

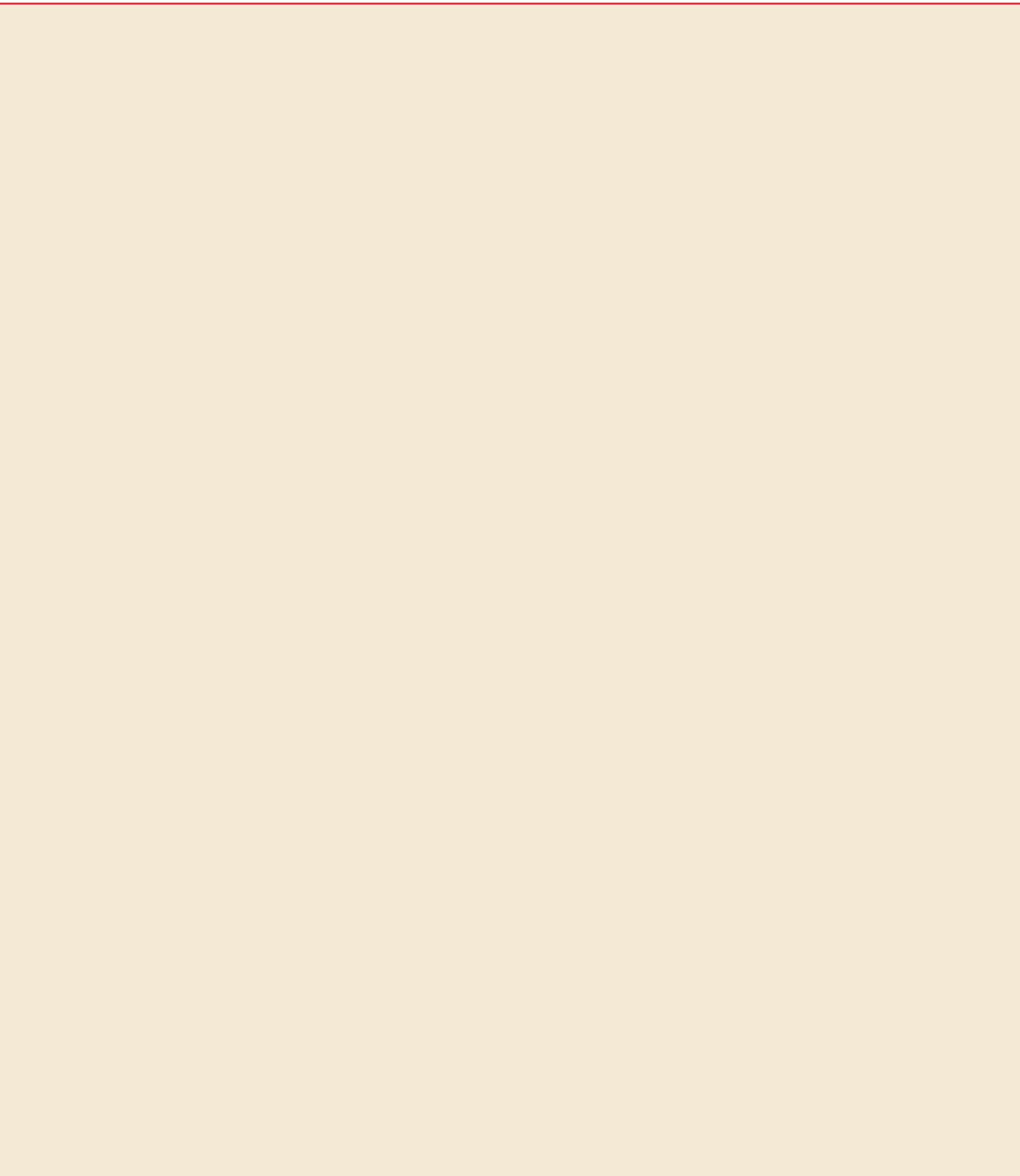


DRILLISCH AG
9-MONTH REPORT 2008

DATA AND FACTS

Key Indicators of the Drillisch Group

Drillisch Group	I-III/2008	I-III/2007	I-III/2006
Turnover in €m	265.7	266.1	205.3
EBITDA in €m	30.5	27.0	23.0
EBIT in €m	25.5	24.4	20.5
EBT in €m	-127.9	19.8	21.1
→ adjusted for the writedown on strategic holding	23.1	19.8	21.1
Consolidated profits in €m	-135.3	11.9	13.1
→ adjusted for the writedown on strategic holding	15.8	11.9	13.1
Profit/loss per share in €	-2.60	0.34	0.41
→ adjusted for the writedown on strategic holding	0.30	0.34	0.41
EBITDA margin in % of turnover	11.5%	10.1%	11.2%
EBIT margin in % of turnover	9.6%	9.2%	10.0%
EBT margin in % of turnover	-48.2%	7.4%	10.3%
→ adjusted for the writedown on strategic holding	8.7%	7.4%	10.3%
Consolidated profit margin in % of turnover	-50.9%	4.5%	6.4%
→ adjusted for the writedown on strategic holding	6.0%	4.5%	6.4%
Equity ratio (equity % of balance sheet total)	34.8%	51.8%	38.4%
Return on equity (ROE) (ratio consolidated result to equity)	-164.6%	6.9%	16.4%
→ adjusted for the writedown on strategic holding	19.2%	6.9%	16.4%
Cash flow from current business operations in €m	23.2	21.5	20.5
Depreciation excluding goodwill in €m	-5.0	2.6	2.5
Investments, adjusted, in €m	2.6	2.0	2.3
Staff as annual average (incl. Management Board)	351	380	309
Wireless services customers as per 30/09 (approx. in thousands)	2,323	2,121	1,679
Wireless services customers Debit	1,493	1,280	1,119
Wireless services customers Credit	830	841	560



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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,

The Drillisch Group continued to pursue its strategy of profitable growth during the third quarter of fiscal year 2008. Sales rose to € 91.8 million, an increase of about 3% in comparison with the previous quarter. Sales of € 265.7 million were realised during the first nine months. The number of our wireless services customers increased in comparison with the previous year by almost 10%, reaching 2.323 million. The number of customers in the sector Pre-paid rose by about 17% to 1.493 million, plus 830,000 Post-paid subscribers. Drillisch has acquired another 122,000 customers since the beginning of the year, 42,000 of them in the third quarter. The EBITDA rose by 13% to more than € 30 million. The EBITDA margin of 11.5% is within the long-term profitability corridor. A write-off of € 151.1 million which did not affect liquidity was taken on the strategic holding of freenet AG on 30 September 2008 as a response to the current valuation of the stock on the stock exchange.

Wireless services remain a growth market. This assessment has been confirmed by the study „Mobile Life 2012“ prepared by the consulting firm Goldmedia on behalf of BITKOM. The strongest growth drivers on the worldwide wireless services market are the mobile data services; sales of these services in Germany are expected to more than triple by the year 2012. In its study „Mobile Internet“ from October 2008, the consulting firm Deloitte determined transparent and attractive rate structures as well as easier access, especially with respect to hardware and services, to be the most important requirements for mass market readiness. We have been offering flat rates for data-only transmission at VICTORVOX since spring 2007, and Telco simplifies entry into mobile Internet with new full-service offers consisting of a mini-laptop optimised for mobile surfing and attractive data rates.

Moreover, the discount market continues to exhibit growth potential. According to a study published by Informa Telecoms & Media in September, the worldwide market for pre-paid cards in 2007 and 2008 has grown more than twice as fast as the market for fixed-term contracts. The increase in the number of our pre-paid customers is in no small part due to the successful positioning of our discount brands.

Our most important strategic corporate goal is the continuous increase in operating profit. We achieve this with creativity and new innovative products offering customers the greatest possible benefits. Based on current figures, we can confirm that our budget for the current fiscal year, which provides for an increase in the EBITDA to about € 40 million from approximately 2.35 million subscribers, is still on target.

Paschalis Choulidis

and

Vlasios Choulidis

The Capital Market – 1 July 2008 to 30 September 2008.

The third quarter of 2008 was characterised by extremely high volatility on the financial markets of the USA, Asia and Europe. The growing certainty that the crisis on the financial markets will last longer than originally supposed led to major shifts accompanied by a high aversion to risk. The dimensions of the crisis make it impossible to prepare any reliable predictions about the development of the economy. The many ways the real economy could be affected permit nothing more than speculation. The hesitancy of investors continued to grow even in advance of the upcoming quarterly reports from the companies. There is no reason to expect this reluctance to fade away any time in the near future.

The greatest losses in the third quarter were posted by second-tier stocks. The SDAX lost about 845 points or 19.9% in comparison with 30 June 2008, falling to 3,396.37 points; the MDAX suffered even more, dropping by 23% or 2,078.39 points to 6,956.77 points. Losses in the more broadly based indices such as the DAX and the DJ Euro STOXX were comparatively moderate in contrast – the DAX lost only 9.2% or 587 points in the third quarter, declining to 5,831.02 points, and the internationally oriented DJ Euro STOXX lost 9.4% or 314 points, ending up at 3,038.20 points.

The Drillisch Stock at September 30, 2008

	Close-out 2007	30 September 2008	%-change
Drillisch	€ 5.50	€ 1.73	- 68.55
TecDAX	974.19	685.90	- 29.59
TecAllShare	1,199.56	825.12	- 31.21

The revaluation of stocks triggered by the international financial crisis led to substantial losses, especially for second-tier stocks. Until the end of September, smallcap and midcap funds were liquidated or significantly reduced their holdings, which then, with unlimited sell orders, ran into a virtually empty market.

Capital Market Measures in the Third Quarter 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 2,546,989 shares as per 30 September 2008, equivalent to 4.79% of the Company's share capital at an average purchase price of € 4.22. Weekly reports on the status of the stock repurchase programme can be viewed by logging onto our Investor Relations home page.

Current Research Studies (as per 06 October 2008)

Analysis	Rating	Target Price	Date
West LB	"Buy"	€ 4.50	06 October 2008
Landsbanki Kepler	"Buy"	€ 3.75	02 October 2008
Sal Oppenheim	"Buy"	€ 5.00	26 September 2008
LBBW	"Buy"	€ 6.00	11 September 2008
Berenberg Bank	"Buy"	€ 8.50	14 August 2008
Commerzbank	"Buy"	€ 4.90	06 August 2008
SES Research	"Buy"	€ 7.70	14 May 2008
HSBC Trinkaus	"Overweight"	€ 5.80	18 January 2008

Agenda of the Third Quarter – DGAP Ad-Hoc Reports

06 Aug.	1st half-year, turnover € 173.8 million (+2.3%), EBITDA (adjusted) € 20.3 million (+19.4%)
13 Aug.	Profit increase by 50.6% in the first half of the year to € 11.3 million / Dynamic growth, yearly forecast confirmed

Investor Relations Events

26 August Commerzbank, 8th German Technology & Telecoms Conference

28 August West LB, German Telco & Media Day

Various investor talks, including many initial contacts

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 third quarter 2008.

Directors' Dealings 2008

Date	Name	Function	Purchase/sale	Shares
18 Sept.	M. Brucherseifer	Supervisory Board	Carried forward	233,334

TO OUR SHAREHOLDERS

Investor Relations Report

Directors' Holdings (as of 30 September 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	4,021,733 → 7.56%
Nico Forster	1,447,879 → 2.72%
Dr. Horst Lennertz	0
Michael Müller-Berg	0

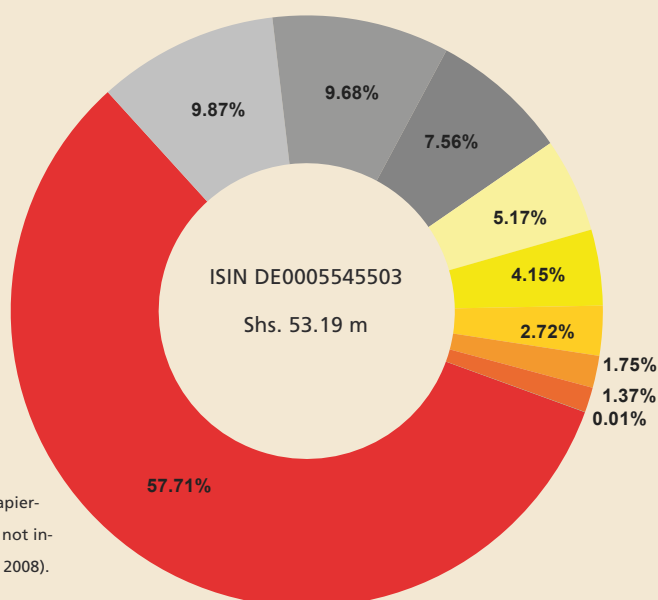
Shareholder Structure (as per 30 September 2008)

Free float according to stock exchange	38,767,282 → 72.89%
Free float according to Drillisch	30,697,469 → 57.71%

Free Float

- VS GmbH shs 5,250,000
- United Internet AG shs, 5,150,000
- Marc Brucherseifer shs 4,021,733
- Ratio Asset Management shs 2,752,100
- Montrica Glob., Opport, Master Fund shs 2,205,036
- Nico Forster shs 1,447,879
- Paschalis Choulidis shs 928,375
- Vlasios Choulidis shs 728,984
- Johann Weindl shs 7,439

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 18 September 2008).



MARKET ENVIRONMENT

MARKET ENVIRONMENT

The Wireless Services Market

Rapid subscriber growth on the wireless services market

As of the middle of the year, the number of wireless contracts in Germany had already risen by almost 14% in comparison with the same time last year to more than 103 million. The market penetration on the wireless services market has now exceeded the mark of 125%. In other words: there are now one-quarter more wireless service cards (SIM cards) than inhabitants in Germany. But SIM cards are also found in laptops, automobile electronics, measurement technology and other devices which communicate via wireless networks as well as their classical place in mobile telephones. In its most recent projection in the middle of September, the Bundesverband Informationswirtschaft, Telekommunikation und neue Medien (BITKOM)



foresees about 110 million contracts by the end of the year – a plus of 13% on an annual basis. The number of mobile phones rose at the same time. In June 2008, 86% of all of the households in Germany had at least one mobile phone; one year ago, the figure was only 83%.

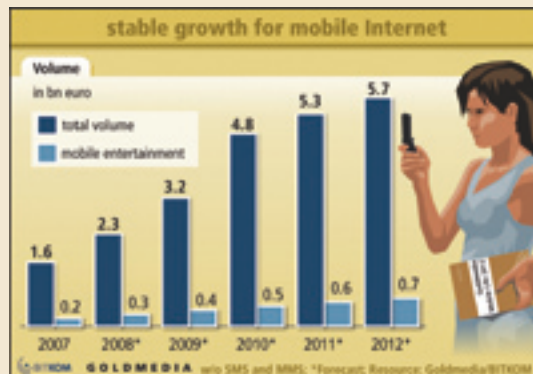
But the use of mobile phones is not restricted to travel. About 42% of all of the telephone calls made with the mobile phone take place within people's own four walls. This result was

determined by a study presented by Informal Telecoms & Media at the end of September. According to the data, for example, people use their own phone to make about 30% of their calls in the office, and only the little less than 30% of the calls which remain are actually made when people are on the go, i.e., in public surroundings or on the streets. This result is also confirmed by the fact that 4.3 million households in Germany no longer have a landline connection at all.

Data services – the „turbocharger“ for mobile Internet

An important role in the current and future use of mobile phones is being played by the mobile Internet. As the industry association BITKOM has determined, one out of every three people under the age of 50 possesses a mobile phone with Internet access today. In terms of the total population aged 14 and over, this is 28%, more than one out of every four. According to a representative survey conducted in June and July 2008 by TNS Infratest, about 16% of the Germans also access the Internet with their mobile phones – that is more than 10 million people aged 14 and older. More than half of them (55%) surf on websites which have been specially optimised for mobile phone browsers. Almost three-fourths (73%) make use of normal HTML pages that are also used by computers. One-quarter (24%) of the mobile surfers visit HTML pages as often as once a week or more. Search engines are especially popular, but the latest news, sports information or the weather forecast are also retrieved regularly by a

large number of mobile surfers. During the survey, 12% stated that they had used their mobile phones at least once for receiving or sending e-mails. The market researchers even discovered that 12% of those people who do not access the Internet with their mobile phones at the moment are highly interested in this possibility.

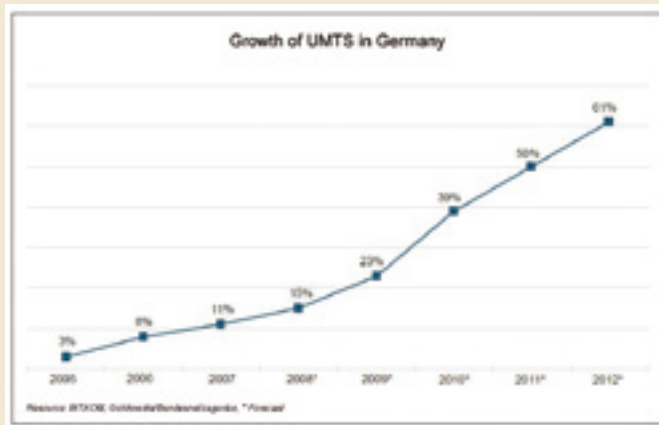


MARKET ENVIRONMENT

The Wireless Services Market

Fast transmission speeds and low rates for surfing

Speed and costs – these are the decisive factors when it comes to making mobile Internet interesting for a broad group of users. Even today, more and more people can take advantage of fast broadband connections and low flat rates to access the Internet when on the go. The mark of 10 million fast UMTS connections was exceeded for the first time at the beginning of the year, but BITKOM estimates that this figure will increase to 15.9 million by as early as the end of 2008 – which would be a plus of almost 50% in comparison with 2007. In their study „Mobile Life 2012“ presented at the end of September, the industry experts also concluded that more than 60% of all wireless services connections will have access to UMTS in the year 2012. While network operators are just now moving to realise wide-area coverage with high-speed UMTS



based on HSDPA and HSUPA, the next innovative leap – the wireless services technology of the 4th generation with even faster solutions – is already stepping up to the starting line. „Long Term Evolution“, LTE for short, is the name of the successor standard which is already being tested under real conditions.

Today's opportunities have had an enormous effect on the use of mobile phones, and new application scenarios will continue to drive development forward. While mobile

business applications for businesses provided the initial push for mobile Internet, private use is playing an increasingly important role for the further growth of mobile data services – above all the use of entertainment. Both the consulting company Goldmedia and BITKOM predict that the sales of mobile data services (excluding text messages and multimedia messages) in Germany will more than triple from € 1.6 billion in 2007 to € 5.7 billion in 2012. Mobile video, mobile games, mobile music and mobile advertising alone are expected to have a market volume of about € 740 million in 2012.

Drillisch goes for mobility and expands the discount business

Telco, the Drillisch brand oriented to specialist trade, pays full tribute to the trend to mobile Internet – first, by offering low-cost data rates customised to fit perfectly the way individual customers use the Internet, and second, by being the first to market bundled offers consisting of an attractive mini laptop (netbook) and a corresponding rate for mobile Internet usage. Furthermore, successful data flat rates are marketed by VICTORVOX and other distribution partners.

Despite the launch of new discount brands and price adjustments by established providers, maXXim is successfully maintaining its position as a price leader on the German wireless services discount market with a rate of 8 eurocents per minute or text message. maXXim has been singled out by the industry service inside-handly for several months in succession as „Discounter of the Month“ for the best minute rate and the best mixed rate. A comparison test by the magazine test at the end of August also showed maXXim in first place. Then there is simply, Germany's first discount brand, demonstrating its innovative abilities. simply continues to expand its position on the discount market with clever products and a new Internet site. The discount pioneer has also expanded its marketing activities by adding distribution channels in retail grocery stores and ITC specialist shops to the existing Internet channel. The most recent example is the cooperation with Herweck AG. simply discount rates are now offered by more than 10,000 specialist partners of this ITC distributor.

What is more, the potential in the discount segment is far from exhausted. According to a study carried out by TNS Infratest in September 2008, 60% of German users are not absolutely certain how much they

MARKET ENVIRONMENT

The Wireless Services Market The Software Industry

pay for each call minute within the same wireless network and 55% of the mobile phone users do not know what they pay for a call to a fixed line number. The primary reason given for this uncertainty is the lack of clarity in the tangle of rates being offered. The study clearly shows that our discount products and the simple, transparent and low-cost rates are exactly what people are looking for.

The Software Industry

IT market will grow by 3.7% in 2009

The high-tech industry remains robust – despite the international financial crisis and the high prices for raw materials – in the autumn of 2008. According to an estimate published by the industry association BITKOM in the middle of September, sales on the market for information and telecommunications technology (ITC) are expected to grow by 1.8% to € 145.5 billion this year, an increase of 0.2% over the previous forecast by the industry experts for the end of the year. The latest estimates from BITKOM show that information technology – alongside the wireless services segment – and its growth in sales of 4.2% to € 66.6 billion will make the greatest contribution to growth on the ITC market. Software and IT services providers will experience especially strong growth. They are benefiting from the continued rise in demand from companies and government for new, more powerful IT systems. New software platforms, upgrades for current applications and outsourcing projects are the determining factors in software business, according to information from BITKOM. The industry association expects further growth on the German IT market of 3.7% for the coming year 2009.

**BUSINESS DEVELOPMENT OF THE DRILLISCH GROUP
AS PER 30 SEPTEMBER 2008**

Group Companies

In its own estimation, Drillisch AG (Drillisch) is one of the most profitable and innovative wireless services providers in Germany. The Company markets wireless services from all four of the network operators active in Germany. 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. The system g~paid 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 September 2008, MSP has a shareholding of 18.39% of the freenet AG share capital with voting rights. The participation in MSP is valued according to the equity method in the 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 nine months of 2008, an average of 351 employees (previous year 380), 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 22 (previous year: 17).

Turnover and Earnings Position

Turnover and Earnings Position

The Drillisch Group continued to pursue its strategy of profitable growth during the third quarter of fiscal year 2008. Sales rose to € 91,8 million, an increase of 2.9% in comparison with the previous quarter. Turnover of € 265,7 million was realised during the period from 1 January to 30 September 2008. The number of subscribers increased in comparison with the previous year by almost 10%, reaching 2.323 million. The number of customers in the sector Pre-paid rose by about 17% to 1.493 million, plus 830,000 Post-paid subscribers. Since the beginning of the year, Drillisch has acquired 122,000 customers; the number of subscribers increased by 42,000 in the third quarter.

After nine months, the cost of materials came to € 210.3 million (previous year: € 210.2 million) and was virtually at the same level as in the previous year. Gross profit (turnover less cost of materials) decreased by 1.1% to € 55.3 million. This meant a gross profit margin (gross profit to turnover) of 20.8% in comparison with 21.0% in the same period last year. Other operating income rose by 20.0% to € 2.3 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 4.5% to € 15.1 million. This meant a decline in the personnel expenses margin (personnel expenses to turnover) by 0.3% to 5.7%. Other operating expenses declined by 18.7% to € 13.6 million. The most significant factors leading to this decline were the lower losses of receivables and valuation allowances as well as reduced expenses for consulting services.

The EBITDA (earnings before interest, taxes, depreciation and amortisation), one of the most important management indicators for the Company, rose by 13.1% to € 30.5 million. The EBITDA margin (EBITDA to turnover) improved from 10.1% to 11.5% and lies within the long-term profitability corridor.

Depreciation and other write-offs increased by € 2.4 million to € 5.0 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) improved by 4.7% to € 25.5 million. The EBIT margin (EBIT to turnover) rose from 9.2% to 9.6%.

In autumn of 2006, Drillisch began acquiring interest in the company which is today freenet AG (freenet). In the last fiscal year, the participation in freenet was contributed to MSP. Drillisch itself has purchased additional freenet stock during the course of 2008. The participation in MSP and the shares in freenet held directly are valued according to the equity method. A write-off of € 151.1 million which did not affect liquidity was taken on the strategic holding of freenet AG on 30 September 2008 as a response to the current valuation of the stock on the stock exchange. Interest results improved by 48.2% to -€ 2.4 million.

The earnings before taxes (EBT) as per 30 September 2008 came to -€ 127.9 million (previous year: € 19.8 million). Taxes on income amount to € 7.3 million (previous year € 7.9 million). The write-offs on the financial assets shown in the balance sheet according to the equity method do reduce taxable income only minimal because they are mainly not tax-deductible expenses.

This led to a consolidated result of -€ 135.3 million (previous year: +€ 11.9 million). As a consequence of the capital increases in the past year and the stock repurchase programme in 2008, the average number of shares entitled to dividends changed from 35.4 million to 52.0 million. The result per share during the first nine months of 2008 comes to -€ 2.60 (previous year: € 0.34).

Cash Flow

The cash flow has also improved significantly parallel to the good consolidated operating results – the write-offs on the financial assets according to the equity method do not affect liquidity, as was already mentioned above. Cash flow from current business operations rose during the first nine months to € 23.2 million in comparison with € 21.5 million during the comparison period. Investments in fixed tangible and

Assets, Liabilities and Financial Position

intangible assets (primarily software created by the Company) rose by € 0.7 million to € 2.6 million. The investments in financial assets in the amount of € 99.1 million are related mainly to investments in the freenet shares shown in the balance sheet according to the equity method. By and large, they have been financed by new long-term loans. The repurchase of own stock reduced cash by € 10.8 million and the distribution of the dividends by a further € 5.2 million. As a consequence of the described transactions and the repayment of a loan, cash at the end of the period amounted to € 5.0 million in comparison with € 84.7 million at the beginning of the period.

Assets, Liabilities and Financial Position

The balance sheet total of the Drillisch Group declined in comparison with the end of 2007 as per 30 September 2008 by € 150.1 million to € 235.9 million. The decisive factor was the write-off of € 151.1 million on the strategic holding in freenet. The equity ratio declined by 34.8% in comparison with 60.5% at the end of fiscal year 2007, so the Company enjoys a solid financial basis.

Due to the repayment of the cash loan facility and a further increase in the shareholding in freenet, cash declined by € 79.7 million to € 5.0 million. Other intangible assets declined by € 2.4 million to € 16.9 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. Despite a further acquisition of stock in freenet, the capitalised value of the financial assets shown in the balance sheet in accordance with the equity method declined by € 47.7 million to € 104.7 million. The background to this development is the write-off mentioned above which was taken as a response to the change in the stock exchange value of freenet. The fixed assets decreased by a total of € 50.2 million to € 192.7 million. Their share of the balance sheet total is 81.7%. 42.6% is covered by equity, and 90.1% 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. Inventories declined by € 4.3 million to € 6.3 million, mainly in relation to the closing date. Trade receivables declined by € 4.2 million to € 29.5 million. The item „Accounts due from companies in which there is a participating interest“ contained a loan granted to MSP which has been repaid in full by the company.

The two stock repurchase programmes in particular have led to a reduction in subscribed capital by € 2.8 million to € 55.7 million and in capital reserves by € 8.3 million to € 120.1 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 unappropriated retained earnings are affected strongly by the write-off taken as a consequence of the change in stock exchange value of freenet AG. Shareholders' equity declined by € 151.5 million to € 82.2 million in comparison with the end of 2007.

Long-term liabilities rose by a total of € 10.4 million to € 91.5 million. Long-term liabilities due to banks amount to € 85.4 million. This item is affected primarily by the acquisition of additional freenet stock.

Short-term liabilities due to banks declined by € 9.9 million to € 62.2 million. Tax liabilities rose by € 4.2 million to € 6.5 million. Repayments of short-term liabilities due to banks resulted in a decline of € 3.8 million to € 10.0 million. Liabilities from financial derivatives are shown in the balance sheet under Other financial liabilities. Other liabilities declined by € 6.2 million to € 7.1 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.

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

Opportunities and Risks of the Future Business Development

as early as possible so that the appropriate measures can be initiated to counteract them. The risk situation – in comparison with the risks described in the annual report for the year 2007 – did not change during the first nine 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 continue to suffer – via the participation in MSP – if the negative price development of the freenet stock continues.

Important Events Occurring after 30 September 2008

No important events occurred after the closing date.

Outlook

Based on current planning, the Management Board confirms its prediction for the year 2008 as a whole: there will be about 2.35 million subscribers (previous year: 2.20 million) and the EBITDA will increase to about € 40 million (previous year: € 38.0 million).

CONSOLIDATED INTERIM ACCOUNTS
AS PER 30 SEPTEMBER 2008

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

Consolidated Income Statement

Consolidated Interim Accounts as per 30 September 2008

	I-III/2008	I-III/2007*	III/2008	III/2007	II/2008	II/2007*	I/2008	I/2007*
	€k	€k	€k	€k	€k	€k	€k	€k
Sales	265,669	266,131	91,831	96,217	89,234	93,152	84,604	76,762
Other own work capitalised	1,579	1,662	504	502	567	637	508	523
Other operating income	2,318	1,931	339	713	970	584	1,009	634
Cost of materials/ Expenditures for purchased services	-210,326	-210,165	-73,377	-75,681	-69,925	-72,977	-67,024	-61,507
Personnel expenses	-15,118	-15,835	-5,009	-5,519	-4,932	-5,829	-5,177	-4,487
Other operating expenses	-13,596	-16,724	-3,776	-6,210	-5,440	-6,051	-4,380	-4,463
Amortisation and depreciation	-4,988	-2,599	-1,667	-896	-1,731	-896	-1,590	-807
Operating result	25,538	24,401	8,845	9,126	8,743	8,620	7,950	6,655
Results from interest	-2,408	-4,651	-1,417	-1,794	183	-1,442	-1,174	-1,415
Result from financial investments shown in the balance sheet according to the equity method	-151,072	0	-151,705	0	-583	0	1,216	0
Profit before taxes	-127,942	19,750	-144,277	7,332	8,343	7,178	7,992	5,240
Taxes on income	-7,319	-7,894	-2,266	-2,967	-2,890	-2,890	-2,163	-2,037
Consolidated results	-135,261	11,856	-146,543	4,365	5,453	4,288	5,829	3,203
Profit per share (in €)								
Undiluted	-2.60	0.34	-2.82	0.13	0.11	0.12	0.11	0.09
Diluted	-2.60	0.34	-2.82	0.13	0.11	0.12	0.11	0.09
EBIT	25,538	24,401	8,845	9,126	8,743	8,620	7,950	6,655
EBITDA	30,526	27,000	10,512	10,022	10,474	9,516	9,540	7,462

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

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

Consolidated Balance Sheet

Consolidated Interim Accounts as per 30 September 2008

ASSETS	30.09.2008	31.12.2007
	€k	€k
Fixed assets		
Other intangible assets	16,885	19,275
Goodwill	66,400	66,400
Tangible assets	2,022	1,934
Financial assets shown in balance sheet according to equity method	104,677	152,392
Other financial assets	0	13
Deferred taxes	2,723	2,906
Fixed assets, total	192,707	242,920
Current assets		
Inventories	6,277	10,590
Trade accounts receivable	29,467	33,619
Accounts due from affiliated companies	103	103
Accounts due from companies in which there is a participating interest	0	4,206
Tax reimbursement claims	0	6,936
Cash	4,996	84,681
Other current assets	2,340	2,926
Current assets, total	43,183	143,061
ASSETS, TOTAL	235,890	385,981

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

Consolidated Balance Sheet

Consolidated Interim Accounts as per 30 September 2008

SHAREHOLDERS' EQUITY AND LIABILITIES	30.09.2008	31.12.2007
	€k	€k
Shareholders' equity		
Subscribed capital	55,706	58,508
Capital surplus	120,097	128,379
Earnings reserves	31,123	31,123
Unappropriated retained earnings/Accumulated deficit	-124,753	15,659
Equity, total	82,173	233,669
Long-term liabilities		
Pension provisions	1,085	982
Deferred tax liabilities	4,716	5,637
Bank loans and overdrafts	85,384	74,119
Leasing liabilities	301	402
Long-term liabilities, total	91,486	81,140
Short-term liabilities		
Provisions	9,032	9,707
Tax liabilities	6,471	2,224
Bank loans and overdrafts	10,000	13,767
Other financial liabilities	1,995	0
Trade accounts payable	9,704	14,364
Payments received on account	17,221	16,913
Leasing liabilities	698	891
Other liabilities	7,110	13,306
Short-term liabilities, total	62,231	71,172
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL	235,890	385,981

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

Consolidated Statement of Change in Capital

Consolidated Interim Accounts as per 30 September 2008

	Number of shares	Capital sub-scribed	Capital reserves	Market valuation reserves	Earnings reserves	Unappropriated reserves / Accumulated deficit	Total
		€k	€k	€k	€k	€k	€k
As per 01/01/2007	32,089,936	34,510	23,318	31,180	17,302	6,029	112,339
Change in own shares	410,064	441	2,067	0	0	0	2,508
Market valuation of the							
Other financial							
assets		0	0	24,580	0	0	24,580
Capital Increase	3,249,995	4,374	17,975	0	-879	0	21,470
Consolidated results		0	0	0	0	11,856	11,856
As per 30/09/2007	35,749,995	39,325	43,360	55,760	16,423	17,885	172,753
As per 01/01/2008	53,189,015	58,508	128,379	0	31,123	15,659	233,669
Change in own shares	-2,546,989	-2,802	-7,964	0	0	0	-10,766
Retroactive costs of the							
capital increase 2007		0	-318	0	0	0	-318
Dividend payments		0	0	0	0	-5,151	-5,151
Consolidated results		0	0	0	0	-135,261	-135,261
As per 30/09/2008	50,642,026	55,706	120,097	0	31,123	-124,753	82,173

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

Consolidated Capital Flow Statement

Consolidated Interim Accounts as per 30 September 2008

	I-III/2008	I-III/2007
	€k	€k
Consolidated results	-135,261	11,856
Interest paid	-3,513	-5,414
Interest received	1,242	788
Results from interest	2,408	4,626
Result from financial investments shown in the balance sheet according to the equity method	151,072	0
Income tax paid	-3,308	-16,211
Income tax received	8,223	5,692
Taxes on income	7,319	7,894
Depreciation on intangible and tangible assets	4,988	2,599
Profit/Loss from disposal of tangible and intangible assets	-61	9
Change in inventories	4,313	-2,652
Change in receivables and other assets	8,991	6,979
Change in trade payables payable and other liabilities and provisions	-23,534	-833
Change in payments received on account	309	6,196
Cash Flow from Current Business Activities	23,188	21,529
Investments in tangible and intangible assets	-2,628	-1,974
Income from the disposal of tangible and intangible assets	3	8
Payments for acquisitions less acquired cash	0	-41,669
Investments in financial assets	-99,137	-58,942
Received dividends or special dividends	0	52,264
Income from the disposal of financial assets	7,604	0
Cash flow from investment activities	-94,158	-50,313
Change in own shares	-10,767	2,508
Dividend payments	-5,151	0
Capital Increase	0	21,470
Outgoing payments for amortisation of loans	-87,886	-24,000
Incoming payments from the taking out of loans	95,384	24,158
Change in leasing obligations	-295	-668
Cash flow from financing activities	-8,715	23,468
Change in cash	-79,685	-5,316
Cash at end of period	4,996	3,722
Cash at beginning of period	84,681	9,038
Change in cash	-79,685	-5,316

CONSOLIDATED INTERIM ACCOUNTS AS PER 30 SEPTEMBER 2008

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.

2 Change in Consolidated Companies

The companies included in the consolidated interim accounts 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 September 2008, Drillisch held 2,546,989 own shares in its portfolio.

4 Contingent Receivables

The contingent receivable shown in the consolidated annual accounts as per 31 December 2007 amounted to €1,010k on 30 September 2008.

5 Segment Presentation

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

	I-III / 2008	I-III / 2008	I-III / 2007	I-III / 2007
	Turnover	Operating result	Turnover	Operating result
Telecommunications	€ 265.6m	€ 25,622k	€ 266.0m	€ 24,456k
Software services	€ 0.1m	-€ 83k	€ 0.1m	-€ 55k

6 Circumstances Significantly Affecting the Consolidated Interim Accounts

A write-off of €151.1 million which did not affect liquidity was taken on the strategic holding of freenet AG on 30 September 2008 as a response to the current valuation of the stock on the stock exchange.

SERVICE CORNER

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Finance and Event Calendar*

Annual Shareholders' Meeting

Friday, 29 May 2009

*Subject to change

Publications

The present 9 month 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.

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SERVICE CORNER

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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.

