity, total</b>	<b>231,528</b>	<b>233,669</b>
<b>Long-term liabilities</b>		
Pension provisions	1,085	982
Deferred tax liabilities	5,137	5,637
Bank loans and overdrafts	14,355	74,119
Leasing liabilities	360	402
<b>Long-term liabilities, total</b>	<b>20,937</b>	<b>81,140</b>
<b>Short-term liabilities</b>		
Provisions	9,293	9,707
Tax liabilities	5,001	2,224
Bank loans and overdrafts	10,000	13,767
Trade accounts payable	9,977	14,364
Payments received on account	18,370	16,913
Leasing liabilities	900	891
Other liabilities	5,489	13,306
<b>Short-term liabilities, total</b>	<b>59,030</b>	<b>71,172</b>
<b>SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL</b>	<b>311,495</b>	<b>385,981</b>

## CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

### Consolidated Statement of Change in Capital

	Number of Shares	Capital sub- scribed	Capital reserves	Market valuation reserves	Earnings reserves	Unappro- priated reserves	Total
		€k	€k	€k	€k	€k	€k
<b>As per</b>							
<b>01/01/2007</b>	<b>32,089,936</b>	<b>34,510</b>	<b>23,318</b>	<b>31,180</b>	<b>17,302</b>	<b>6,029</b>	<b>112,339</b>
Change in own shares	410,064	441	2,067	0	0	0	2,508
Market valuation of the other financial assets		0	0	16,018	0	0	16,018
Capital Increase	3,249,995	3,495	18,030	0	0	0	21,525
Consolidated profit		0	0	0	0	7,491	7,491
<b>As per</b>							
<b>30/06/2007</b>	<b>35,749,995</b>	<b>38,446</b>	<b>43,415</b>	<b>47,198</b>	<b>17,302</b>	<b>13,520</b>	<b>159,881</b>
<b>As per</b>							
<b>01/01/2008</b>	<b>53,189,015</b>	<b>58,508</b>	<b>128,379</b>	<b>0</b>	<b>31,123</b>	<b>15,659</b>	<b>233,669</b>
Change in own shares	-1,810,511	-1,992	-5,962	0	0	0	-7,954
Retroactive costs of the capital increase 2007		0	-318	0	0	0	-318
Dividend payments		0	0	0	0	-5,151	-5,151
Consolidated profit		0	0	0	0	11,282	11,282
<b>As per</b>							
<b>30/06/2008</b>	<b>51,378,504</b>	<b>56,516</b>	<b>122,099</b>	<b>0</b>	<b>31,123</b>	<b>21,790</b>	<b>231,528</b>

## CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

### Consolidated Capital Flow Statement

	I-II/2008	I-II/2007
	€k	€k
Consolidated profit	11,282	7,491
Interest paid	-2,149	-3,525
Interest received	1,295	772
Results from interest	991	2,857
Result from financial investments shown in the balance sheet according to the equity method	-633	0
Income tax paid	-2,929	-11,333
Income tax received	6,617	4,864
Taxes on income	5,053	4,927
Depreciation on intangible and tangible assets	3,321	1,703
Profit/Loss from disposal of tangible and intangible assets	-61	15
Loss from the disposal of financial assets	328	0
Change in inventories	173	3,385
Change in receivables and other assets	6,612	6,940
Change in trade payables payable and other liabilities and provisions	-11,569	-14,501
Change in payments received on account	1,457	6,153
<b>Cash Flow from Current Business Activities</b>	<b>19,788</b>	<b>9,748</b>
Investments in tangible and intangible assets	-1,984	-1,341
Income from the disposal of tangible and intangible assets	2	3
Payments for acquisitions less acquired cash	0	-41,604
Investments in financial assets	-27,217	-465
Income from the disposal of financial assets	7,604	0
<b>Cash flow from investment activities</b>	<b>-21,595</b>	<b>-43,407</b>
Change in own shares	-7,954	2,508
Dividend payments	-5,151	0
Capital Increase	0	21,525
Outgoing payments for amortisation of loans	-87,886	0
Incoming payments from the taking out of loans	24,355	15,104
Change in leasing obligations	-31	-486
<b>Cash flow from financing activities</b>	<b>-76,667</b>	<b>38,651</b>
<b>Change in cash</b>	<b>-78,474</b>	<b>4,992</b>
Cash at end of period	6,207	14,030
Cash at beginning of period	84,681	9,038
<b>Change in cash</b>	<b>-78,474</b>	<b>4,992</b>

## Consolidated Notes

### 1 Applied Accounting Principles

The consolidated interim accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as they are to be applied in the EU. The same accounting and valuation methods were applied as with the consolidated annual accounts as per 31 December 2007.

The abridged consolidated interim accounts and the consolidated interim management report have been reviewed by the BDO Deutsche Warentreuhand AG Wirtschaftsprüfungsgesellschaft within the sense of Section 37w, Subsection 5 WpHG (German Securities Trade Act).

### 2 Change in Consolidated Companies

The companies included in the half-year financial report have changed in comparison with the consolidated annual accounts for fiscal year 2007 in that the MS Mobile Services GmbH (MS Mobile), Maintal, established on 04 November 2004 as a wholly-owned subsidiary of Telco Services GmbH, was included in the consolidation for the first time. Since MS Mobile did not commence business operations until May 2008, it was not included in the consolidated accounts up to this point due to its insignificance.

### 3 Stock Repurchase Programme

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 2007 and ran for a term from 15 February 2008 to 30 May 2008.

A second stock repurchase programme was decided by the adoption of a resolution by the Annual General Meeting on 30 May 2008. The repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting 2008 (5,318,901 shares) and runs from 16 June 2008 to 27 February 2009. As per 30 June 2008, Drillisch held 1,810,511 own shares in its depository.

### 4 Contingent Receivables

The contingent receivable shown in the consolidated annual account as per 31 December 2007 amounted to €9,086k on 30 June 2008.

### 5 Segment Presentation

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

	I-II / 2008	I-II / 2008	I-II / 2007	I-II / 2007
	Turnover	Operating result	Turnover	Operating result
Telecommunications	€ 173.7m	€ 16,752k	€ 169.8m	€ 15.303k
Software services	€ 0.1m	€ -59k	€ 0.1m	€ -28k

## CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

### Review Report

To Drillisch Aktiengesellschaft

We have reviewed the abridged consolidated interim accounts – consisting of the income statement, balance sheet, cash flow statement, change in equity statement and the selected information from the notes – and the consolidated interim management report for Drillisch Aktiengesellschaft, Maintal, for the period from 01 January 2008 to 30 June 2008, which are components of the semi-annual financial report in accordance with Section 37w WpHG. The preparation of the abridged consolidated interim accounts in conformity with the IFRS for interim reports as they are to be applied in the EU and of the consolidated interim management report in accordance with the provisions of the WpHG applicable to the consolidated interim management reports is the responsibility of the Management Board of the Company. It is our responsibility to issue a certificate on the abridged consolidated interim accounts and the consolidated interim management report based on our review.

We have conducted our review of the abridged consolidated interim accounts and of the consolidated interim management report in accordance with the German standards on the review of accounts as issued by the Institute of Chartered Accountants (Institut der Wirtschaftsprüfer, IDW) as well as with the supplementary application of the International Standards on Review Engagements (ISRE). These standards require that we plan and perform the review to obtain reasonable assurance, after critical appraisal, that the abridged consolidated interim accounts have essentially been prepared in conformity with the IFRS for interim reporting as they are to be applied in the EU and that the consolidated interim management report has essentially been prepared in conformity with the provisions of the WpHG applicable to the consolidated interim management report. A review is limited primarily to questioning of the Company's employees and to analytical assessments and therefore does not offer the security achievable by a final audit. As we did not, in accordance with the engagement, perform a final audit, we cannot issue an auditor's opinion.

Based on our review, we did not become aware of any circumstances which would lead us to believe that the abridged consolidated interim accounts were not essentially prepared in conformity with the IFRS for interim reports as they are to be applied in the EU or that the consolidated interim management report was not essentially prepared in conformity with the provisions of the WpHG applicable to consolidated interim management reports.

Düsseldorf, 14 August 2008

BDO Deutsche Warentreuhand  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft  
(Seal)

Dr Gorny  
Chartered Accountant

ppa. Meier  
Chartered Accountant



## CONSOLIDATED INTERIM ACCOUNTS AS PER 30 JUNE 2008

### Affirmation Statement of the Legal Representatives


We warrant, to the best of our knowledge, that the consolidated interim accounts, in accordance with the applicable accounting principles for interim reporting, present a true and fair view of the assets and liabilities, financial position and profit and losses of the Group, and that the course of business described in the consolidated interim management report, including the results of business activities and the Group's position, is presented in such a manner as to give a true and fair view thereof as well as of the major opportunities and risks of the foreseeable development of the Group during the remainder of the business year.

Maintal, 14 August 2008



Paschalis Choulidis

and



Vlasios Choulidis

## SERVICE CORNER

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

#### Finance and Event Calendar\*

TT Conference, Commerzbank	Tuesday, 26 August 2008
Telco Day, West LB	Thursday, 28 August 2008
German Equity Forum	November 2008
9-Month Report	Friday, 14 November 2008

\*Subject to change

#### Publications

The present half-year report 2008 is also available in German.

You can view and download our business and quarterly reports, ad-hoc announcements, press releases and other publications about Drillisch AG at [www.drillisch.de](http://www.drillisch.de).

#### Your Contacts

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

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#### Information and Order Service

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## SERVICE CORNER

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**Disclaimer:**

The information provided in this publication is checked carefully.

However, we cannot guarantee that all specifications are complete, correct and up to date at all times.

**Future-oriented Statements:**

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

