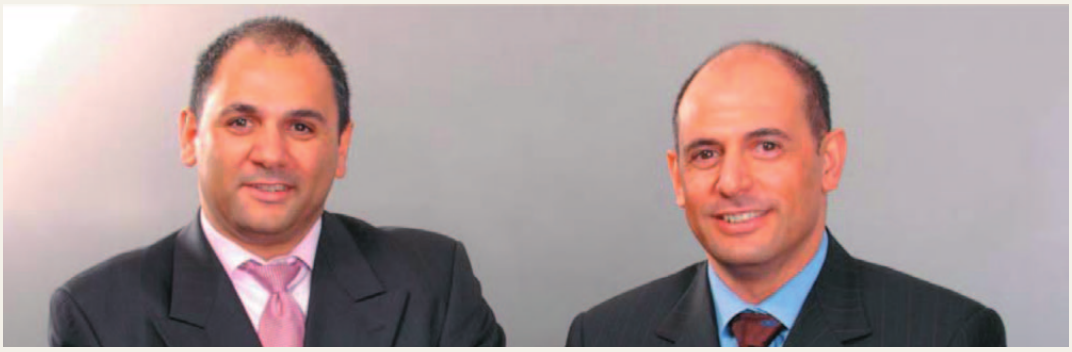
DRILLISCH AG
ANNUAL REPORT 2009

Key Indicators of the Drillisch Group

Drillisch-Group	2009	2008	2007
Turnover in €m	344.5	350.1	361.5
EBITDA in €m	50.7	40.6	39.8
EBITDA, adjusted, in €m	43.5	40.6	38.0
EBIT in €m	44.4	33.9	34.0
EBT in €m	110.9	-172.4	27.7
Consolidated profits in €m	101.2	-184.1	24.3
Profit/loss per share in €	1.98	-3.58	0.66
EBITDA margin in % of turnover	14.7	11.6	11.0
EBITDA margin adjusted in % of turnover	12.6	11.6	10.5
EBIT margin in % of turnover	12.9	9.7	9.4
EBT margin in % of turnover	32.2	-49.2	7.7
Consolidated profit margin in % of turnover	29.4	-52.6	6.7
Equity ratio (equity % of balance sheet total)	48.7	17.4	60.5
Return of equity (ROE) (ratio Group result to equity)	318.8	-78.8	21.7
Cash flow from current business operations in €m	53.9	42.6	5.4
Depreciation excluding goodwill in €m	6.3	6.7	5.8
Investments (in tangible and intangible fixed assets), adjusted, in €m	3.9	3.9	2.8
Staff as annual average (incl. Management Board)	382	347	374
Wireless services customers as per 31/12 (approx. in thousands)	2,250	2,371	2,201
Wireless services customers Debit	1,268	1,525	1,359
Wireless services customers Credit	982	846	842

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,

Despite the global financial and economic crisis, our Company recorded successful development in the past fiscal year 2009. Starting from this solid position, we are planning our next steps, aiming once again to raise the bar on the German wireless services market with innovative products and services.

The development of revenues towards the end of the fiscal year was positive. In the fourth quarter, revenues rose by 9.5% or €8.0 million to €92.4 million (Q4 2008: €84.4m) and in comparison with the third quarter of 2009 by €2.7 million or 3.0%. Consolidated sales in the past year of €344.5 million were 1.6% or about €5.6 million below the previous year's mark of €350.1 million. This revenue was realised from 2.250 million subscribers (2008: 2.371m). As a consequence of the expansion of the higher-value postpaid business and the removal of inactive prepaid subscribers from the rolls, the ratio of prepaid to postpaid subscribers changed to 56% to 44% in comparison with 64% to 36% in the previous year. Gross profit came to €80.9 million at the end of the year, an improvement over the previous year (2008: €73.3m) of 10.3% or €7.6 million. The gross profit margin improved significantly by 2.6% to 23.5% (2008: 20.9%) and marks a new record high in the Company's history. The consolidated EBITDA rose by €10.1 million to €50.7 million (2008: €40.6m). When adjusted for extraordinary expenditures and income, the EBITDA gained about €3.0 million or 7.3% to €43.5 million (2008: €40.6m), surpassing even the increased EBITDA forecast. Consolidated results rose by €285.3 million (2008: -€184.1m) to €101.2 million and the profit per share came to €1.98 (2008: -€3.58). Owing to the continued high cash flow, the net financial liabilities were reduced by 42.2% or €38.5 million to €52.6 million (2008: €91.1m).

We want to offer a reasonable and attractive return on their investments to our shareholders. That is why we will, with the approval of the Advisory Board, propose a dividend of €0.30 per share for the past fiscal year at the upcoming Annual General Meeting.

Barring any major changes in current circumstances, we expect to be able to distribute a similar dividend for fiscal year 2010. Additional room for dividend payments to the Drillisch shareholders will accrue as a consequence of the dividend increase announced by freenet AG to about €0.80 to €1.00 per freenet share, payable in 2011. As Drillisch AG currently holds about 15.5 million shares of freenet stock, this will mean about 20 to 30 eurocents in additional dividends per Drillisch share.

Although the numbers of subscribers on the wireless networks market are no longer rising as sharply as in previous years, the discount market and mobile Internet display growth dynamics which are highly satisfying. According to data from the German Federal Network Agency, the market share for discount providers came to about 15% to 20% in the first quarter of 2009. And the number of SIM cards for access to mobile Internet continues to rise steadily. We deliberately moved into both of these growth segments at an early

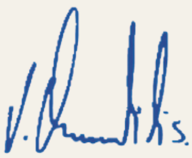
Letter from the Management Board

stage with our own brands and in cooperation with committed distribution partners and have developed the brand portfolio sensibly and consistently ever since. Our brands regularly appear among the top positions of rate plan recommendations such as those issued by Stiftung Warentest. TÜV Saarland certified our brand maXXim, awarding it the seal of approval „Service tested“ with an overall rating of „Good“, in January 2010, clear proof that quality does not have to suffer because prices are friendly to consumers. maXXim's 8-eurocent rate is the price leader on the German market. The sector mobile Internet is covered by intelligent and low-cost product solutions which we offer via the Internet and alternative forms of distribution such as REWE Group. As appropriate for their needs, customers can select from among a number of attractive products, flexibly taking advantage of all of the advantages of mobile surfing.

The future of voice telephony and Internet use will be „mobile“; landline networks are steadily declining in importance, even for data services. This shift in the direction of mobile telephony offers sustained growth stimulus for the telecommunications market. The tremendous success of the new smartphones is making simple and low-price rates for trouble-free surfing with a mobile phone more and more important. Drillisch, with its attractive brands, innovative rate schedules and leading prices, is already in a first-rate position and will actively exploit the opportunities which present themselves.

At this time, we expressly want to thank our employees for their commitment and performance which have made this good operating business possible in the first place. Our thanks go to you, our shareholders, as well as to our customers and business partners, for the trust you have placed in us.

Warmest regards from Maintal.



Paschalis Choulidis and Vlasios Choulidis

Report of the Supervisory Board

Dear Sir or Madam,

During fiscal year 2009, 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 Company 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.

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

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 in comparison with budgets and goals were explained to the Supervisory Board in detail.

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 six Supervisory Board meetings were held as physical meetings during fiscal year 2009. They took place on 18 February, 25 March, 12 May, 11 August, 28 October and 12 November. In addition, the Supervisory Board participated in a total of four 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. All of the Supervisory Board members participated in at least half of the Board meetings. Average attendance was 92%.

Supervisory Board activities in the past fiscal year focused on the following topics:

- Strategic cooperation with United Internet AG in MSP Holding GmbH
- Strategies and activities related to the holdings in freenet AG
- Financing of the Company
- Management Board compensation 2009 and 2010
- Out-of-court settlement with VS GmbH
- Sale of own shares

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

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

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.

Report of the Supervisory Board

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 12 November 2009. 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 18 June 2009. Management and Supervisory Board submitted an updated Declaration of Conformity in accordance with Section 161 AktG on 18 December 2009 and made it permanently accessible to our shareholders on the Company's website.

The Audit Committee met once, on 12 November 2009, during fiscal year 2009; 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 Nomination Committee did not meet in 2009 as there was no occasion for the members to become active. There was one meeting of the Personnel Committee in 2009, held on 12 November 2009; at this time, the topics which are expected to be the major discussion points in 2010 were identified and catalogued. The membership of the various committees is listed in the overview in the chapter Consolidated Notes on page 76, point 35.

The consolidated annual accounts, the consolidated management report and the individual annual accounts and management report for fiscal year 2009 were audited by the BDO Deutsche Warentreuhand Aktiengesellschaft Wirtschaftsprüfungsgesellschaft designated and engaged by the Supervisory Board to perform the audit and were each certified by the issue of an unqualified auditor's opinion. The consolidated annual accounts were prepared in accordance with Section 315a HGB (German Commercial Code) on the basis of the international accounting standards IFRS as they are to be applied within the European Union.

The audit reports were sent to all of the Supervisory Board members in good time. The reports were the subject of intensive discussions in the Supervisory Board meeting on 24 March 2010. 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 measurements of the investment book values and the goodwill as well as the recoverability of the investment in MSP Holding GmbH and of the stock in freenet AG held directly.

After concluding its examination, the Supervisory Board did not have any objections to the submitted documents; the Supervisory Board accepted the conclusions reached by the auditor and is in full agreement with the content. During its meeting on 24 March 2010, the Supervisory Board approved the annual accounts and consolidated annual accounts; the annual accounts have thus been adopted. After reviewing the Management Board's proposal for the appropriation of the balance sheet earnings, the Supervisory Board agreed to the proposal.

Report of the Supervisory Board

The Supervisory Board wishes to thank the Management Board for its work and its successful business activities in 2009. 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.

Our Supervisory Board colleague of many years' standing, Nico Forster, died on 16 February 2010, much too young. We have lost a valuable colleague of extraordinary commitment whose critical voice and creative contributions to our discussions will be sorely missed. He was also one of the co-founders of our Company, and we shall honour his memory at all times.

Maintal, 24 March 2010

On behalf of the Supervisory Board

Dr Hartmut Schenk

Statement on Corporate Management

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

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

In the following declaration, the Management Board – simultaneously on behalf of the Supervisor Board – reports on the corporate governance of the company in accordance with Clause 3.10 of the German Corporate Governance Codex as well as in accordance with Section 289a HGB (German Commercial Code) regarding corporate management.

Declaration of Conformity Pursuant to Section 161 AktG (Germany Company Law)

The current Declaration of Conformity issued by the Management Board and Supervisory Board on 18 December 2009 and updated on 15 March 2010 and which has been made permanently accessible on the Internet at the site www.drillisch.de (to be found there under the section "Corporate Governance", subsection "Declaration of Conformity"), reads as follows:

Drillisch Aktiengesellschaft
Declaration of the Management Board and Supervisory Board 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. This Declaration is issued in accordance with the version of the Codex of 06 June 2008 for the period from 20 December 2008 to 04 August 2009. This Declaration is issued in accordance with the version of the Codex of 18 June 2009 for the period since 05 August 2009.

Item 2.3.1 Concerning the full and complete publication of the reports and documents required for the General Meeting on the Internet in the past. It has previously been possible to request copies of all of the documents solely in paper form.

The Company sent 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 decided to make the above-mentioned information available only in paper form. However, beginning with the Annual General Meeting 2010, all of the documents will be retrievable on the Internet as of the announcement of the meeting as required by the recently amended statutory provisions.

Item 2.3.2 Concerning the distribution of any and all convocation documents by electronic means in the past. It has previously been possible to request copies of all of the convocation documents solely in paper form.

All of the convocation documents could previously 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. However, beginning with the Annual General Meeting 2010, all of the documents will be retrievable on the Internet as of the announcement of the meeting as required by the recently amended statutory provisions, and, to the extent that the approval requirements and other statutory requirements have been met, will be transmitted by electronic means.

Statement on Corporate Management

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

The Management Board and Supervisory Board have concluded a liability insurance policy covering pecuniary loss which at this time does not include an excess. In the opinion of the Management Board and Supervisory Board at Drillisch AG, there is a risk that the agreement of an excess 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 an excess. There is currently no legal requirement to provide for an excess.

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.

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

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

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.

Maintal, 15 March 2010

On behalf of the Supervisory Board	The Management Board	
Dr. Hartmut Schenk	Paschalis Choulidis	Vlasios Choulidis

Working Methods of Management Board and Supervisory Board

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

The current Management Board has two members. They manage the Company on their own responsibility and define, in consultation with the Supervisory Board, the strategic direction of the Drillisch Group. The distribution of authority on the Management Board is regulated in rules of procedure. Fundamentally, each member of the Management Board manages the business units of the Company assigned to him by the rules of procedure on his sole authority. Measures of special significance or which involve unusual risks always require the prior agreement of the entire Management Board. The rules of procedure contain in addition a catalogue of the major transactions and events which require approval by the Supervisory Board. The Management Board regularly and contemporaneously notifies the Supervisory Board in written and oral form about the course of business, the position and profitability of the Group, the planned business policies and other fundamental issues of corporate planning as well as about transactions which may be of major significance for the profitability or liquidity of the Group. Moreover, the Management Board reports to the chairperson of the Supervisory Board as required by other important occasions.

As required by statutory provisions, the Supervisory Board comprises six representatives who are elected solely and exclusively by the shareholders. The current Supervisory Board members were all elected by the Company's Annual General Meeting on 30 May 2008. Their term of office ends at the time of the Annual General Meeting 2013. The Board has a sufficient number of members who are independent within the

Statement on Corporate Management

sense of Clause 5.4.2 of the German Corporate Governance Codex, i.e. who do not have any business or personal relationships to the Company or its Management Board. The Supervisory Board carries out its duties as a supervisory body both by monitoring the Management Board and advising the latter's members in the conduct of business. The Supervisory Board meets at least twice in every six-month period of a calendar year. It is quorate if and when announcements have been properly sent to all of the members and a minimum of three members participate in the adoption of resolutions. Unless otherwise provided by law or company charter, the Supervisory Board's decisions are made by simple majority vote. The Supervisory Board's working methods are regulated in detail in rules of procedure adopted by the Supervisory Board. The Supervisory Board reports on the Board's work in a separate Supervisory Board report. This report is printed on pages 6 to 8 of the Annual Report for fiscal year 2009. The names, professions and domiciles of the current Supervisory Board members and their membership on other supervisory boards formed in accordance with legal requirements and on comparable domestic and foreign governing bodies of commercial enterprises are listed on page 76, point 35 of the consolidated notes.

Work Methods and Composition of the Committees

The Supervisory Board has formed three committees, namely, a Nomination Committee, an Audit Committee and a Personnel Committee. Unless otherwise mandated by legal provisions, the provisions of the company charter applicable to the Supervisory Board as well as the Supervisory Board's rules of procedure apply mutatis mutandis to the committees.

The Nominating Committee comprises all of the members of the Supervisory Board, chaired by the Supervisory Board chairperson, and is responsible for proposing suitable candidates to the Supervisory Board for the latter's candidate proposals to the Annual General Meeting.

The Audit Committee consists of Mr Weindl (Chairperson), Mr Forster, Mr Brucherseifer and Dr Lennertz, and is concerned in particular with the monitoring of the accounting process, the effectiveness of the internal controlling system, the internal risk management system, the internal auditing system and the final audit. The chairperson of the Audit Committee is independent and is qualified as an authority in the fields of accounting and final audits.

The members of the Personnel Committee are Mr Müller-Berg (chair), Dr Lennertz and Dr Schenk. The Personnel Committee is concerned with the affairs of the Management Board, including the terms and conditions of their employment contracts. The compensation for the Management Board members, however, is determined by the Supervisory Board acting in its entirety as required by statutory provisions.

Since there are only two members of the Management Board, it has not formed any committees.

Information Regarding Corporate Management Practices Within the Sense of Section 289a (2) Item 2 HGB

Drillisch AG regards the legal requirements for corporate management to be adequate. As a consequence, there are no further relevant corporate management practices within the sense of Section 289a (2) Item 2 HGB at Drillisch AG.

Additional Information on Corporate Governance
Risk Management

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

Statement on Corporate Management

The major features of the internal controlling and risk management system regarding the accounting process are described in detail in the management report pursuant to Section 289 (5) HGB. The Management Board also reports in detail in this document on current risks and their development.

Compensation of Management Board and Supervisory Board

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. The compensation system and the compensation paid to Management Board and Supervisory Board in fiscal year 2009 are shown on page 37 (Compensation Report) and on page 77, point 37 of the consolidated notes.

Stock Transactions and Holdings of Officers and Directors

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 Clause 6.6 of the German Corporate Governance Codex must be reported in the Corporate Governance Report, during fiscal year 2009.

Directors' Dealings in 2009

Date	Transaction Type	Shares	Price/Euro	Reporting Person
30. January	Sale	60,000	1.2232	Marc Brucherseifer
30. January	Sale	50,000	1.12059	Marc Brucherseifer
30. January	Sale	60,000	1.1883	Marc Brucherseifer
30. January	Sale	40,000	1.2002	Marc Brucherseifer
30. January	Sale	15,000	1.1252	Marc Brucherseifer
06. February	Sale	6,000	1.0965	Marc Brucherseifer
06. February	Sale	18,000	1.0961	Marc Brucherseifer
06. February	Sale	25,000	1.0929	Marc Brucherseifer
10. February	Sale	18,000	1.1288	Marc Brucherseifer
10. February	Sale	18,000	1.0877	Marc Brucherseifer
01. April	Sale	14,883	1.14574	Marc Brucherseifer
01. April	Sale	15,000	1.095	Marc Brucherseifer
09. July	Sale	10,000	2.17	Marc Brucherseifer
09. July	Sale	11,389	2.176811	Marc Brucherseifer
09. July	Sale	22,537	2.135973	Marc Brucherseifer
09. July	Sale	56,074	2.127822	Marc Brucherseifer
09. July	Correction of report of 18 September 2008			Julia Brucherseifer
09. July	Correction of report of 18 September 2008			Caren Brucherseifer
09. July	Correction of report of 18 September 2008			Marc Brucherseifer
01. September	Sale	33,400	3.7449	Marc Brucherseifer
01. September	Sale	7,751	3.648	Marc Brucherseifer
28. September	Sale	79,738	4.0166	Marc Brucherseifer
28. September	Sale	95,000	4.0161	Marc Brucherseifer

The number of Drillisch shares held by the individual officers and directors is shown on page 77, point 38 of the consolidated notes.

Investor Relations Report

The Drillisch Stock - Key Data

Description	Characteristic value
Security Identification Number	554 550
ISIN	DE0005545503
Stock abbreviation	DRI
Initial listing	22 April 1998
Listed on	Prime Standard
Index	Technology All Share / TecDAX
Class	No-par shares
Number of shares	53,189,015
Share capital as per 31/12/2009	€ 58,507,916.50
Year-end closing price on 28/12/2009	€ 5.05 (Xetra)
Highest price on 01/12/2009	€ 5.48 (Xetra)
Lowest price on 09/09/2009	€ 0.89 (Xetra)
Average of traded stock (shares) on Xetra	313,387/ day (previous year: 130,741)
Designated Sponsors	Close Brothers Seydler Bank AG Sal. Oppenheim jr. & Cie. KGaA

The stock market year 2009 – turbulent beginning, but ends well

In 2009, the DAX rose by 23.8% or 1,147.23 points to 5,957.43 points (2008: 4,810.20), while the TecDAX improved by 309.27 points or 60.8% to 817.58 points (2008: 508.31).

This satisfactory development on the capital markets could certainly not have been foreseen after the reserved start to the year and the substantial losses because markets were not able to make up for the fall in stock prices from the first two months until the middle of the year. This upward movement, which began in the second quarter and is continuing to accelerate, was interrupted only by profit-taking in summer and autumn so that the stock market year 2009, both domestically and internationally, turned into a good year for the market. Whether this positive trend on the capital markets will be confirmed by the real economy in the new year has yet to be seen.

Satisfactory development of the Drillisch stock takes it to the TecDAX index

The Drillisch stock posted a price of €5.05 on the last day of trading in 2009. In comparison with the closing price for 2008 set at €1.73, this is a gain of 191.9% or €3.32. As a daily average, 313,387 shares of Drillisch stock (2008: 130,741; 2007: 205,478) were traded on Xetra.

The Management Board of the Deutsche Börse AG followed the recommendation of the Working Group Stock Indices on 3 September and included the Drillisch stock in the TecDAX as per 21 September 2009. In the September rankings, the Drillisch stock took 24th place out of 30 companies in the two criteria exchange turnover and free float market capitalisation. The Drillisch stock steadily improved up to the end of the year, reaching 21st place for turnover and 20th place for free float market capitalisation.

Investor Relations Report

Capital measures 2009 – increase of the free float

In October, Drillisch AG placed the shares from the stock repurchase programme (2,511,405 shares of Drillisch stock) on the capital market at a price of €4. The initial price of the shares was about €3.50 (ad hoc of 02 October 2009). This simultaneously increased the free float. The free float of a stock is one of the major figures for inclusion in the TecDAX Index of the Deutsche Börse AG.

Investor Relations

The IR goals of Drillisch AG for 2009 were met. We were able to explain in detail the corporate strategy of Drillisch AG to the capital market at a number of national and international road shows, during a number of meetings at the Company headquarters in Maintal, at various Company presentations and in interviews.

This corporate strategy with the key points of focus on and further development of the discount market in Germany, the good positioning in the sector "mobile Internet" on the one hand and the sustained development of corporate value on the other will be continuously further supported through organic growth. We announced the acquisition of a majority interest in eteleon e-solutions AG, Munich, in the first quarter of 2009 (ad hoc of 27 February 2009). This majority interest opens up yet another successful marketing channel with special strengths in the online sector for Drillisch.

The demands being made on companies to provide information which is always complete and contemporaneous to all investors became even stricter in 2009. Drillisch AG complies strictly with these obligations and implements shareholders' suggestions in this respect as well.

Investor Relations Events 2009

Date	Event
24 June	German & Austrian Corporate Conference, Deutsche Bank, Frankfurt
25 August	German Technology & Telecoms Conference, Commerzbank, Frankfurt

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

IR Goals 2010

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

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

Investor Relations Report

Latest Analyst Assessments 2009/2010 (as per 31 January 2010)

Institute	Investment Rating	Price Target	Date
Commerzbank	„Hold"	€ 4.80	22 January 2010
SES Research	„Buy"	€ 6.10	19 January 2010
West LB	„Add"	€ 6.00	16 December 2009
LBBW	„Hold"	€ 4.50	18 November 2009
Sal. Oppenheim	„Buy"	€ 5.50	04 November 2009
Kepler Capital Markets	„Buy"	€ 4.50	07 October 2009

Directors' Holdings as per 31 December 2009

Company	No-par Shares
MV GmbH	1,816,340 ➔ 3.41 %
SP GmbH	1,891,125 ➔ 3.56 %
Supervisory Board	**No-par Shares**
Dr Hartmut Schenk (Chair)	5,000 ➔ 0.01 %
Johann Weindl (Deputy Chair)	7,439 ➔ 0.01 %
Marc Brucherseifer	3,909,295 ➔ 7.35 %
Nico Forster	1,761,079 ➔ 3.31 %
Dr Horst Lennertz	0
Michael Müller-Berg	0

Ad-hoc Reports 2009

Date	Report
18 December	Inflow of ca. 7.4m Euro after settlement with VS GmbH
03 November	Provisional 9-month Report Increase in EBITDA forecast 2009
02 October	Sale of all own stock
11 August	Best results in the Company's history
12 May	Results of 1st Quarter Group profit rises overproportionately
02 March	Provisional results 2008: Group EBITDA €40.6 million (2007: €39.8m)
27 February	Acquisition of the majority of shares in eteleon e-solutions AG, Munich

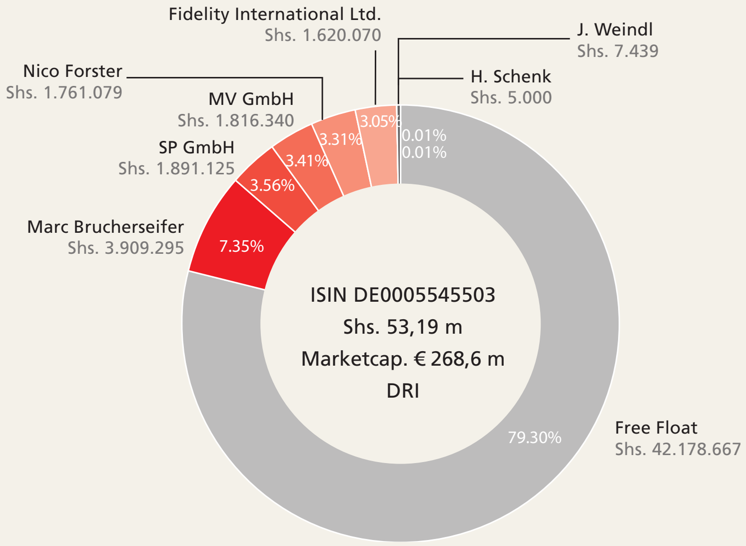
Investor Relations Report

Financial Dates 2010*

Date	Topic
Wednesday, 12 May	1st quarter report 2010
Friday, 28 May	Annual General Meeting
Thursday, 12 August	Semi-annual Report 2010
Thursday, 11 November	3rd quarter report 2010
November	DVFA Analyst Event

* Subject to change

Shareholder Structure of Drillisch AG (Last revised 31 December 2010)



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.

1) On the basis of the XETRA closing price €5.05 on 30 December 2009. Free Float acc. to the rule of Dt. Boerse AG: 92.65%.

THE DRILLISCH GROUP AND THE MARKET ENVIROMENT

A course of profitable growth through the financial and economic crisis

Drillisch has realised rising profits – as measured by the EBITDA (earnings before interest, taxes, depreciation and amortisation) – for seven years in succession. This makes Drillisch one of the few companies to increase steadily their corporate value during all phases of the various economic cycles. The company has continued to grow profitably even during the most severe recession in over 60 years. On the German wireless services market, Drillisch has succeeded in offering the right products to the customers at the right time for many years. Efficient organisation of processes, lean cost structures, experienced management, hard-working employees and innovative products at customer-friendly prices are the most important factors for this success.

Telecommunications industry virtually unaffected by the economic crisis

The worldwide economic crisis has had little noticeable effect on the German telecommunications industry. Nevertheless, revenues have declined by about 2.3% from €63 billion to just under €61 billion. In the estimation of A. T. Kearny, annual revenue decreases of a similar magnitude can be expected for the near future until 2013 as a consequence of a continued fall in prices and the increasing acceptance of flat rates. On the other hand, profitability has improved slightly and risen by 5%. A. T. Kearny believes that the success of the individual companies in the future will be decided by the speed and intensity with which they exploit the structural changes in the industry and concentrate systematically on the major growth fields. By taking this approach, companies can set their course for their own long-term, sustained growth.

Drillisch began concentrating on the segments with the strongest growth at an early stage

Since 2005, Drillisch has offered high-value wireless services in the best D-Network quality at low prices – without contract obligations or minimum fees – under the brand simply, making Drillisch the first service provider to develop the German wireless services discount market. Since that time, the product line has been expanded into a broad brand portfolio among a number of German network operators. Products from Drillisch can be found in a leading position for many rate schedule tests and recommendations, including the "Top Mobile Phone Rates" of the magazine Finanztest, the rate lists of the magazine Computerbild or the recommendations made by Stiftung Warentest for consumers who phone little, regularly or constantly. Drillisch has also been a pioneer for mobile data communications. The company introduced the first UMTS flat rate for mobile Internet on the market in 2007. Today, Drillisch offers attractive products for discount-priced phoning and low-cost mobile surfing on all distribution channels under its own brand names and in cooperation with committed sales partners and qualified specialist retailers.

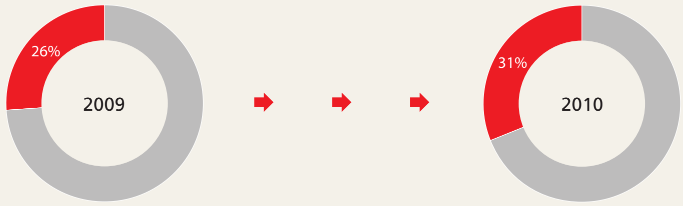
Mobile phone calls continued to become less expensive in 2009

Wireless services customers in Germany made substantially more phone calls in the past year and used mobile data services more and more frequently, but this growth in minutes did not result in higher revenues because of the falling prices and the increasing popularity of flat rates. This was the conclusion of the market analysis conducted by Dialog Consult and the VATM which was published in November. According to information from the German Federal Statistics Office released in December 2009, the annual average for mobile phone call costs declined in 2009 by 2.5% in comparison with 2008. Besides the prices for straightforward calls, the prices for mobile data services on mobile phones also fell. The study from the Federal association Digitale Wirtschaft, "BVDW Mobile Monitor", documents that over the course of 2009 monthly flat rates for mobile surfing dropped by an average of 24% while daily flat rates became 20% cheaper.

Despite the ever greater attractiveness of the prices, the number of wireless services subscriptions in 2009, following the rapid growth of previous years, rose by only a little less than one per cent to a good 108 million – as shown by the latest figures from the German Federal Network Agency for the third quarter of 2009. Goldmedia comes to the conclusion that the stagnation for SIM cards is also a consequence of the removal of the inactive "zombie users". Pre-paid cards in particular often rest peacefully without being used in customers' desk drawers. Drillisch also removed inactive subscribers from its lists in fiscal year 2009.

Phoning with a mobile phone is more attractive than ever before

Mobile phone users who would change to a wireless services discount provider



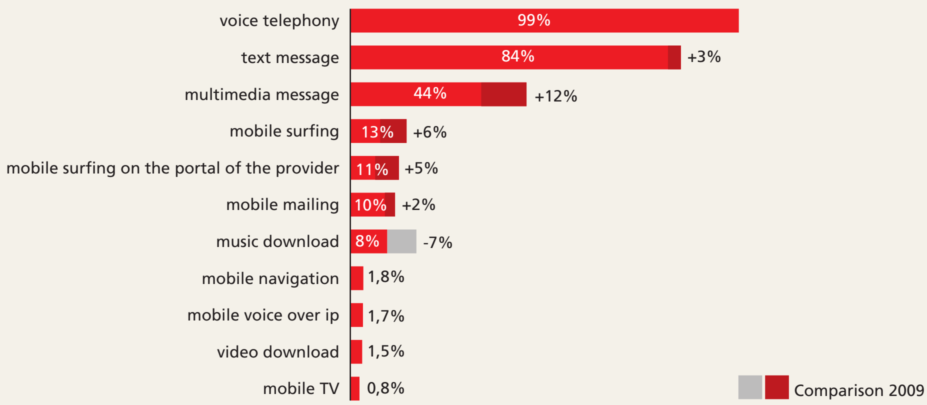
Source: TNS Infratest, 2010

A representative study from TNS Infratest clearly demonstrates: using a mobile phone to call people has lost none of its attraction. On the contrary: at the beginning of 2010, 78% of the German populace had at least one contract for wireless services. This is a gain of 3% in comparison with the same point in time in 2008. Wireless services discounters made substantial inroads in gaining the favour of mobile phone users. Thirty-one per cent of those surveyed would change to a discounter, 5% points more than in the previous year. And the number of people actually making the change is growing as well. Over the past 24 months, one out of five mobile phone owners chose a new provider or a new rate schedule so as to reduce his or her wireless services costs. The TNS Infratest study also confirms that wireless services customers prefer simple rate structures and wireless services at a flat rate. Sixty-two per cent of the mobile phone users prefer flat rates to other rate schedules for voice services. Users' preferences become even clearer for mobile surfing; 70% of the mobile phone owners select a rate with a lump-sum price as their first choice.

Thanks to the boom in smartphones, mobile Internet in demand as never before

The number of people using their mobile phones for Internet applications has also risen: 13% (6% more than in 2009) have surfed on their mobile phones at least once, 10% (2% more than in 2009) use their phone to send e-mails.

Popularity of mobile surfing on the rise



Source: TNS Infratest, 2010

Phoning with a mobile phone is more attractive than ever before

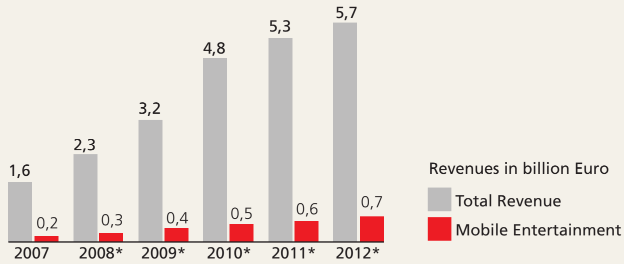
A decisive reason behind the increasing success of mobile Internet is the boom in smartphones. The multimedia all-rounders with larger displays, touch screen capability, operating systems optimised for the Internet, integrated GPRS receivers for navigation systems and other innovative features continue their advance and are pushing aside the classical mobile phones more and more. According to information from the market researchers at IDC, the smartphone market worldwide in terms of units rose to new heights in the past year, increasing by 15.1% in comparison with the previous year to 174.2 million units sold. In the fourth quarter of 2009 alone, 54.5 million devices, 39% more than in the same period of the previous year, were delivered to subscribers. The share of smartphones among all mobile telephones sold rose – according to IDC – from 12.7% in 2008 to 15.4% in 2009.

The situation is similar in Germany. As part of the worldwide study, "Global Telecoms Insights" (GTI), the market researchers from TNS Infratest determined in November 2009 that about 45% of the German populace is planning to buy a mobile telephone within the next six months. The willingness to buy mobile end devices in this country has more than doubled in comparison with the previous year – at the same time in 2008, the corresponding figure was only 21%. One out of three mobile phone users is planning the purchase of a touch screen mobile phone. This is also a clear signal for the increased attraction enjoyed by mobile messaging services such as text messages, e-mail, Twitter and the others. Since the projected rise in demand goes hand in hand with raised willingness to spend more for mobile end devices – a plus of about 20% within one year – both end device manufacturers and wireless services providers have the opportunity to realise additional revenues from mobile Internet use by offering attractive devices and the appropriate data rates.

Googling, navigating, shopping – surfing on a mobile phone is becoming the norm

Mobile access to the Internet is developing from a technical possibility to a matter of course in daily life. Fifty-one per cent of German Internet users already use their mobile phone or smartphone to surf the Web while on the go. This is the result of a study on the use of mobile data services released by Scout24 Holding GmbH in November 2009. These figures also show that one out of four is a so-called "heavy user" who goes online several times a day with the mobile phone and frequently uses mobile services. News services are especially important for 71% of the mobile phone or smartphone surfers. Navigation applications take second place at 59%, followed by online shopping in third at 58%. An especially interesting point is the high degree of willingness to pay discovered by the survey: just under 70% of the online users surveyed would pay extra for mobile applications, provided that the offered services represented a personal added value. Estimates from the EITO Institute predict that the market with mobile data services will grow by 10% in each of the years 2009 and 2010.

Rapid growth in mobile data services



Source: Research „Mobile Life 2012",Goldmedia/BITKOM, 09/2008 *Forecast

Phoning with a mobile phone is more attractive than ever before

Landline becoming superfluous for many

The range of mobile applications is growing constantly and pushing landline services aside more and more. In the meantime, almost one-third of all mobile phone owners could imagine doing all of their phoning with a mobile phone. Even the classical DSL connection is becoming superfluous in view of fast mobile UMTS flat rates with transmission speeds of up to 7.2 Mbit per second. Although about 76% of the households still used a stationary computer to access the Internet in 2009, the same figure was 81% in 2008. The number using mobile computers such as laptops or notebooks for Internet access, on the other hand, rose by 9% to 56%. In the opinion of the market research institute Informa, data traffic via the mobile Internet will continue to increase. By 2012, data traffic via mobile phone or data stick will presumably increase 25-fold. The dynamically growing mobile data volume parallel to the simultaneous decline in prices will, according to Informa, lead to a doubling of revenues in the next two years.

Companies planning higher IT budgets in 2010

According to EITO forecasts, the information technology market (IT hardware, software, IT services) will grow by 0.6% in the EU countries and pass the mark of €300 billion in the coming year. Owing to the decline of 2.6% to about €299 billion in 2009, an investment backlog has developed in information technology which will be reversed over the next two years. However, the companies hit particularly hard by the economic crisis, e.g. machine and aircraft construction, will continue to hold off on starting new IT projects until the situation has improved. About 41% of the IT departments in companies will again have a higher budget at their disposal in the coming year, as is shown in a current study by the IT consultants Capgemini. The market researchers from Gartner also expect rising IT expenditures in 2010.

MARKETING REPORT

Drillisch continues to develop the growth segments discount and data services

Drillisch was the first wireless services provider to recognise the growth potential in alternative rate models and introduced the brand simply, the first discount rate schedule – featuring low minute prices and without a basic fee or minimum contract term – on the German market, back in April 2005. The slogan, "einfach simply und gut (simply – simple and good)", stood for simple and low-cost mobile phone calls from the very beginning. Since the start-up of the first provider, the wireless services market has continued to develop steadily, and simply – today just as yesterday – has never wavered in its determination to exploit the market opportunities of this dynamic segment.

simply launches the first discount rate with a cost limit

In May 2009, the pioneer brand simply once again demonstrated its innovative strength and became the first provider on the German wireless services market to offer to consumers a discount rate schedule with a genuine cost limit: the new rate schedule "simply basic pro". The new rate schedule, a mixture of time-based billing and flat rate elements, has been created to fit even more closely with the individual telephony behaviour of many mobile phone users. Up to a monthly total of €55, a low 13 eurocents is charged for every call minute and every text message in "simply basic pro". When this limit has been reached, the schedule turns into a dynamic flat rate; domestic calls or text messages do not cost one cent more. Whereas the full fixed price for a genuine flat rate must be paid even if fewer calls are made during the billing period, a dynamic cost limit offers significantly more flexibility and enables mobile phone users to lower their telephone charges even further.

So simply is continually being expanded by additional product families and now offers low-cost standalone flat rates with a new, revised rate structure under "SIMfix" in addition to the standard rates "simply easy" (standard price) and "simply partner" (low Community price), the first discount rate with additional cost limit ("simply basic") and, since the beginning of 2009, one of the first high-speed UMTS data flat rates in the discount segment ("simply data"). Customers for whom the choice of the right mobile phone, even when they select rate schedules without a basic fee, is of decisive importance will find an attractive portfolio ranging from entry-level models to practical all-rounders to business and multimedia phones with all of the top features in the new, refurbished mobile phone shop which simply launched in February 2009. In addition, simply draws on its years of experience on the discount market and exploits cross-selling potential with partners from the sectors discount electricity, gas, travel and financial services.

simply
Und gut.

Industry pundits agree: the mobile Internet is one of the growth drivers for wireless services. Drillisch took up a position in the future-oriented business field at an early stage. Distribution campaigns are determinedly aimed at this market. As early at the end of 2008, the Drillisch Group first began marketing a mobile data flat rate under its own brand, "simply data", for current simply customers. At the start of the reporting period, the trend product, which met with outstanding acceptance among consumers, was solidly anchored in the simply product family and could be ordered by new customers as well from this time on. simply data paves the way to mobile, fast and low-cost surfing. The download speed is as high as 7.2 Mbit per second – faster than the average landline DSL connection at home. Customers who do not use the SIM card in a laptop with UMTS module (SIM card slot) and do not yet have the appropriate hardware have the option of acquiring a configured USB drive. Typical for simply: "simply data" was the first mobile high-speed data flat rate on the German wireless services discount market, offering a price of less than €20 and without a minimum contract term or obligation.

Drillisch makes mobile Internet simple and low in cost – marketing on all distribution channels PHONEX – a new brand for specialist retailers

The other discount brands of the Drillisch Group were successively expanded further in this direction during the course of fiscal year 2009 as well. McSIM, the product launched on the Vodafone wireless network in 2006, was revised and enhanced by the mobile data flat rate, "McSIM data". The new voice rate, "McSIM prepaid", the only product on this wireless network with a standard minute and text message price of 8 eurocents, was launched at the same time, once again living up to its slogan – "Schottengünstig mobil telefonieren" (mobile calling cheap enough for Scots). The brand maXXim, successfully launched on the market in May 2008 with the first 8-eurocent rate and the object of many test awards and recommendations, also expanded its line with the addition of a data product – "maXXim data". These steps make the Drillisch Group the first provider with voice and data services carried under a number of brands on various wireless services networks.

Even more customer-friendly wireless services products in retail food trade

In July 2009, simply realised the first data flat rate on a daily basis in retail food trade called "ja! mobil data" and "Penny Mobil Data" for REWE Group. Customers who pick up a mobile phone start-up package of the brands "ja! mobil" or "PENNY MOBIL" at the supermarket check-out can now choose from among three rate plans when they activate their subscription – including the option of a special "data" rate of only €2.49 a day for mobile surfing on the Internet. Instead of a monthly fixed price, occasional surfers enjoy more flexibility. In addition, the new "data" rates also include phone calls around the clock to all networks for 9 eurocents a minute. Moreover, customers using the schedules "ja! mobil partner" and "PENNY MOBIL PARTNER" benefited from price reductions of 1 eurocent each in June 2009 and December 2009. One minute of calls to landline and other wireless service networks under the "Partner" rate schedules now costs only 11 eurocents. Within the same Community, the cost is a mere 3 eurocents a minute. As of May 2009, a changeover to phoning at low discount prices using "PENNY MOBIL" and "ja! mobil" has become even easier because mobile phone owners can now take their previous phone number with them. So friends, acquaintances, business partners or colleagues can still reach you under the old number even after you switch to one of the wireless services products of REWE Group.

PHONEX – a new brand for specialist retailers

But even while focusing on the Internet-based discount market and sales cooperation in retail trade, Drillisch has not ignored the established specialist trade. The brand PHONEX has been created specifically with the needs of specialist trade partners in mind. PHONEX offers qualified specialist retailers a fair rate schedule with low minute prices, especially low costs for mobile surfing on the phone and attractive fees when travelling abroad. Sales professionals can take advantage of PHONEX to put together attractive and individual wireless services products for their customers because a plethora of additional options make it possible to put together a customised total package for every single customer based on his or her personal preferences – e.g. flat rates or data allowances. The minute and text message price of 12 eurocents offered by PHONEX is significantly lower than classical rate schedules and offers an interesting alternative without having to do without professional advice.

Now that the former subsidiaries have been merged into Drillisch Telecom GmbH, the classical service provider brands of the Drillisch Group have been brought together as of this year on a standard, customer-friendly Internet site located at www.drillisch-telecom.de. Using the practical dealer search, customers can always find one of Drillisch Telecom's more than 400 sales partners in their vicinity.

fioon supplements portfolio with Internet services

fioon supplements portfolio with Internet services

The provider fioon, which was launched in November 2008 and also belongs to the Drillisch Group, attracted attention in the spring months with its attractive bundled offers of voice and data rate plans as well as low-price entry plans for mobile Internet. While IQ-optimize Software AG initially offered only two separate product families for fast mobile Internet and discount-price phoning under the brands "fioonDATA" and "fioonPHONE", fioon combined the best of two worlds in April. The fioon combination card features a UMTS data flat rate and a landline flat rate for the mobile phone on one SIM card. The product appeals to all users who want to be able to use a modern mobile phone to surf the Internet any time, anywhere, easily and fast, without having to do without low-price phoning. Supplementing the straightforward wireless services products, "fioonMAIL" launched a professional e-mail account with Outlook Web Access. Using this mobile office, both private and business customers always have access to their most important and, above all, updated data from any end device with Internet capability anywhere in the world – regardless of whether e-mails, contacts, appointments or documents, and regardless of whether changes have been made in the meantime. So fioon offers not only the ideal combination of fast mobile Internet access and discount-price mobile phoning, but more extensive Internet-based services as well.

CONSOLIDATED MANAGEMENT REPORT

Business Report

1. Business Report

1.1. Drillisch Is a Successful Wireless Services Provider

Drillisch AG, 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 the Internet, large retail chains and about 400 specialist retailers.

The services acquired from the network operators T-Mobile Deutschland GmbH ("T-Mobile"), Vodafone D2 GmbH ("Vodafone"), E-Plus Mobilfunk GmbH ("E-Plus") and Telefónica O2 (Germany) GmbH & Co. OHG ("O2") are sold further to the end consumers for the Company's own account and at rates established by Drillisch on the basis of its own calculations. The "Wireless Services" business unit forms the core business of Drillisch. The scope of services covers all of the services, without exception, that are offered by the network operators relating to the transmission of voice, data and other content on the basis of current standard transmission technologies. The majority of Drillisch's customers are private customers. However, Drillisch has also concluded skeleton agreements concerning wireless services with business customers.

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

Drillisch AG is the Group's holding

Within the Drillisch Group ("Drillisch"), Drillisch AG, the parent company, concentrates on holding tasks such as management, finances and accounting, controlling, cash management, human resources, risk management, corporate communications and investor relations. The wireless services provider Drillisch Telecom GmbH ("Drillisch Telecom"), Maintal, and SIMply Communication GmbH ("simply"), Maintal, handle primarily the operative wireless services business. MS Mobile Services GmbH ("MS Mobile"), Maintal, is a group company which successfully markets discount products under the brand "maXXim". All of the IT know-how of the Drillisch Group has been collected in IQ-optimize. At the end of February 2009, Drillisch acquired the majority interest (71.4%) in eteleon e-solutions AG ("eteleon"), Munich. As of the beginning of April, the holding had been increased to just under 80% (79.97%) in the course of a voluntary exchange offer. In December 2009, Drillisch acquired yet another 9% of the eteleon stock so that it held a total of just under 89% of the shares as of the end of the year. This company is a specialist for innovative sales solutions on the telecommunications market. MSP Holding GmbH ("MSP"), Maintal, promotes the strategic positioning of Drillisch on the wireless services provider market by acquiring and holding shares in freenet AG ("freenet"), Büdelsdorf.

Offering four strong brands in the postpaid and prepaid segments

Drillisch Telecom is a wireless services provider with the four strong brands Telco, VICTORVOX, Alphatel and McSIM. The premium brand Telco is distributed via specialist retailers. Drillisch makes use of the brand VICTORVOX to specialise in select forms of distribution and wide-area marketing. Both of these brands stand primarily for postpaid business. The Company offers here its own products on the basis of specifically calculated prices in addition to the classic network operator rate plans. McSIM expands the Drillisch discount line by offering wireless services on the Vodafone network. Drillisch uses the brand Alphatel to offer in the prepaid segment, the only service provider in Germany to do so, cash cards and cash codes via its own platform, g-paid, as well as starter cards and bundles.

Business Report

Low-cost wireless services discount rates

simply – one of the discount pioneers in Germany – markets wireless services rates at especially favourable conditions on the T-Mobile network via the Internet and in cooperation with large retail chains. discoTEL is the most recent discount brand in the Drillisch Group and is offered by the subsidiary eteleon. By offering a rate of 7.5 eurocents a minute, discoTEL caused a stir on the German wireless services discount market in 2009. At the beginning of 2010, Stiftung Warentest ranked this rate as the lowest one in the D1 network in both the category "Normal Telephone Users" and in the category "Message Fan". In the previous year, maXXim long held the position of price leader by offering a rate of 8 eurocents a minute.

IT competence from IQ-optimize guarantees high level of efficiency

Drillisch has bundled its IT competence in its subsidiary IQ-optimize. The company performs all of the IT services for the Group firms and markets its own workflow management software. IQ-optimize has been operating as a service provider and marketing the new brand fioon since November 2008. fioon offers access to the mobile Internet and mobile telephony at discount rates.

MSP holds the participation in freenet

At the beginning of December 2009, MSP took over the 50% interest previously held by its former shareholder, United Internet AG ("United Internet"), Montabaur. In return, MSP transferred 50% of the freenet stock it held at that point in time to United Internet (5,285,591 shares). This resulted in MSP becoming an affiliated company of Drillisch. The voting agreement existing between MSP, United Internet and Drillisch related to the freenet stock held by the parties remains in force without any changes. As of 31 December 2009, MSP held 5,000,000 shares of freenet stock. Moreover, Drillisch AG directly held an additional 10,540,650 shares of freenet stock as per 31 December 2009.

1.2. Company Management – Objectives and Strategies

Our corporate strategy centres on profitable growth. The focus of new business is on the discount sector and the marketing of data products. In the opinion of the Management Board, low-cost and transparent discount rates offer the greatest opportunities for growth on the German market for voice telephony. The highest percentage growth rates are expected in the segment of data communication. Drillisch does not intend to limit its participation in this market growth to products based on the rates of network operators. The Company has placed its own, customer-friendly brands on the market, including fioonDATA, simply data, maXXim data and discoSURF. The expansion of sales activities via e-commerce and other remote trade channels in cooperation with eteleon aims at the acquisition of new customers. With this in mind, the product line is being expanded. In the postpaid customer segment, the Company aims to retain its current customers by offering attractive options for contract renewals, to develop integrated communications solutions and to market wireless services in combination with other products. Additional measures focusing on the steady improvement in the quality of the offered products and services, the more efficient design of the creation of services and the promotion of sales through innovative marketing concepts and new distribution channels are being initiated so that good profit margins can be achieved despite the increasing competition.

Value-oriented management system

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

Business Report

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. As a consequence, the Company has been able to raise consistently the EBITDA year after year over the past seven years, despite the stagnation in the market environment. Drillisch achieves this high level of 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 on the market.

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

The Company has also succeeded in putting together an experienced team at the second management tier to support the top managers who have been working here for many years.

1.3. Market and Competition

Appeal of mobile phones still rising

In 2009, callers in Germany spoke on their phones for more than 900 million minutes, almost as much as in the previous year. The appeal of mobile phones has continued to grow. Mobile phone use rose by just under 10% to 253 million connection minutes per day, while the minute figures for landline networks declined by just under 3% to 666 million minutes. This is the result of the eleventh TC Market Study conducted jointly by VATM and Dialog Consult, which was released at the beginning of November 2009. The non-voice share of sales on wireless networks in 2009 rose by 1.6% in comparison with the previous year to 27%. More than half of these non-voice sales resulted from mobile data transmissions.

As of the end of 2009, there were about 109 million active wireless services contracts in Germany, corresponding to an increase of just under 2%. At the same time, the number of landline subscribers declined by just under 6% to 33.2 million. As a consequence of greater acceptance of flat rate offers and the continuing decline in minute prices, the growth in usage minutes did not lead to greater turnover. Dialog Consult predicts that sales on the German telecommunications market will have declined from €64.3 billion in the previous year to €62.0 billion in 2009. The wireless services turnover will presumably have weakened even more drastically, from €25.4 billion to €23.6 billion.

IT industry becoming one of the major pillars of the German economy

During the Fourth National IT Summit in Stuttgart in the middle of December 2009, it became clear that Germany has the potential to take on an internationally leading role in many innovation fields of the information and knowledge society. Nevertheless, the high-tech market has not been able to escape the effects of the worldwide recession. Yet the economic crisis has had a less massive impact on the IT market than on many other industries in Germany. According to estimates of BITKOM, sales in this sector declined by 2.6% to just under €300 billion in 2009.

Business Report

Drillisch is the Number Two on the German service provider market

Being a wireless services provider, Drillisch competes both with the four network operators (T-Mobile, Vodafone, E-Plus and O2) and the other service providers. According to a study conducted by VATM, the network operators have a market share of about 84% in Germany. The remainder is basically distributed between the service providers freenet (including mobilcom and Debitel) and Drillisch. According to VATM estimates, Drillisch had a market share of more than 8% in the sector of wireless services providers.

1.4. General Economic Conditions

The global financial market and economic crisis has given rise to new challenges for the world. Germany was hit especially hard by the crisis owing to its extensive international relationships. Because of the sharp economic drops, above all for exports, the real gross domestic product in 2009 fell by 5%, the most severe decline in the history of the Federal Republic. This was the result shown by the Federal government in the Annual Economic Report 2010. The number of employed workers also fell as a consequence of the lower economic performance. Unemployment rose from 7.8% to 8.2%. Gross wages and salaries dropped by 0.4%, and domestic demand weakened by 1.8%.

The Drillisch Management Board has noticed only a slight impact on the Company's own wireless services business from the sharp decline in economic performance and the more problematic situation for private consumers. Just as in the previous years, the falling minute and flat rate prices and the ongoing competition in contract customer business were of greater significance.

1.5. Turnover and Earnings Position

In fiscal year 2009, the Drillisch Group realised sales of €344.5 million (previous year: €350.1 million) from 2.25 million subscribers (previous year: 2.37 million) as of the end of the year. The item Sales includes €0.2 million from the segment software services and €344.3 million in wireless services sales from the departments Prepaid and Postpaid, earnings from network operator commissions and bonuses and sales from the merchandise business (sale of wireless devices, pre-paid bundles and starter cards). In fiscal year 2009, the Company deliberately limited the wireless services business with hardware and prepaid bundles which exhibit weak profit margins. In addition, part of the inactive subscribers were removed from the prepaid customer rolls. The decline in consolidated sales of 1.6% for 2009 as a whole was significantly lower than the industry average. The product mix was expanded in the direction of the postpaid business with its higher margins. The ratio of prepaid to postpaid contracts came to 56% to 44% (2008: 64% to 36%). Besides the new customer acquisition, especially in discount business and for mobile data communication, the Company increased its investments in the extension of existing customer relationships for contract customers.

At the end of the year – in the fourth quarter — Drillisch was once again able to achieve a strong rise in sales. In comparison with the fourth quarter of 2008, the consolidated turnover increased by 9.5% or €8.0 million to €92.4 million (4th quarter 2008: €84.4m).

Other operating income rose by €7.2 million to €10.2 million in fiscal year 2009. €7.4 million represents income from an out-of-court settlement. The cost of materials declined by 4.7%, significantly overproportionately to sales, to €263.6 million. The primary factors here involve basic fees and fees for the ongoing use of the wireless services networks of the network operators (airtime), commissions and bonuses to sales partners and expenditures from merchandise business (purchase of mobile devices, prepaid bundles and starter cards). As a consequence, gross profit (turnover less cost of materials) improved by 10.3% to €80.9 million. The gross profit margin (gross profit to turnover) rose from 20.9% in the previous year to 23.5%. Due to the acquisition of eteleon, personnel expenses increased by 10% to €21.4 million (previous year: €19.5 million). The personnel expenses ratio (personnel expenses to turnover) came to 6.2% (previous year: 5.6%).

Business Report

Other operating expenditures rose by €2.8 million to €21.0 million, primarily because of a significant rise in advertising costs and higher legal and professional expenses and bad debt losses or valuation allowances on receivables. On the other hand, the structural costs continue to decline. In particular, there were drops in the billing costs, rents, motor vehicle expenses and costs for postage and telephone.

The EBITDA (earnings before interest, taxes, depreciation and amortisation) improved by one-fourth to €50.7 million (previous year: €40.6 million). This includes items with a total scope of €7.2 million which are of one-off or extraordinary nature. Adjusted for these factors, the EBITDA amounts to €43.5 million (previous year: €40.6 million) and exceeds the forecast which the Management Board had raised in the autumn. The adjusted EBITDA improved in fiscal year 2009 by more than 7%. Depreciation declined by 6.0% to €6.3 million. As a consequence, the EBIT (earnings before interest and taxes) rose by just under one-third to €44.4 million (previous year: €33.9 million).

The significant decline in interest rates in comparison with the previous year, the repayment of bank loans and the rise in cash resulted in an improvement of interest results by 29.6% to -€2.7 million (previous year: -€3.8 million). The participation in MSP and the shares in freenet held directly were measured in the balance sheet according to the equity method until the end of August and the middle of December, respectively. The results from this inclusion amounted to €69.1 million (previous year: -€202.4 million) in fiscal year 2009. The rise in the market price of the freenet stock had an especially positive effect here and led to write-ups in the financial assets shown in the balance sheet according to the equity method which did not affect payments (previous year: write-offs which did not affect payments).

The earnings before taxes on income (EBT) improved by €283.3 million to €110.9 million. Taxes on income amounted to €9.7 million (previous year: €11.7 million). Tax expenses were relatively low in comparison with the results of the previous year because the income from the write-ups on financial assets was not subject to taxation. Exactly the opposite effect was noted in the previous year. The write-offs on the financial assets did not reduce taxable income because they are not tax-deductible expenses. The consolidated profit improved by €285.3 million to €101.2 million (previous year: -€184.1 million). Profit per share came to €1.98 (previous year: –€3.58).

1.6. Assets, Liabilities and Financial Position

The balance sheet total for the Drillisch Group rose by €123.0 million to €305.3 million as per 31 December 2009 (previous year: €182.3 million). Thanks to good business development and the increase in the value of the other financial assets with effect on earnings, the rise is reflected almost completely in equity through the higher consolidated profit. The equity ratio was significantly more than double the figure at the end of 2008 (previous year: 17.4%), increasing to 48.7%.

The good operating cash flow in combination with the income from the sale of treasury stock and from the settlement with VS GmbH caused cash to rise by €22.6 million to €26.9 million (previous year. €4.3 million) although Drillisch paid back bank loans with a volume of €20 million as scheduled during fiscal year 2009. In part because of the initial consolidation of eteleon, inventories rose by €0.7 million to €6.3 million (previous year: €5.6 million) and trade receivables increased by €8.8 million to €33.4 million (previous year: €24.6 million). All in all, current assets increased by €31.8 million to €74.9 million (previous year: €43.1 million).

The fixed assets increased by a total of €91.2 million to €230.4 million (previous year: €139.2 million). Their share of the balance sheet total as of 31 December 2009 was 75.5% (previous year: 76.4%). 92% (previous year: 83%) is financed by equity and long-term debt. In the previous year, the 50% interest in MSP and the freenet stock held by Drillisch AG were shown under the item "Financial assets shown in the balance sheet according to the equity method". Following the reduction of the voting stock in freenet held jointly with United Internet in the third quarter of 2009 and the change in MSP, the freenet stock held both by Drillisch AG and by MSP was shown under the Other financial assets as per 31 December 2009. The significantly increased amount is primarily a consequence of the substantial rise in the stock exchange price of the freenet stock. The contrary effect occurred here at the end of the past fiscal year.

Business Report

Company value as per 31 December 2009 rose by €0.8 million to €67.2 million (previous year: €66.4 million). This was a consequence of the acquisition of eteleon in the first quarter of 2009. Part of the purchase price for eteleon was paid in the form of treasury stock which Drillisch had acquired in the course of various stock repurchase programmes. As of the beginning of October 2009, Drillisch had sold all of the remaining treasury stock. This resulted in an increase of subscribed capital in comparison with the end of 2008 by €3.8 million to €58.5 million (previous year: €54.7 million). The shares re-acquired by the Company are offset against equity. If they are re-issued to third parties, they are once again allocated to equity. Each share decreases or increases the subscribed capital – depending on whether a share is repurchased or re-issued to third parties – by €1.10. The market valuation provision as per 31 December 2009 amounted to €4.4 million (previous year: €0). It reflects the increase in value of the Other financial assets as a non-operating result between 26 August 2009 and the closing date. The freenet stock held by Drillisch AG and MSP is a major element of the Other financial assets.

Thanks to the good business results, the accumulated deficit decreased by €101.1 million to €72.5 million (previous year: €173.6 million). The accumulated deficit resulted primarily in 2008 from the change in the stock market evaluation of the freenet shares as of the end of the year. In comparison with the previous year, equity increased by €116.8 million to €148.5 million (previous year: €31.7 million).

The balance of the long-term liabilities due to banks declined by €15.9 million to €59.5 million (previous year: €75.4 million), in part as a consequence of scheduled repayments totalling €20.0 million as per 30 June and 31 December 2009. The balance of the deferred tax payments declined by €3.2 million to €3.5 million (previous year: €6.7 million), primarily because of the non-exercise of a call option which was capitalised in the consolidated accounts as per 31 December 2008 at market value in abrogation from the tax balance sheet. The share of long-term liabilities in the balance sheet total amounts to 21% (previous year: 46%).

Short-term liabilities increased with respect to the end of fiscal year 2008 by €25.8 million to €92.7 million (previous year: €66.9 million). Their share in the balance sheet total fell to 30% (previous year: 37%). Trade liabilities rose by €19.6 million to €27.5 million (previous year: €7.9 million) and payments received on account increased by €10.5 million to €26.2 million (previous year: €15.7 million). This increase comes mainly from the initial consolidation of eteleon and a significant rise in customer credits.

1.7. Cash Flow

Cash flow from current business activities grew by €11.3 million to €53.9 million. The most important factors behind this were a higher consolidated result and the expansion of the supplier liabilities as well as the payments received on account. There was an outflow of funds in the amount of €24.5 million (previous year: €112.8 million) for investments, primarily in tangible and intangible assets and in the acquisition of shares in the financial assets shown according to the equity method in the balance sheet and the Other financial assets. The sale of treasury stock and scheduled amortisations following the utilisation of the full credit line resulted in a cash flow balance from financing activities of -€6.8 million (previous year: -€10.2 million). Total cash therefore rose by €22.6 million to €26.9 million (previous year: decrease by €80.4 million to €4.3 million) in comparison with the end of 2008.

1.8. Employees

On the average for the year, Drillisch employed a staff of 382 (previous year: 347), including the two members of the Management Board. The Company is convinced that good vocational training is important for the future of young people, which is why it takes its social responsibility seriously and gives more young people an opportunity for vocational training than are required for its own needs. The number of vocational trainees, who are not included in the above figure, rose to 40 (previous year: 18).

Risk Report

1.9. Principles and Objectives of the Financial and Capital Management

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

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 managed additionally in accordance with the principles defined in these provisions. In cases in which no special provisions must be observed, the managed equity is the equity as shown in the balance sheet. Otherwise, the equity from the balance sheet is adjusted according to the contractual requirements. During the reporting period, the Company complied with both company law and contractual provisions at all times.

2. Risk Report

2.1. Risk Management

The risk management system is an integral component of corporate policy aimed at early exploitation of opportunities and detection and limitation of risks.

Drillisch operates a risk management system throughout the Group which includes continuous observation to ensure early recognition and the standardised recording, assessment, control and monitoring of risks. The objective is to obtain information about negative developments and the related financial effects as early as possible so that the appropriate measures can be initiated to counteract them. The management of the company results and company value makes use of the instrument of risk management. It can thus become a strategic success factor for the Company's management for both subsidiaries and Drillisch 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 operating 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. Drillisch's risk management process, which aims to exploit opportunities when they arise and to be able to discern threats, is based on the following building blocks:

- The internal controlling system
- The daily, weekly and monthly management reporting, especially in the areas controlling, cash management and the operating business fields
- Continuous and constant observation of the market

The coordination of the risk management is handled at corporation level by Group Controlling and the Legal Department. On the basis of the monthly accounts, the regular comparison of budgetary and current figures and market analyses and observations, the Company is able to recognise opportunities and risks from the operating as well as strategic sectors at an early stage, to put together a risk portfolio and to implement the appropriate measures. Responsibilities and accountability are clearly regulated at Drillisch and are based on the corporate structure of the Drillisch Group.

Part of the risk management involves the securing of risks outside of the Group as well. Insurance policies have been concluded to cover incidents of loss or damage and liability risks resulting from daily business, if and when such policies are considered to be economically reasonable.

Risk Report

The results of the risk management process are regularly the subject of deliberations by the Management and Supervisory Boards.

2. 2. Market-related Risks

The Company generally faces the following major market-related risks.

- Drillisch operates in a market environment which is by and large saturated and consequently highly competitive. Increases in turnover cannot be expected on the German wireless services market as a whole in 2010.
- The market for the so-called wireless services discount rates may not grow as expected, and Drillisch 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.
- 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 comparatively high, especially in the segment of postpaid products. These expenditures may continue to rise in the future.
- Drillisch's business activities are highly sensitive to regulatory conditions which may change and impact business.
- Wireless services providers and their product lines are dependent on network operators because they do not have their own networks.

2.3. Company-specific Risk Factors

Drillisch faces the following major company-specific risks.

- Since liquidity is influenced to a major degree by the planned cash flow from operating activities and the contractually agreed amortisations of liabilities due to banks, negative aberrations from the budget – at least in part – may make a refinancing of the amortisation figures necessary.
- The net financial debt of Drillisch could increase, e.g. as a consequence of the takeover of companies, leading to a worsening of the financial results and the equity ratio. This could have a long-term effect of the Company's ability to pay dividends and to take out new loans.
- 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 holdings in freenet stock. During the acquisition of the shares in freenet, Drillisch was dependent on documentation which was available to the general public. If this information should prove to be incorrect or incomplete, Drillisch may be exposed to unknown threats.
- The interest in freenet held by Drillisch and MSP results in a book value of the stock which is subjected to a regular review of its recoverable value. The review may lead to further unscheduled write-offs in both the consolidated accounts in accordance with IFRS and the individual accounts in accordance with HGB.
- 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

Risk Report

result in a threat from changes in interest rates.

- The maintenance of the functional capability and the regular further development of the software systems used by the Company, which it has developed in part itself, for the administration of the customers and the billing of performed services is of decisive importance for the success of Drillisch. Software errors can cause disruptions in the program execution, in extreme cases causing a permanent crash of the software and the loss of data, and prevent the Company from developing and offering new wireless service products within a short period of time.
- Drillisch is also dependent on distribution partners for the sale of its wireless service products.
- Drillisch is subject to the risk that contract customers will not meet their payment obligations from their wireless service contracts.
- Drillisch is highly dependent on members of the Management Board and on employees in key positions.

There were no significant changes in the risk situation in 2009 in comparison with the previous year. The risks described here are the major risks which have been identified at this time. The possibility that additional major risks which have not been recognised by management exist, or that the probability of the occurrence of such risks has been wrongly assessed as negligible, cannot be excluded. Adequate precautions have been taken to counter any probable risks. No risks which would threaten the existence of the Company are known at this time.

Prediction Report

3. Prediction Report

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 assessment shown here.

3.1. General Economic Conditions

"Shaping the Future with Renewed Energy" is the title of the Annual Economic Report 2010 from the Federal government. It projects a rise in real gross domestic product (GDP) of 1.4% as an annual average for 2010. Owing to the burdens of high costs, it will presumably become increasingly difficult for companies to maintain the size of their staffs in this year. As a consequence, the Federal government fear there will be a sharper rise in registered unemployment than in the previous year, although it should not be as serious as was expected only last year. Among other measures, the government have initiated an immediate programme for taxpayers and companies to relieve tax burdens by about €24 billion per year as part of the efforts to solidify economic recovery.

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

The Drillisch Management Board expects the telecommunications market in Germany to continue to serve as one of the innovation motors of the German economy. Just as in previous years, there will presumably not be any growth in turnover because the prices continue to fall even faster than usage grows. The strongest growth drivers on the wireless services market remain the discounters and mobile data communication. In addition, the displacement of landline networks by wireless networks will continue to accelerate.

3.3. Opportunities and Risks of Future Development

In view of the ongoing economic uncertainty, consumers will continue to pay close attention to prices. So simple phoning at low prices will remain at the focus of wireless services customers' interest. This is also indicated by a study conducted by TNSInfratest, which has determined that 31% of mobile phone users could imagine switching to a discount provider if such a change would lower their wireless services costs. So Drillisch, being a pioneer on the wireless services discount market, expects good growth potential for its attractive portfolio of low-cost wireless services despite the increasingly stiff competition.

The virtually full-area coverage for mobile high-speed Internet and the increasing number of smartphones are solid reasons to expect good growth rates for the utilisation of mobile data communication. The greatest growth in turnover is projected for this segment of the wireless services market. Drillisch intends to profit from these developments because of its customer-friendly products. The Management Board presumes that the positive developments in earnings in business operations will continue in the future.

Compensation Report
Supplemental Information in Accordance with 315, Subsection 4 HGB

4. Compensation Report

The structure of the compensation system for the Management Board is determined by the Supervisory Board. The criteria for the reasonableness of the compensation include in particular the duties and responsibilities of each of the Management Board members; their personal performance; the performance of the Management Board as a whole; and the economic position, the success and the future prospects of the Company, taking into account its comparative environment. The compensation for the Management Board members comprises short-term components and factors with long-term incentive components. The short-term components consist of elements independent of success and elements contingent on success. The elements independent of success comprise fixed compensation as well as payment in kind and other benefits. The fixed compensation as basic compensation independent of success is paid monthly as a salary and reviewed annually. In addition, the Management Board members receive other benefits, in particular allowances for pension, health and invalidity insurance, as well as payments in kind, The Management Board's compensation always includes variable compensation elements which are components contingent on success. These elements are redefined every year by the Supervisory Board on the basis of targets. The programme for the increase in shareholder value ("Long-Term Incentive Plan 2008–2010") implemented in fiscal year 2007, which is explained in the section "Personnel Expenses" 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 2009 totalled €2,003k, thereof variable €1,108k (previous year in total: €1,895k). 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 (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 compensation which is twice that of the other members, while the deputy chairperson receives €2k in addition to 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 2009 totalled €108.5k (previous year: €118.9k).

5. Supplemental Information

5.1. Supplemental Information in Accordance with Section 315 (4) HGB

The subscribed capital in the amount of €58,507,916.50 is distributed in 53,189,015 no-par shares issued to the bearer with a proportionate share in the share capital of €1.10. Each share is the equivalent of one vote. The securitisation of the stock is excluded.

The Company was not notified of any direct or indirect holding of stock greater than 10%.

In accordance with Sections 84, 85 AktG in conjunction with Section 7 of the Company Charter, the Management Board is appointed and recalled by the Supervisory Board. Any amendments to the Company

Supplemental Information in Accordance with 315, Subsection 4 HGB

Charter must be adopted in conformity with legal statutes (Sections 179 et seqq. AktG) by the Annual General Meeting. Moreover, the Supervisory Board is authorised to amend the Company Charter if and when such amendments affect only the wording.

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

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

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

The Annual General Meeting on 30/05/2008 adopted a resolution authorising the Drillisch Management Board to acquire treasury stock totalling up to 10% of the share capital at the time of the Annual General Meeting 2008 on or before 27 February 2009. The framework for further stock repurchase programmes was adopted in a resolution by the Annual General Meeting on 29 May 2009. This authorisation affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting 2009 (5,318,901 shares) and runs until 29 November 2010.

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. Furthermore, the occurrence of a so-called change of control has effects on the financing of the Company.

Important Events after the End of the Fiscal Year

5.2. Description of the Major Features of the Internal Controlling and Risk Management System Regarding the Accounting Process (Section 315 (2) HGB)

The internal controlling system of the Drillisch Group incorporates all of the principles, procedures and measures required to secure effectiveness, correctness and economic efficiency of the accounting and to secure compliance with applicable legal statutes.

In addition to manual process checks in the form of the "two sets of eyes principle", automatic IT process checks are a major part of the integrated controlling measures.

The auditors and other auditing bodies are indirectly involved in the controlling environment of the Drillisch Group in the form of auditing activities independent of processes. The audit of individual and consolidated accounts by the auditors are in this respect essential monitoring measures with respect to the accounting system.

The risk management system in the Drillisch Group, being a component of the internal controlling system, is oriented with respect to the accounting to the risk of false statements in the bookkeeping and in the external reporting. A "monitoring system for the early recognition of threats to the Company's existence" has been established to ensure systematic early discernment of risks throughout the Group so that risks threatening the Company's existence as well as other risks will be discovered in good time, managed and monitored in a scope going beyond that originally required by legal statutes. The auditors assess the functional capability of the system for the early recognition of risks in accordance with Section 317 (4) HGB; the system is adapted as required by any changes in the environment.

Bookkeeping records are posted in the Drillisch Group with the aid of the bookkeeping system from the company Sage; at the Group level, the consolidation software from the company Infor Global Solutions is used.

Risks related to the accounting can occur from the conduct of unusual or complex business transactions, for example. Moreover, business transactions which are not processed as a matter of routine contain an inherent risk.

The internal controlling system measures oriented to the correctness of the accounting ensure that all of the business transactions are posted completely and contemporaneously in conformity with the requirements of legal statutes and the Company Charter. In addition, steps are taken to ensure that assets and liabilities are measured, valuated and shown properly in the final accounts.

Controlling activities in this respect include the analysis of material circumstances and developments on the basis of special indicator systems. The organisational separation of administration, executive, settlement and approval functions substantially reduces the opportunities for fraud. The internal controlling system also assures that changes in the economic or legal environment of the Drillisch Group are taken into consideration and that any new or amended legal statutes related to accounting are applied.

5.3. Statement on Corporate Management Pursuant to Section 289a HGB

Drillisch has made the statement on corporate management publicly available on the Company's Internet site at www.drillisch.de. Furthermore, Management and Supervisory Boards explain in detail the principles of good, responsible and value-oriented corporate management at Drillisch in the corporate governance report on the Company's Internet site.

6. Important Events after the End of the Fiscal Year

No important events occurred after the end of the fiscal year.

Maintal, 05 March 2010

The Management Board

CONSLIDATED ANNUAL ACCOUNTS

Consolidated Income Statement

Consolidated Annual Accounts for the Fiscal Year from 01 January 2009 to 31 December 2009

		2009	2008
	Notes No.	€k	€k
Sales	1	344,537	350,116
Other own work capitalised		1,996	1,934
Other operating income	2	10,205	2,977
Cost of materials / Expenditures for purchased services	3	-263,632	-276,772
Personnel expenses	4	-21,446	-19,498
Other operating expenses	5	-21,001	-18,196
Amortisation and depreciation	6	-6,297	-6,702
Operating result		**44,362**	**33,859**
Result from financial investments shown in the balance sheet according to the equity method	7	69,091	-202,432
Other financial result	7	108	0
Interest income	7	1,779	1,367
Interest and similar expenses	7	-4,454	-5,167
Financial result		**66,524**	**-206,232**
Profit before taxes on income		110,886	-172,373
Taxes on income	8	-9,687	-11,702
Consolidated results		**101,199**	**-184,075**
Results attributable to minority interests		76	0
Share of Drillisch AG shareholders in consolidated results		**101,123**	**-184,075**
Change in attributable market value of financial assets available for sale		4,507	0
Taxes on income		68	0
Other earnings after taxes		4,439	0
Consolidated comprehensive results		**105,638**	**-184,075**
thereof total results attributable to minority interests		76	0
thereof share of Drillisch AG shareholders in total results		105,562	-184,075
Profit per share (in €)			
Undiluted	40	1.98	-3.58
Diluted	40	1.98	-3.58

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 01 January 2009 to 31 December 2009

ASSETS

	Notes No.	31.12.2009 €k	31.12.2008 €k
Fixed assets			
Other intangible assets	9	14,044	15,912
Goodwill	10	67,206	66,400
Tangible assets	11	1,274	1,723
Financial assets shown in balance sheet according to equity method	12	0	52,219
Other financial assets	13	145,960	0
Deferred taxes	8	1,877	2,922
Fixed assets, total		**230,361**	**139,176**
Current assets			
Inventories	14	6,267	5,615
Trade accounts receivable	15	33,434	24,603
Accounts due from affiliated companies		3	105
Accounts due from companies in which there is a participating interest		0	23
Tax reimbursement claims	16	877	349
Cash		26,915	4,325
Other current assets	17	7,410	8,063
Current assets, total		**74,906**	**43,083**
ASSETS, TOTAL		**305,267**	**182,259**

Consolidated Balance Sheet

Consolidated Annual Accounts for the Fiscal Year from 01 January 2009 to 31 December 2009

SHAREHOLDERS' EQUITY AND LIABILITIES

	Notes No.	31.12.2009 €k	31.12.2008 €k
Shareholders' equity			
Subscribed capital	18	58,508	54,706
Capital surplus		126,469	119,480
Earnings reserves		31,123	31,123
Market evaluation provision		4,439	0
Accumulated deficit		-72,468	-173,568
Equity to which Drillisch AG shareholders are entitled		**148,071**	**31,741**
Minority interests		445	0
Equity, total		**148,516**	**31,741**
Long-term liabilities			
Pension provisions	20	956	975
Deferred tax liabilities	8	3,500	6,726
Bank loans and overdrafts	23	59,531	75,413
Leasing liabilities	19	62	468
Long-term liabilities, total		**64,049**	**83,582**
Short-term liabilities			
Short-term provisions	21	2,096	3,200
Tax liabilities	22	9,567	8,305
Bank loans and overdrafts	23	20,003	20,000
Trade accounts payable	24	27,541	7,915
Payments received on account	25	26,169	15,663
Leasing liabilities	19	404	668
Other liabilities	26	6,922	11,185
Short-term liabilities, total		**92,702**	**66,936**
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		**305,267**	**182,259**

Consolidated Statement of Change in Capital

Consolidated Annual Accounts for the Fiscal Year from 01 January 2009 to 31 December 2009

	Number of shares	Sub-scribed capital	Capital reserves	Retained earnings	Market valuation provision	Unappro-priated retained earnings/ Accumu-lated defict	Equity to which Drillisch AG shareholders are entitled	Minority interests	Total
		€k	€k	€k	€k	€k	€k	€k	€k
As per 01/01/2008	**53,189,015**	**58,508**	**128,379**	**31,123**	**0**	**15,659**	**233,669**	**0**	**233,669**
Change in own shares	-3,456,668	-3,802	-8,580	0	0	0	-12,382	0	-12,382
Retroactive costs of the capital increase 2007		0	-319	0	0	0	-319	0	-319
Dividend payments		0	0	0	0	-5,152	-5,152	0	-5,152
Consolidated results		0	0	0	0	-184,075	-184,075	0	-184,075
As per 31/12/2008	**49,732,347**	**54,706**	**119,480**	**31,123**	**0**	**-173,568**	**31,741**	**0**	**31,741**
As per 01/01/2009	**49,732,347**	**54,706**	**119,480**	**31,123**	**0**	**-173,568**	**31,741**	**0**	**31,741**
Change in own shares	3,456,668	3,802	6,990	0	0	0	10,792	0	10,792
Change in the conso-lidated group		0	0	0	0	-23	-23	369	346
Consolidated com-prehensive results		0	0	0	4,439	101,123	105,562	76	105,638
As per 31/12/2009	**53,189,015**	**58,508**	**126,469**	**31,123**	**4,439**	**-72,468**	**148,071**	**445**	**148,516**

Consolidated Capital Flow Statement

	2009	2008
	€k	€k
Consolidated results	101,199	-184,075
Interest paid	-4,454	-4,088
Interest received	1,779	1,505
Results from interest	2,675	3,800
Result not affecting payments from financial assets shown in the balance sheet according to the equity method and other financial results without effects on payment	-67,735	202,432
Income tax paid	-10,501	-5,261
Income tax received	101	8,223
Taxes on income	9,687	11,702
Amortisation and depreciation	6,297	6,702
Income from the disposal of tangible assets and intangible assets	29	-102
Change in inventories	345	4,975
Change in receivables and other assets	-6,562	7,907
Change in trade payables and other liabilities and provisions	10,560	-9,856
Change in payments received on account	10,506	-1,250
Cash Flow from Current Business Activities	**53,926**	**42,614**
Investments in tangible and intangible assets	-3,888	-3,931
Payments from the disposal of tangible assets intangible assets	0	394
Payments for acquisitions less acquired cash	-1,869	0
Payments for investments in financial assets shown in the balance sheet in accordance with the equity method and investments in Other financial assets	-19,597	-123,172
Payments from the disposal of financial assets shown in the balance sheet according to the equity method and Other financial assets	822	13,904
Cash flow from investment activities	**-24,532**	**-112,805**
Change in own shares	9,745	-12,382
Dividend payments	0	-5,152
Outgoing payments for amortisation of loans	-20,000	-87,886
Incoming payments from the taking out of loans	4,121	95,413
Change in investment liabilities	-670	-158
Cash flow from financing activities	**-6,804**	**-10,165**
Change in cash	**22,590**	**-80,356**
Cash at beginning of period	4,325	84,681
Cash at end of period	26,915	4,325

Consolidated Notes

A. General Information

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

The Management Board prepared the consolidated annual accounts and the consolidated management report as per 31 December 2009 on 05 March 2010 and released them for submission to the Supervisory Board.

B. General Accounting Principles

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

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

The IASB and the IFRIC (International Financial Reporting 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.

Beginning in fiscal year 2009, application of the following standards and interpretations revised or newly issued by the IASB became mandatory:

- Amendment of IAS 1: "Presentation of Financial Statements"
- Amendment of IAS 23: "Borrowing Costs" with respect to the revocation of the option for the capitalisation of borrowing costs
- Amendment of IAS 32: "Financial Instruments": Presentation and subsequent amendment of IAS 1: "Presentation of Financial Statements" with respect to terminable financial instruments and to obligations arising during liquidation
- Amendments of IAS 39 and IFRS 7: "Reclassification of Financial Assets: Effective Date and Transition"
- Annual improvement project
- Amendment of IFRS 1: "First-time Adoption of IFRS" and of IAS 27: "Consolidated and Single Financial Statements" with respect to the recognition of procurement costs of a participation, a joint venture or an associated company
- Amendment of IFRS 2: "Share-based Payment" regarding the definition of conditions for its exercise and treatment of annulments

Consolidated Notes

- Amendment of IFRS 7: "Financial Instruments: Disclosures"
- Amendment of IFRS 8: "Operating Segments"
- Amendment of IFRS 13: "Customer Loyalty Programmes"
- Amendment of IFRS 15: "Agreements for the Construction of Real Estate"
- Amendment of IFRS 16: "Hedges of a Net Investment in a Foreign Operation"

The new regulations did not affect the consolidated annual accounts.

The application of the following standards and interpretations which have been adopted, revised or newly issued by the IASB was not yet mandatory in 2009.

Standards		Mandatory application for fiscal years beginning in	Adoption by EU Commission
IFRS 1 rev. 2008	Further exceptions for first-time adopters	1.1.2010	No
IFRS 1 rev. 2008	First-time Adoption of the International Financial Reporting Standards	1.7.2009	Yes
IFRS 2	Share-based payment transaction with cash alternative in the Group	1.1.2010	No
IFRS 3 rev. 2008	Corporate mergers	1.7.2009	Yes
IFRS 7	Improved Information About Financial Instruments	1.1.2009	Yes
IFRS 9	Financial Instruments: Classification and Devaluation of Financial Assets	1.1.2013	No
IAS 24	Related Party Disclosures	1.1.2011	No
IAS 27 rev. 2008	Consolidated and Separate Financial Statements	1.7.2009	Yes
IAS 32	Classification of Subscription Rights	1.2.2010	Yes
IAS 39	Financial Instruments: Recognition and Measurement: qualifying items for hedging	1.7.2009	Yes
IFRIC 9 and IAS 39	Embedded derivatives	30.6.2009	Yes
Various	Annual improvement project (2009)	essentially 01/01/2010	No
Interpretations			
IFRIC 12	Service Concession Arrangements	1.4.2009	Yes
IFRIC 14	"IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"	1.1.2011	No
IFRIC 17	Distributions of Non-cash Assets to Owners	1.7.2009	Yes
IFRIC 18	Transfer of Assets by Customers	1.7.2009	Yes
IFRIC 19	Amortisation of Financial Obligations with Equity Instruments	1.7.2010	No

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

Consolidated Notes

C. Consolidation

Consolidated Companies

Consolidation Principles

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

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

The statements included in the Drillisch AG consolidated accounts are prepared in accordance with accounting principles and valuation methods standard throughout the Company.

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

The financial statements from the parent company as well as from all of the major subsidiaries it controls, either directly or indirectly, have been included in the Drillisch AG consolidated accounts as per 31 December 2009. The parent company controls a subsidiary if and when the parent, either legally or de facto, has the possibility to determine the financial and business policies of a company with the aim of securing economic benefits.

The company is included in the consolidated accounts for the first time as of the point at which the control can be exercised or the criteria for joint ventures and associated companies have been fulfilled. Companies which are not included in the consolidation are singly and collectively of minor importance in both quantitative and qualitative terms and are shown in the balance sheet in accordance with IAS 39.

The following companies are included in the consolidated annual accounts:

		Share in scribed	held from
		%	No.
1.	Drillisch AG, Maintal		
2.	Drillisch Telecom GmbH, Maintal	100	1
3.	IQ-optimize Software AG ("IQ-optimize AG"), Maintal	100	1
4.	SIMply Communication GmbH ("SIMply GmbH"), Maintal	100	1
5.	MS Mobile Services GmbH ("MS Mobile GmbH"), Maintal	100	2
6.	MSP Holding GmbH	50	1
7.	MSP Beteiligungs GmbH, Maintal	100	6
8.	eteleon e-solutions AG, Munich	88.8	1
9.	eteleon GmbH, Munich	100	8
10.	Intelligram GmbH, Munich	100	9

Consolidated Notes

MSP Holding GmbH

In December 2009, MSP Holding GmbH, Maintal, purchased the 50% interest in MSP Holding GmbH owned by United Internet AG, Montabaur, from this company. As a consequence of the purchase of this holding, MSP Holding GmbH became an affiliate of Drillisch AG. MSP Holding GmbH was included in the consolidated accounts in accordance with the "equity method" until 11 December 2009; after this date, it was consolidated in full.

freenet AG, Büdelsdorf

As per 31 December 2009, MSP Holding GmbH held 5,000,000 shares in freenet AG. Owing to the rise in the stock price of freenet AG, the write-off on the participation in MSP Holding GmbH in the amount of €147.8m taken in fiscal year 2008 was reversed in the amount of €29.8m in fiscal year 2009.

As per 31 December 2009, Drillisch AG held directly 10,540,650 shares of freenet AG. Owing to the rise in the stock price of freenet AG to €9.39 per share, a write-up in the amount of €46.5m was taken in fiscal year 2009. Of this write-up, €43.5m were effective for earnings.

Drillisch AG and MSP Holding GmbH together held a total of 15,540,650 shares in freenet AG as per 31 December 2009, corresponding to a 12.14% share of the freenet AG capital.

Following the sale of freenet stock by United Internet AG, the shares in freenet AG held directly by Drillisch are now shown under “Other financial assets”. In accordance with IAS 39, changes in the market value of the freenet shares held directly by Drillisch and by MSP Holding GmbH between 26 August 2009 and the closing date are classified as “available for sale” and recognised as non-operating results in shareholders’ equity through the market valuation provision.

eteleon e-solutions AG, Munich

In December 2008, Drillisch AG concluded a contract regarding the acquisition of the majority shareholding in eteleon e-solutions AG, Munich. The transaction was completed by the acquisition of 71.4% at a purchase price of €3,877k on 27 February 2009. Within the framework of a public exchange offer for shares in Drillisch AG in a ratio of 1 to 1, another 168,592 shares were acquired by 02 April 2009. As of 31 December 2009, the interest held by Drillisch AG in eteleon e-solutions AG increased to 88.8% pursuant to additional acquisitions. The purchase price for the interest totalled €4,453k (thereof cash in the amount of €3,406k and treasury stock in the amount of €1,047k or 1,007,496 shares). The value of the treasury stock was calculated on the basis of the current stock exchange price at the specific point in time The purchase of the stock in eteleon e-solutions AG resulted in the acquisition of €1,537k in cash.

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:

	1. March 2009
	€k
Brand name / trademark eteleon	699
Own produced software	337
	1,036

Consolidated Notes

A utilisation period of 3.75 years was assumed for the own produced software. The goodwill was calculated as shown in the table below:

Purchase price of 27 February 2009	2,966
Incidental acquisition costs	911
Total purchase price	3,877
Less net assets measured at the attributable market value	3,071
Goodwill	**806**

The book values of the acquired assets and liabilities immediately before the corporate merger and the corresponding market values are attributable to the acquisition of eteleon e-solutions as shown below:

	Book value	Adjustments	Attributable Market Value
	€k	€k	€k
Intangible assets	112	1,036	1,148
Tangible assets	115	0	115
Financial assets	1	0	1
Inventories	713	0	713
Receivables and other assets as well as cash	5,304	0	5,304
Short-term liabilities and provisions	-3,871	0	-3,871
Deferred tax liabilities	-26	-313	-339
Acquired net assets	**2,348**	**723**	**3,071**

From the time of the acquisition to 31 December 2009, the turnover at eteleon e-solutions AG amounted to €22,753k and the EBITDA came to €613k. If the company had been included in the consolidated accounts as of 01 January 2009, it would have made a contribution of €26,478k to the consolidated turnover and €273k to the Group’s profit.

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

D. General Accounting and Evaluation Methods

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.

Consolidated Notes

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.

Intangible Assets

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

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

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

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

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

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

Tangible Assets

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

Other Financial Assets

Other financial assets are always measured at their current market value.

Inventories

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

Consolidated Notes

Financial Instruments

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

A financial asset is derecognised when the conditions of IAS 39.15 et seqq. 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 trading purposes. Financial liabilities include trade accounts payable, liabilities due to banks, liabilities from financing leasing relationships and derivative financial liabilities. Financial assets and financial liabilities are shown as balances only if there is an offset right with respect to the amounts and the intention is to realise a balance on a net basis.

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

The subsequent valuation depends on whether a financial instrument is held for trading purposes or until its final maturity, whether it is available for sale or whether it comprises loans and receivables of the company. Financial instruments held for trading 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 latter value is calculated on the basis of market prices (stock exchange prices). The profits and losses resulting from the valuation at the attributable market value are included in shareholders' equity as non-operating results. This does not apply if there are permanent or major losses in value or if there are changes in the value of borrowed capital instruments as a consequence of currency exchange rates. When the financial instruments are derecognised, the cumulative profits and losses recorded in shareholders' equity are shown in the income statement effective on income.

Receivables and Other Assets

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

Liabilities

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

Consolidated Notes

Leasing Relationships

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

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

Pension provisions

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

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

Short-term Provisions

Provisions are created for a 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.

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.

Consolidated Notes

Usage of Assumptions and Estimates

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

Estimates are required in particular when showing goodwill and its recoverability tests, when setting the interest factor for calculating pension provisions and when valuating and showing other provisions in the balance sheet.

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

Consolidated Notes

Explanatory Comments on the Consolidated Comprehensive Income Statement

1. Sales

	2009	2008
	€k	€k
Telecommunications		
Wireless services providing	344,270	349,878
Other sales	95	159
Software services	172	79
	344,537	**350,116**

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

2. Other operating income

	2009	2008
	€k	€k
Out-of-court settlement	7,406	0
Receipt of written-off receivables	1,010	1,332
Reversal of provisions and liabilities	420	303
Insurance benefits	112	8
Reimbursement of dunning fees (lawyer and court fees)	35	50
Other	1,222	1,284
	10,205	**2,977**

3. Cost of Materials / Expenditures for Purchased Services

The primary factors for cost of materials involve basic fees and fees for the ongoing use of the wireless services networks of the network operators (airtime), commissions and bonuses to sales partners and expenditures from merchandise business (purchase of mobile devices, prepaid bundles and starter cards).

4. Personnel Expenses

	2009	2008
	€k	€k
Wages and salaries	19,092	16,940
Social contributions	2,354	2,558
	21,446	**19,498**

Number of employees (excluding Management Board, part-time employees converted to equivalent full-time positions)	2009	2008
Year average	380	345
Year average - vocational trainees	40	18

Consolidated Notes

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

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

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

The share appreciation rights for each Management Board member are distributed among four tranches of 25,000 share appreciation rights each in the years 2007 to 2010. The number of outstanding share appreciation rights at the beginning of 2009 amounted to 100,000 and to 50,000 at the end of the year. During fiscal year 2007, 50,000 rights from the first tranche were exercised. The final price for this exercise of 50,000 share appreciation rights came to €7.07 (exercise price based on November 2007).

The market value of a share appreciation right as per 31 December 2009 came to €2.37 (previous year: €0.28). The market value of the scheme amounts to €176k (previous year: €21k). Expenditures of €149k before taxes and a provision of €164k were taken into account in the consolidated accounts of Drillisch AG.

The share appreciation programme is a share-based payment programme with cash alternatives within the sense of IFRS 2.30 et seqq. 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 54% and 23% (index), derived from the historical two-year volatility of the Drillisch stock and of the Technology All Share Index in Xetra trade. Expected dividends were not taken into account in calculating the attributable market value. A hypothetical zero-coupon bond without a credit default risk with a corresponding term in the amount of 0.77% was used as a risk-free interest rate.

Consolidated Notes

5. Other Operating Expenses

	2009	2008
	€k	€k
Bad debts and valuation allowances	3,780	2,325
Advertising expenses	3,547	1,570
Legal and professional fees	3,420	3,199
Rent and secondary costs	2,025	2,401
Billing / External work	1,652	2,810
Postal and telephone fees / Dedicated lines	581	798
Incidental costs for money transactions	562	684
Motor vehicle expenses	468	555
Travel and entertainment expenses	265	223
Other	4,701	3,631
	21,001	**18,196**

Forderungsausfälle und Wertberichtigungen betreffen ausschließlich die Bewertungskategorie „Loans and Receivables".

6. Depreciation and Amortisation

	2009	2008
	€k	€k
Intangible assets		
Own produced software	2,731	2,530
Customer relationships	2,162	2,163
Purchased software	429	685
Tangible assets	975	1,324
	6,297	**6,702**

7. Financial Results

Results from Participating Interests

This item contains the portion of the updating of the proportional equity of the investment in MSP Holding GmbH, valuated up to this time at equity, effective for income up to the middle of December 2009 and the shares in freenet AG held directly until the end of August 2009. In addition to the portion of the updating of the proportional equity effective for income, this item includes write-ups on the stock held in freenet AG. In addition, effects of profits and losses from the sales of shares in freenet AG and derivatives on shares of freenet AG are measured in this item. The results from the valuation according to the equity method amounted to €69.1m as per 31 December 2009.

The book value of the shares in freenet AG in the amount of €145.9m corresponds to the market value.

The profits of freenet AG considered proportionately were attributed to Drillisch AG at €0.5m at the level of MSP Holding GmbH. In addition, profits of freenet AG to be considered proportionately at €0.7m were taken into account within the scope of the inclusion of the directly held shares in the equity in the balance

Consolidated Notes

sheet. The calculation of the posted write-up effective on earnings was based on the share price of the freenet AG stock as per 26 August 2009 in the amount of €9.10.

The write-ups are shown in the item "Results from financial assets shown in the balance sheet according to the equity method".

The write-up on the shares of freenet AG taken at the MSP Holding GmbH level was attributable to Drillisch AG in the amount of €29.8 million. The write on the freenet AG shares held directly amounted to €43.5 million.

Interest Income/Interest and Similar Expenses

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

8. Taxes on Income

	2009	2008
	€k	€k
Current taxes on income	12,276	10,481
Deferred taxes	-2,589	1,221
Disclosed expenses for income taxes	**9,687**	**11,702**

Taxes on income which have either been paid or which are owed as well as deferred taxes are shown as taxes on income. Taxes on income comprise corporate income tax, solidarity surcharge and trade tax. Limited stock companies are subject to effective taxes as follows: corporate income tax of 15.0% (previous year: 15.0%), 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.

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:

	2009	2008
	€k	€k
Profit before taxes on income	110,886	-172,373
Tax expenses from application of the Group income tax rate of 30.25% (previous year: 31.58%)	33,543	-54,435
Taxes for previous year	-138	-139
Trade tax additions	167	173
Non-deductible expenses and tax-free income	-23,567	66,239
Effects of changes in tax rates	-160	0
Other effects	-158	-136
	9,687	**11,702**

The deferred taxes are calculated on the basis of the tax rates which are applicable according to the present legal situation or which are expected at the point in time of realisation. A tax rate of about 30.25% (previous year: about 31.58%) was applied, comprising corporate income tax of 15.0%, the solidarity surcharge of 5.5% and an average trade tax rate of 14.43%.

Consolidated Notes

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

	2009	2008
	€k	€k
Deferred tax reimbursements		
Other intangible assets	510	820
Other current assets	1,115	1,603
Leasing liabilities	141	377
Pension provisions	61	122
sheet according to equity method	50	0
	1,877	**2,922**
Deferred tax liabilities		
Other intangible assets	3,124	3,799
sheet according to equity method	11	2,338
Leasing assets	155	405
Market valuation provisions	68	0
Bank loans and overdrafts	142	184
	3,500	**6,726**

The deferred tax reimbursements comprise €1,479k (previous year: €1,451k) on short-term and €398k (previous year: €1,471k) on long-term assets / liabilities. The deferred tax liabilities comprise €1,118k (previous year: €3,951k) on short-term and €2,382k (previous year: €2,776k) on long-term assets. Non-operating deferred taxes in the amount of €68k were created in the market valuation provision as a consequence of the valuation of the freenet stock.

Consolidated Notes

Explanatory Comments on the Consolidated Balance Sheet

9. Other Intangible Assets

	Trademarks	Customer relationships	Own produced software	Purchased software	Total
	€k	€k	€k	€k	€k
Acquisition costs					
As per 01 January 2008	**6,668**	**8,650**	**11,810**	**2,799**	**29,927**
Additions	0	0	1,934	431	2,365
Disposals	0	0	0	420	420
As per 31 December 2008	**6,668**	**8,650**	**13,744**	**2,810**	**31,872**
Additions	699	0	2,306	293	3,298
Addition to consolidated companies	0	0	0	554	554
Disposals	0	0	0	0	0
As per 31 December 2009	**7,367**	**8,650**	**16,050**	**3,657**	**35,724**
Accrued depreciation					
As per 01 January 2008	**0**	**1,802**	**7,307**	**1,543**	**10,652**
Additions	0	2,163	2,530	685	5,378
Disposals	0	0	0	70	70
As per 31 December 2008	**0**	**3,965**	**9,837**	**2,158**	**15,960**
Additions	0	2,162	2,731	429	5,322
Addition to consolidated companies	0	0	0	398	398
Disposals	0	0	0	0	0
As per 31 December 2009	**0**	**6,127**	**12,568**	**2,985**	**21,680**
Book values					
as per 31 December 2008	6,668	4,685	3,907	652	15,912
as per 31 December 2009	**7,367**	**2,523**	**3,482**	**672**	**14,044**

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

Within the framework of the purchase price allocation of Telco GmbH in 2007 and of eteleon e-solutions AG in 2009, customer relationships, own produced software and the trademarks Telco and eteleon were identified. The trademarks are intangible assets 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 trademarks will presumably generate net cash flows.

Consolidated Notes

10. Goodwill

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

	Acquisition costs	Accured deprication as per 31. December 2009	Book values
	€k	€k	€k
Drillisch Telecom GmbH	89,314	22,976	66,338
IQ-optimize AG	103	41	62
eteleon e-solutions AG	806	0	806
	90,223	**23,017**	**67,206**

The goodwill of Drillisch Telecom GmbH results from the original goodwill in the companies Alphatel GmbH, VICTORVOX GmbH and Telco GmbH. The goodwill from the acquisition of eteleon e-solutions AG accrued in the fiscal year.

The acquisition costs, the accrued depreciation and the resulting book values did not change in comparison with the previous year with the exception of the addition related to eteleon e-solutions AG.

The value of the original goodwill was reviewed using the amounts realisable for these cash-generating units, calculated on the basis of their utilisation values. The utilisation values result from the future cash flows, including interest. The company planning approved by management for the years 2010 to 2013 and for the time after that is based on a sustained net profit at a constant growth rate of 1%, derived from the budgetary figures for 2014. Interest paid on the cash flows for the period 2010 to 2013 was calculated at an interest rate of 13% and for the following period at an interest rate of 12% pa. A major fundamental assumption for the planning of the units generating cash is the number of subscribers. No adjustments in the value of the goodwill were required in fiscal year 2009. Nor did an increase in the discount interest rate of one percent, taking into account a lump-sum reduction in the expected cash flow of 25%, result in any reduction in the value of the goodwill.

Consolidated Notes

11. Tangible Assets

	Fixtures, fittings and equipment	Buildings	Total
	€k	€k	€k
Acquisition costs			
As per 01 January 2008	**5,228**	**217**	**5,445**
Additions	1,561	4	1,565
Disposals	608	0	608
As per 31 December 2008	**6,181**	**221**	**6,402**
Additions	538	0	538
Addition to consolidated companies	485	0	485
Disposals	294	0	294
As per 31 December 2009	**6,910**	**221**	**7,131**
Accrued depreciation			
As per 01 January 2008	**3,376**	**135**	**3,511**
Additions	1,292	32	1,324
Disposals	156	0	156
As per 31 December 2008	**4,512**	**167**	**4,679**
Additions	942	33	975
Addition to consolidated companies	325	0	325
Disposals	122	0	122
As per 31 December 2009	**5,657**	**200**	**5,857**
Book values			
as per 31 December 2008	1,669	54	1,723
as per 31 December 2009	**1,253**	**21**	**1,274**

Consolidated Notes

12. Financial Assets Shown in Balance Sheet According to Equity Method

MSP Holding GmbH was included in the consolidated accounts in accordance with the "equity method" until 11 December 2009; after this date, it was consolidated in full.

Following the sale of freenet stock by United Internet AG, the shares in freenet AG held directly by Drillisch have been shown under “Other financial assets” since 26 August 2009.

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

The table below shows the proportionate long-term and short-term assets and liabilities and the performance indicators as per 31 December 2008 for the joint venture MSP Holding GmbH consolidated according to the equity method in the previous year. These amounts were each contained in an item in the consolidated balance sheet and the consolidated income statement.

	2008
	€k
Fixed assets	27,734
Current assets	156
Long-term liabilities	0
Short-term liabilities	9,858
EBT	-147,328
Earnings after taxes	-147,328

Die freenet AG hatte zum 31. Dezember 2008 Umsätze in Höhe von EUR 2.873,8 Mio. und ein Konzernergebnis von EUR 111,6 Mio. (davon aufgegebener Geschäftsbereich: EUR -36,8 Mio.) als Geschäftszahlen veröffentlicht. Zum 31. Dezember 2008 betrugen die Vermögenswerte der freenet AG EUR 3.107 Mio. und die Verbindlichkeiten EUR 2.316 Mio.

13. Other Financial Assets

The primary item in the other financial assets is the interest held in freenet AG. €4,439k of the book value is allocated to the non-operating market evaluation as per 31 December 2009. The interest in freenet AG was measured and evaluated after the sale of freenet shares by United Internet AG on the closing date in accordance with the AFS method (available for sale) at a price of €9.39. In the previous year, measurement and valuation were based on the equity method.

14. Inventories

	2009	2008
	€k	€k
Merchandise	3,610	2,194
Value allowances for merchandise	-9	0
Payments on account	2,666	3,421
	6,267	**5,615**

The merchandise consists primarily of mobile phones, SIM cards, prepaid bundles and accessories. The payments on account represent primarily vouchers in storage.

Consolidated Notes

15. Trade Accounts Receivable

	2009	2008
	€k	€k
Gross receivables	34,796	25,355
Valuation allowances on receivables	-1,362	-752
	33,434	**24,603**

Analysis of Maturity of Trade Receivables

	Book value	Thereof neither devalued nor overdue as of closing date	Thereof not devalued as of closing date and overdue in the following time spans: Less than 30 days	Between 31 and 90 days	Between 91 and 180 days	More than 180 days
	€k	€k	€k	€k	€k	€k
31,12,2009	33,434	18,250	4,662	2,571	2,511	4,704
31,12,2008	24,603	11,351	4,179	1,871	1,731	5,236

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

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

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

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

	2009	2008
	€k	€k
Valuation allowances as per 1 January	**752**	**11,003**
Addition from the change in the group of consolidated companies	580	0
Additions (expenses for valuation allowances)	10,175	9,139
Consumption / Reversal	-10,145	-19,390
Valuation allowances as per 31 December	**1,362**	**752**

Consolidated Notes

16. Tax Reimbursement Claims

	2009	2008
	€k	€k
Corporate income tax	743	272
Trade tax	90	77
Other taxes	44	0
	877	**349**

The corporate income tax claims include corporate income tax credits of €120k.

17. Other Current Assets

	2009	2008
	€k	€k
Receivables due from network operators	3,509	0
Claims due from insurance	294	294
Deposits	46	185
Call option	0	6,425
Other	3,561	1,159
	7,410	**8,063**

18. Equity

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

The Annual General Meeting on 30 May 2008 adopted a resolution authorising the Drillisch AG Management Board to acquire treasury stock totalling up to 10% of the share capital at the time of the Annual General Meeting 2008 on or before 27 February 2009.

The Annual General Meeting of 29 May 2009 adopted a resolution authorising a further stock repurchase programme superseding the authorisation of 30 May 2008. This stock repurchase programme affects a maximum of 10% of the share capital as of the point in time of the Annual General Meeting 2009 (5,318,901 shares) and runs until 29 November 2010. Within the framework of this stock repurchase programme, Drillisch AG acquired a total of 62,233 shares at an average price of €1.60 through stock exchange purchases in fiscal year 2009. As of 27 February 2009, Drillisch AG held 3,518,901 shares of treasury stock. 1,007,496 shares were used within the framework of an exchange offer in a ratio of 1 to 1 for the acquisition of eteleon stock, corresponding to a nominal value of €1,108,245.60 or 1.89% of the Company's share capital.

The remaining 2,511,405 shares were sold on the stock exchange at a price of €4.00 by 02 October 2009. This corresponds to a nominal value of €2,762,545.50 or 4.72% of the Company's share capital.

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

Consolidated Notes

Approved Capital

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

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

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

Consolidated Notes

19. Leasing Agreements

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

	Fixtures, fittings and equipment	Software	Total
	€k	€k	€k
Acquisition costs			
As per 01 January 2008	**5,943**	**1,131**	**7,074**
Additions	984	0	984
Disposals	0	0	0
As per 31 December 2008	**6,927**	**1,131**	**8,058**
Additions	0	0	0
Disposals	0	0	0
As per 31 December 2009	**6,927**	**1,131**	**8,058**
Accrued depreciation			
As per 01 January 2008	**4,783**	**679**	**5,462**
Additions	951	362	1,313
Disposals	**0**	**0**	**0**
As per 31 December 2008	**5,734**	**1,041**	**6,775**
Additions	682	90	772
Disposals	**0**	**0**	**0**
As per 31 December 2009	**6,416**	**1,131**	**7,547**
Book values			
as per 31 December 2008	1,193	90	1,283
as per 31 December 2009	**511**	**0**	**511**

Leasing liabilities	Up to 1 year	1-5 years
	€k	€k
Leasing payments	406	64
Interest	2	2
Cash values	**404**	**62**

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

20. Pension Provisions

Provisions are created for commitments from pension expectancies for 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

Consolidated Notes

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	2009	2008
	%	%
Calculated interest rate	5.6	5.8
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 scope of the commitments. Any amount exceeding this corridor is distributed with effect on income over the average remaining time of service of present employees.

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

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

Balance sheet obligations	2009	2008
	€k	€k
Cash value of pension expectancies for pension commitments (DBO)	929	920
Actuarial profits/losses not considered	27	55
Costs for changes in claims from previous years not considered	0	0
Pension provisions as per 31 December	**956**	**975**

Development of cash value of pension expectancies (DBO)	2009	2008
	€k	€k
As per 1 January	920	952
Addition to consolidated companies	0	0
Costs for pension claims acquired in fiscal year	6	7
Interest	30	56
Pension payments	0	0
Service period expenses to be offset retroactively	0	-40
Actuarial profits/losses	-27	-55
As per 31 December	**929**	**920**

During the fiscal year, the adjustment of debts based on experience came to €13k (1.4%). In the years 2007 and 2008, the adjustments based on experience came to €30k (3.3%) and €25k (2.6%), respectively. The cash value of the pension expectancies as per 31 December 2006 amounted to €922k and as per 31 December 2007 to €952k.

Consolidated Notes

Pension expenditures (NPPC)	2009	2008
	€k	€k
Costs for pension claims acquired in fiscal year	6	7
Interest	30	56
Actuarial profits/losses recognised effective for income	0	0
Service period expenses to be offset retroactively	0	-40
	36	**23**

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

21. Short-term Provisions

	As per 1.1.2009	Utilisations	Reversales	Additions	As per 31.12.2009
	€k	€k	€k	€k	€k
Basic charges	2,158	2,158	0	665	665
Commissions	233	233	0	0	0
Litigation risks	232	34	24	337	511
Removals	144	0	0	0	144
Other	433	433	0	776	776
	3,200	**2,858**	**24**	**1,778**	**2,096**

The Drillisch Group presumes that there will be an outflow of funds in fiscal year 2010.

22. Tax Liabilities

	2009	2008
	€k	€k
Corporate income tax	3,365	4,687
Trade tax	4,640	2,733
Turnover tax	1,562	885
	9,567	**8,305**

23. Bank Loans and Overdrafts

	2009	2008
	€k	€k
Long-term liabilities	59,531	75,413
Short-term liabilities	20,003	20,000
	79,534	**95,413**

Consolidated Notes

A loan agreement for a total of €100 million was agreed between West LB AG, Düsseldorf, and Drillisch AG on 16 April 2008. This is a revolving credit line, and as per 31 December 2009, a total of €80 million had been utilised. The interest rate comprises two components: the EURIBOR applicable to the relevant interest period and a margin agreed in the loan agreement. As of 31 December 2009, the combined interest rate came to 1.67%. The loan has a term running until 15 April 2011. During the term of the loan, amortisation payments of €10.0 million must be effected on 30 June and 31 December of each and every year. The first amortisation payment was made on 30 June 2009. Voluntary premature amortisation is possible at any time.

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

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

Drillisch AG has pledged all of the freenet stock it holds directly as security for the loan. As of the closing date, the total value of the security amounted to €98.9m.

The loan is tied to particular financial indicators; in the event of failure to comply with these indicators, the loan agreement may be terminated. The figures were in compliance with the financial indicators as of every key date.

The interest expenses related to the loans amounted to €2,333k in fiscal year 2009 (previous year €3,737k).

24. Trade Accounts Payable

This item includes essentially invoices from network operators.

25. Payments Received on Account

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

26. Other Liabilities

	2009	2008
	€k	€k
Liabilities due to sales partners	2,342	3,908
Basic charges	1,988	2,689
Payroll	1,931	1,665
Income tax	276	270
Employers' liability insurance association	49	63
Holiday leave not taken	18	7
Security deposits	16	51
Put option	0	1,711
Other	302	821
	6,922	**11,185**

Consolidated Notes

27. Analysis of Maturity

	2009 Book value	Cash Flow 2010 < 1 month	1 to 3 month	3 month to 1 year	Cash Flow 2011–2015 > 1 year
	€k	€k	€k	€k	€k
Bank loans and overdrafts	79,534	92	184	20,760	60,980
Trade accounts payable	27,541	27,541	0	0	0
Liabilities from finance leasing	466	36	73	306	60

28. Nettogewinne und –verluste aus Bewertungskategorien

	Interest	from subsequent valuation			Net results	
		At Fair Value	Valuation Allowances	from Disposals	2009	2008
	TEUR	€k	€k	€k	€k	€k
Loans and Receivables (LaR)	1,779	0	-3,780	1,010	-2,038	300
Available for Sale (AFS)						
-Operating	0	108	0	0	108	0
-Non-Operating	0	4,439	0	0	0	0
Derivatives	0	-6,425	0	0	-6,425	7,153
Financial liabilities measured at amortised Cost (FLAC)	-4,454	0	0	0	-4,454	-4,922
thereof from theeffective interest method	-117				-117	-78
	-2,675	**-1,878**	**-3,780**	**1,010**	**-12,809**	**2,531**

29. Other Financial Obligations

	Rents	Leasing	Total
	€k	€k	€k
2010	1,187	455	1,642
2011 to 2015	3,125	224	3,349
	4,312	**679**	**4,991**

During the fiscal year, €1,328k (previous year: €1,683k) was recognised in expenditures as rent or leasing payments.

Consolidated Notes

30. Additional Disclosures on Financial Instruments Pursuant to IFRS 7

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 original financial instruments, this is the total of the book values. The risk of asset losses is given due consideration by valuation allowances. There is no concentration of risks of loss of assets on individual debtors, especially because of the mass business. When seen against this background, the risk of loss is deemed to be slight.

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

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

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

Interest risks results from changes in the market interest level. Within the framework of the sensitivity analysis of IFRS 7, the effects of changes in the market interest level are shown 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.

Share price risks result from changes in the market prices (stock exchange prices). Within the framework of the sensitivity analysis of IFRS 7, the effects of changes in the stock exchange prices on results and equity are shown.

Sensitivity Analysis

In the event of a change in the market interest level as per 31 December 2009 of ±100 base points, the Group results would be €795k lower or €795k higher, respectively.

This hypothetical effect on results is derived from original financing debts with variable interest rates.

Consolidated Notes

In the event of a change in the stock exchange price of freenet AG of ±10%, the consolidated equity would be €14.4m (after taxes) higher or €14.4m (after taxes) lower.

Miscellaneous Information About Financial Instruments

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

The book values of financial assets which serve as collateral for liabilities and the terms and conditions of collateral are shown under the item "Liabilities due to banks".

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

	Classification category acc. to IAS 39	Book value 31.12.2009		Book value 31.12.2008	
			therof no financial instrument		therof no financial instrument
		€k	€k	€k	€k
Assets					
Cash	LaR	26,915		4,325	
Trade accounts receivable	LaR	33,434		24,603	
Other financial assets	AFS	145,960		–	
Accounts due from affiliated companies	LaR	3		105	
Accounts due from companies in which there is a participating interest	LaR	–		23	
Other current assets	LaR/n.a.	7,410	221	8,063	184
thereof derivatives	n.a.			6,531	
Shareholders' equity and liabilities					
Trade accounts payable	FLAC	27,541		7,915	
Bank loans and overdrafts	FLAC	79,534		95,413	
Other liabilities	FLAC	6,922	4,563	11,185	5,513
thereof derivatives	n.a.	–		1,711	
Liabilities from financing leasing	n.a.	466	466	1,136	1,136
thereof aggregated as per valuation categories as per IAS 39					
Loans and Receivables (LaR)		67,541		30,404	
Financial assets available for sale (AFS)		145,960		–	
Financial liabilities measured at amortised cost (FLAC)		109,433		107,289	
Derivatives		–		4,820	
Liabilities from finance leasing		466		1,136	

Consolidated Notes

31. Segment Reporting

The segment reporting is oriented to the structure of the internal organisational and reporting structure, which differentiates among the various segments of the products and services offered by the Drillisch Group. The segment software services is presented along with the segment telecommunications.

The Group's activities in the sector of wireless services are encompassed in the segment telecommunications. The member companies of the Drillisch Group which are active in business operations market wireless services from all of the wireless network operators active in Germany. The services acquired from the network operators T-Mobile Deutschland GmbH, Vodafone D2 GmbH, E-Plus Mobilfunk GmbH and Telefónica O2 (Germany) GmbH & Co. OHG 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.

The segment software services encompasses activities in the field of development and marketing of a workflow management software.

	2009	2008
	€k	€k
Sales		
Telecommunications (sales with third parties)	344,365	350,037
Software services (sales with third parties)	172	79
Software services (in-house sales)	7,026	5,983
Consolidation	-7,026	-5,983
Group	**344,537**	**350,116**
Segment result (EBITDA)		
Telecommunications	50,528	40,387
Software services	131	174
Group	**50,659**	**40,561**

The consolidation includes the elimination of the business relationships within or between the segments. Essentially this concerns the transfer of expenditures and income within the Group. The accounting methods are identical for all of the segments.

The financial assets shown in the balance sheet in accordance with the equity and AFS method and their results, including the write-offs of €73.3m, have been attributed to the segment telecommunications. The transfer prices correspond on principle to the prices determined by arm’s length comparison. Since the Drillisch Group is active only in Germany, there are no geographic segments. The major segment expenditures without effect on payments are related to the allocations to the provisions.

Consolidated Notes

Rollover

The rollover of the total of the segment results (EBITDA) to the profit before taxes on income is determined as shown below:

	2009	2008
	€k	€k
Total segment profits (EBITDA)	50,659	40,561
Amortisation and depreciation	6,297	6,702
Operating result	44,362	33,859
Financial result	66,524	-206,232
Profit before taxes on income	**110,886**	**-172,373**

32. Explanatory Comments on Capital Flow Statement

The liquidity (cash) shown in the cash flow statement includes cash on hand and cash in banks which are shown under cash in the consolidated balance sheet.

33. Auditor's Fee

Fees posted as expenditures:

	2009	2008
	€k	€k
1. Audit	256	264
2. Other certification or evaluation services	48	101
3. Tax accountant services	116	116
4. Other services	0	0
	420	**481**

In addition, auditor's fees for additional confirmation and valuation services in the amount of €0k (previous year: €83k) are shown without effect for income in the consolidated annual accounts.

34. Relations to Relatives and Companies

As per 31 December 2009, there were claims due from and liabilities due to (or income and expenditures) relatives and companies in the following amounts:

There are claims due from Forster GmbH i.L., Munich, in the amount of €3k (previous year: €105k).

The Baugemeinschaft Maintal, consisting of the shareholders Paschalis Choulidis and Marianne Choulidis, has rented office space in Maintal to the Drillisch Group. The lease initially had 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. No notice of termination was submitted in 2009. Rent in 2009 came to €507k (previous year: €507k).

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

The company Flexi Shop GmbH (shareholder Mr Jannis Choulidis) realised sales in the amount of €172k (previous year: €128k) with the Drillisch Group in fiscal year 2009.

Consolidated Notes

35. Supervisory Board

Dr. Hartmut Schenk, Dipl.-Kfm.
(similar to Bachelor of Commerce)
Tax Consultant, Saarbrücken
- *Chairperson* -
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal
(Supervisory Board Chairperson)
Optima Gruppe AG, Saarbrücken
(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:
Drillisch Telecom GmbH, Maintal

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

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

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

Marc Brucherseifer, Dipl.-Kfm.
Merchant, Frechen
Seats held on supervisory boards required by law or other supervisory bodies:
Drillisch Telecom GmbH, Maintal

The following members of the Supervisory Board were members of the following committees in 2009:

Nominating Committee:
All Supervisory Board members; chair: Dr Schenk

Audit Committee:
Mr Weindl, Mr Forster, Mr Brucherseifer and Dr Lennertz; chair: Mr Weindl

Personnel Committee:
Mr Müller-Berg, Dr Lennertz and Dr Schenk; chair: Mr Müller-Berg

Consolidated Notes

36. Management Board

Paschalis Choulidis
Chairperson, Langenselbold
- Executive Officer Finances, Controlling and IT -
Seats held on supervisory boards required by law or other supervisory bodies:
IQ-optimize Software AG, Maintal
eteleon e-solutions AG, München

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
eteleon e-solutions AG, München

37. Compensation Paid to Management in Key Positions and Supervisory Board

The compensation paid to the Management Board in the Group during fiscal year 2009 totalled €2,003k, thereof €1,108k variable (previous year total €1,895k). 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 (5) HGB).

Compensation paid to the members of the Supervisory Board in the reporting period amounted to €108.5K (previous year: €118.9k).

The description of the compensation system is included in the compensation report which is part of the consolidated management report.

38. Directors' Holdings

As per 31 December 2009, the Management Board members held the following stock in Drillisch AG:		
Paschalis Choulidis	1,891,125 no-par shares	über die SP Beteiligungs-Gesellschaft mbH
Vlasios Choulidis	1,816,340 no-par shares	über die MV Beteiligungs-Gesellschaft mbh

The Supervisory Board members held the following stock in Drillisch AG as per 31 December 2009:	
Marc Brucherseifer	3,909,295 no-par shares
Nico Forster	1,761,079 no-par shares
Johann Weindl	7,439 no-par shares
Dr. Hartmut Schenk	5,000 no-par shares

Management Board and Supervisory Board hold a total of 17.65% of the Drillisch AG stock as per 31 December 2009.

39. 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 18 December 2009 and made it permanently accessible to sharehol-ders at the Internet address www.drillisch.de.

Consolidated Notes

40. Profit per Share

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

	2009	2008
Consolidated profit allocated to shareholders in €m	101,123	-184,075
Weighted average, less own shares held	51,127,616	51,417,732
Consolidated Profit per Share in €	**1.98**	**-3.58**

41. Exemption from the Obligation to Disclose the Annual Accounts Pursuant to Section 264 (3) HGB

The following German subsidiaries in the legal form of a stock corporation fulfilled the conditions required pursuant to Section 264 (3) HGB for the exercise of the exemption provisions (Sections 325 to 329 HGB) in fiscal year 2009:

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

Maintal, 05 March 2010

Drillisch Aktiengesellschaft

Paschalis Choulidis and Vlasios Choulidis

Auditor´s Opinion

Auditor's Report

We have audited the consolidated financial statements prepared by the Drillisch Aktiengesellschaft, Maintal, comprising consolidated statement of comprehensive income the balance sheet, statement of changes in Capital, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from 1. January 2009 to 31. December 2009. 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, 05. March 2010

BDO Deutsche Warentreuhand
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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

Affidavity 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, 05 March 2010

Paschalis Choulidis and Vlasios Choulidis

Publications · Contacts
Information and Order Service

Publications

This Annual Report 2009 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

#

3G
Abbreviation for the mobile telephone network standard of the third generation, also known as ➡ UMTS. The analogue A, B and C networks (until the end of 2000) are known as the first generation; the digital GSM standard introduced in 1992 is called the 2nd generation.

4G
The most recent mobile telephone network standard – successor to ➡ UMTS – is called the 4th mobile telephone network generation. (See also ➡ LTE)

A

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

ARPU
(Abbreviation for average revenue per user) Shows the average revenue from each customer.

C

Cash Flow
Net inflow of all of the cash which results from sales activities and other ongoing activities during a specific period.

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

Corporate Governance
Name of guidelines (code of conduct) for good management.

Credit Customer
Customer who has concluded a contract with a rate schedule designed by Drillisch and who is billed once monthly in the Company's own billing system.

D

DCF
(Abbreviation 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.

Debit Customer
Customer who is billed in a network operator system in accordance with a prepaid rate schedule set by the network operator, requiring the prior top-up of the card with credit.

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.

E

EBIT
Abbreviation for earnings before interest and taxes.

EBITDA
Abbreviation for earnings before interest, taxes, depreciation and amortisation, the most important performance indicator.

EDGE
(Abbreviation for enhanced data rates for GSM evolution) This special modulation protocol increases the transmission speed in ➡ GSM mobile telephony networks to as much as 473 kbit/s (in comparison: GPRS 171.2 kbit/s).

F

Flat Rates (mobile telephony services)
A flat rate is a lump-sum rate for telecommunications services such as telephony and data transmissions. The mobile telephone services industry offers flat rates for landline or mobile connections singly or as a combination flat rate for all networks.

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

G

g~paid
Virtual cash card system which makes possible the secure distribution of activation codes for topping up -> pre-paid cards (e.g. in wireless networks, for online payment systems).

GPRS
(Abbreviation for general packet radio service) Technology providing higher data transmission rates in GSM networks (up to 171.2 kbit/s).

GSM
(Abbreviation for global system for mobile communications) Pan-European standard in the range of 900 and 1,800 MHz for digital mobile telephone networks.

H

HSDPA
(Abbreviation for high-speed downlink packet access) This special transmission protocol within the mobile telephone standard ➡ UMTS makes it possible to increase data rates between telecommunications network and end device (downlink) to as much as 7.2 Mbit/s.

HSUPA
(Abbreviation for high-speed uplink packet access) This transmission protocol within the mobile telephone standard UMTS makes it possible to increase data rates between end device and telecommunications network (uplink) to as much as 5.8 Mbit/s.

I

IFRS
(Abbreviation for International Financial Reporting Standards) Body of international accounting standards.

Issuer
An issuer is the party who issues securities.

L

LTE
(Abbreviation for long-term evolution) LTE, the successor to the mobile telephone standard ➡ UMTS – also known as the 4th generation (➡ 4G) of mobile telephony – enables transmission rates across various bandwidths of as much as 300 Mbit/s in downlink and 75 Mbit/s in uplink. Although a general standard has not yet been defined, field tests have already begun in various European countries, including Germany. The implementation of the new networks is scheduled to begin in 2010.

Glossary

M

MMS
(Abbreviation for multimedia messaging service) MMS makes it possible to use a mobile telephone to send multimedia messages – documents, pictures, even short video sequences – to other mobile end devices or to e-mail addresses.

Mobile Payment
Mobile payment (or m-payment) refers to the initiation, authorisation or realisation of payment (on the part of the debtor as a minimum) using a mobile electronic means of communication, e.g. cash card purchase using ➡ g~paid, payment of parking fees using a mobile phone or bank transfers via SMS.

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

N

No-frills Provider
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."

P

PIN
(Abbreviation for personal identification number) A number, usually consisting of four digits, saved on a data carrier, entered as verification when the holder uses a machine. The best-known examples are bank debit cards and cash points or ➡ SIM cards in a mobile phone. If the authorisation is blocked because of a series of incorrect entries, the device can no longer be used without entry of the ➡ PUK.

Post-paid
Payment model; the customer does not pay for the services he/she has used until the end of the statement period, when an invoice is issued.

Pre-paid
Payment model; the customer cannot use the services until a (pre-paid) account has been topped up.

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.

PUK
(Abbreviation for personal unblocking key) A number, usually consisting of 8 digits, which can be used to unblock a blocked ➡ PIN (also called super PIN).

R

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.

S

Security Identification Number
The six-place combination of digits and letters used in Germany (WKN) identifies each security uniquely.

SIM
(Abbreviation for subscriber identity module) Chip card which is placed in a mobile telephone or other mobile end device. It identifies the device with the user, verifies his/her identity via a ➡ PIN and authorises the use of the offered services (e.g. mobile telephone services). In addition to network-related data, data such as address book entries or text messages can be stored on a SIM card.

SMS
(Abbreviation for short message service) Digital short message, e.g., texts, graphics sent via a mobile communications end device ("text message").

Stock Index
A 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 one of the governing bodies of stock companies; its members are 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 simultaneously be members of the Management Board.

T

TecDAX
Stock index introduced on 24/03/2003 compiling the 30 most important German technology stocks. It is the successor of the Nemax50.

U

UMTS
(Abbreviation for universal mobile telecommunications system) International mobile telephone standard of the third generation which combines mobile multimedia and telematics services under the frequency range of 2 GHz.

V

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

W

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

Wireless Services Provider (WSP)
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).

Workflow Management System
Automation of production and business processes using IT systems and special software.

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