

Buy EUR 40.00 Price EUR 39.10 Upside 2.3 %	Value Indicators: EUR DCF: 40.00 FCF-Value Potential 16e: 18.60	Share data: Bloomberg: DRI GR Reuters: DRIG ISIN: DE0005545503	Description: Virtual mobile network operator
	Market Snapshot: EUR m Market cap: 2,080 No. of shares (m): 53 EV: 2,158 Freefloat MC: 1,997 Ø Trad. Vol. (30d; EUR): 13.35 m	Shareholders: Freefloat 96.0 % MV GmbH + MV GmbH 1.6 % M. Brucherseifer 2.0 % Union Investment 5.1 % Fidelity 4.1 %	Risk Profile (WRe): 2014e Beta: 1.3 Price / Book: 6.4 x Equity Ratio: 71 %

Acquisition of The Phone House complements existing stationary sales channels

Theme: Drillisch stated that it has signed a contract to acquire The Phone House Deutschland GmbH from Dicons Carphone PLC.

Company description “The Phone House”: The Phone House does not operate own shops in Germany but instead, manages and runs shops for third parties (50 Shops for Deutsche Telekom, shop-in-shop solutions for Karstadt), and has a huge distribution network in Germany with retailers that are specialised in electronics (smartphones, mobile phone contracts, tablets, laptops). The company generates annual sales of EUR 350m. It sells mobile packages to consumers and deals with electronic hardware such as smartphones, tablets and computers.

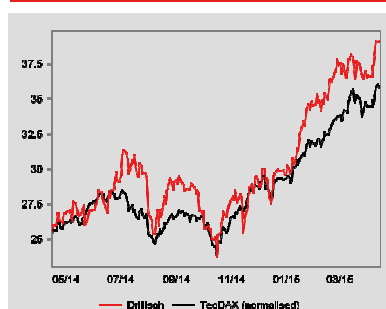
Deal structure: The transaction consists of two components: 1) Drillisch pays out roughly EUR 60m in Drillisch shares (capital increase: +1.6m shares); 2) entitlements will come from future excess cash flows of Phone House in Germany.

Rationality of the deal for Drillisch

- Up to now Drillisch has not had access to stationary specialist retailers. With the acquisition of The Phone House, Drillisch obtains access to a huge electronic dealer network in Germany.
- A very important factor strategically is Drillisch's view that The Phone House has a good software and IT platform to operate and manage stationary sales channels. Outlets and dealers need to be connected to network operators, to smartphone producers and to Drillisch. With the Phone House system, Drillisch gains a platform that is already in place and which can be used for all of Drillisch's stationary distribution activities.
- Drillisch is going to introduce its own tariffs and products for Phone House distribution channels. This should already support customer growth in 2015.
- With the acquisition of yourfone, the takeover of Telefonica D shops and now, the acquisition of The Phone House, the set-up and expansion of Drillisch's retail and distribution network are complete.

Financial impact: In a first step Drillisch is probably re-thinking the current positioning of The Phone House. It might be the case that one or more collaborations will be discontinued. Hence, the impact on group sales could be lower than EUR 350m (current sales level of The Phone House). Furthermore, contributions to group EBITDA should be rather low in the next two years.

Our current PT of EUR 40 has been reached. We will re-work our model and introduce our 2017e expectations within the next couple of days.

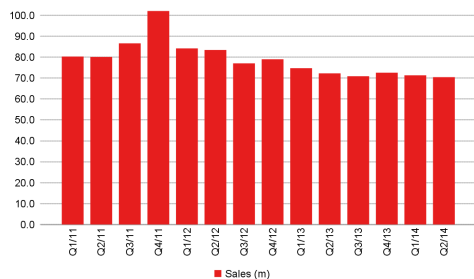


Rel. Performance vs TecDAX:	
1 month:	1.2 %
6 months:	10.6 %
Year to date:	9.8 %
Trailing 12 months:	12.6 %

Company events:	
13.05.15	Q1
21.05.15	AGM
13.08.15	Q2
12.11.15	Q3

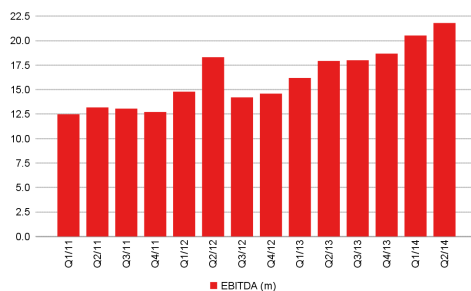
FY End: 31.12. in EUR m	CAGR (13-16e)	2010	2011	2012	2013	2014e	2015e	2016e
Sales	35.0 %	362	349	324	290	285	584	714
Change Sales yoy		5.2 %	-3.7 %	-7.3 %	-10.3 %	-1.7 %	104.6 %	22.3 %
Gross profit margin		24.9 %	30.1 %	34.3 %	41.8 %	50.2 %	34.6 %	37.3 %
EBITDA	17.5 %	46	51	62	71	85	97	115
Margin		12.7 %	14.7 %	19.1 %	24.4 %	29.8 %	16.6 %	16.1 %
EBIT	15.0 %	40	48	55	61	75	76	93
Margin		11.1 %	13.8 %	17.1 %	21.1 %	26.4 %	13.0 %	13.0 %
Net income	-29.1 %	31	41	23	156	49	45	56
EPS	-31.6 %	0.58	0.77	0.44	3.25	0.91	0.84	1.04
EPS adj.	7.4 %	0.58	0.77	0.44	0.84	0.91	0.84	1.04
DPS	4.0 %	0.50	0.70	1.30	1.60	1.80	1.80	1.80
Dividend Yield		9.5 %	9.6 %	14.8 %	10.5 %	4.6 %	4.6 %	4.6 %
FCFPS		0.69	0.32	0.02	0.77	0.90	-2.09	0.91
EV / Sales		0.1 x	0.7 x	1.4 x	1.2 x	6.6 x	3.7 x	3.1 x
EV / EBITDA		0.7 x	4.7 x	7.1 x	5.0 x	22.1 x	22.3 x	19.2 x
EV / EBIT		0.7 x	5.1 x	7.9 x	5.8 x	24.9 x	28.4 x	23.7 x
P / E		9.0 x	9.4 x	20.0 x	4.7 x	43.0 x	46.5 x	37.6 x
P / E adj.		9.0 x	9.4 x	20.0 x	18.2 x	43.0 x	46.5 x	37.6 x
FCF Yield Potential		108.1 %	15.6 %	13.1 %	10.9 %	2.8 %	3.1 %	3.6 %
Net Debt		31	138	253	-99	-203	79	126
ROE		21.4 %	26.9 %	16.4 %	92.2 %	18.0 %	15.1 %	22.1 %
ROCE (NOPAT)		15.6 %	15.9 %	18.5 %	21.7 %	43.0 %	22.3 %	18.1 %
Guidance:								

Sales development in EUR m



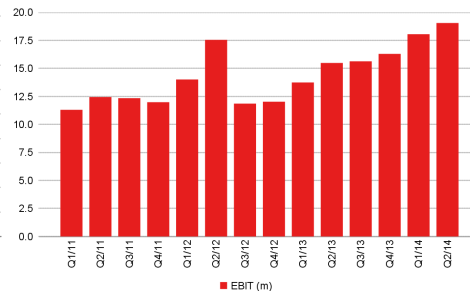
Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

EBIT development in EUR m



Source: Warburg Research

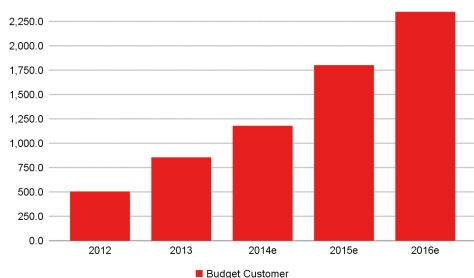
Company Background

- Drillisch has a contract with Telefonica Deutschland about the exclusive access of 20% of the Telefonica Detschland's network capacity in Germany. Capacity is measuered in mobile data volume.
- Drillisch has the obligation to purchase the capacity independently it can sell it or not to its own customer base. The obligation to acquire 20% of the used capacity will start in 2019.
- Between 2015 and 2019, the volume which Drillisch is obliged to purchase, is increasing step by step.
- Drillisch is positioned as a mobile virtual network operator. It has introduced a challenger strategy at the German mobile telecom market. It is establishing beside its current online sales channels a retail network.
- Drillisch sees itself as the price-quality leader for mobile tariffs in the German market. It can offer tariff prices lower than those of network operators or other MVNOs but deliver higher mobile data volumes.

Competitive Quality

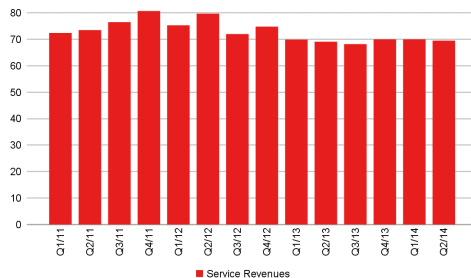
- Management track-record: Since 2003, the management has several times adjusted the strategy and sucessfully reacted on market changes. Drillisch was transferred from a prepaid distributor to a leading MVNO in Germany.
- Network and technolgy access: Drillisch can operate as a mobile network operator without taking CAPEX and technology risks. In addition, it has the best access to capacities and technology compared to competition.
- Attractive purchase conditions: Drillisch's purchase conditions are assumed to be very competitive. Drillisch beats network operativer tariffs by more than 25% and can place itself as the price-quality leader.

Budget customers in k



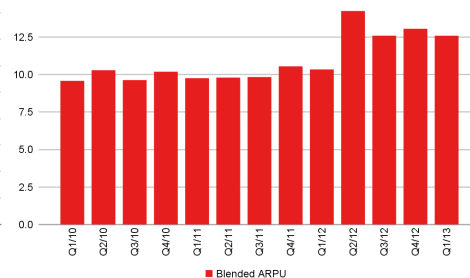
Source: Warburg Research

Service Revenues in EUR m



Source: Warburg Research

Blended ARPU in EUR



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2014e	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	
Sales	285	584	714	857	968	1,065	1,097	1,130	1,164	1,199	1,235	1,272	1,272	
Sales change	-1.7 %	104.6 %	22.3 %	20.0 %	13.0 %	10.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	0.0 %
EBIT	75	76	93	147	190	228	241	249	256	264	272	280	280	
EBIT-margin	26.4 %	13.0 %	13.0 %	17.1 %	19.6 %	21.4 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	22.0 %	
Tax rate (EBT)	32.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	31.0 %	
NOPAT	51	52	64	101	131	157	167	172	177	182	187	193	193	
Depreciation	10	21	22	27	30	32	33	34	35	36	37	38	25	
in % of Sales	3.4 %	3.6 %	3.1 %	3.1 %	3.1 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	
Changes in provisions	0	0	0	0	-1	0	0	0	0	0	0	0	0	
Change in Liquidity from														
- Working Capital	1	13	11	10	8	7	2	2	3	3	3	3	0	
- Capex	10	164	15	17	19	21	22	23	23	24	25	25	25	
Capex in % of Sales	3.4 %	28.1 %	2.1 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	
Other	0	0	0	0	0	0	0	0	0	0	0	0	0	
Free Cash Flow (WACC Model)	51	-104	60	100	132	161	175	180	186	191	197	203	193	193
PV of FCF	51	-99	53	83	103	117	120	115	111	107	103	99	89	1,291
share of PVs	0.25 %			44.68 %										55.06 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	25.00 %	Financial Strength	1.00
Cost of debt (after tax)	2.1 %	Liquidity (share)	1.00
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.75
WACC	6.86 %	Beta	1.26

Valuation (m)

Present values 2026e	1,054		
Terminal Value	1,291		
Financial liabilities	176		
Pension liabilities	1		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	115	No. of shares (m)	57.3
Equity Value	2,283	Value per share (EUR)	39.86

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		-0.75 %	-0.50 %	-0.25 %	0.00 %	0.25 %	0.50 %	0.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.50	7.9 %	32.23	32.71	33.22	33.77	34.35	34.97	35.63	1.50	7.9 %	31.13	32.01	32.89	33.77	34.65	35.53	36.41
1.38	7.4 %	34.76	35.34	35.95	36.60	37.30	38.05	38.86	1.38	7.4 %	33.77	34.71	35.66	36.60	37.55	38.49	39.44
1.32	7.1 %	36.15	36.78	37.45	38.17	38.94	39.77	40.67	1.32	7.1 %	35.23	36.21	37.19	38.17	39.15	40.13	41.11
1.26	6.9 %	37.64	38.33	39.07	39.86	40.71	41.63	42.63	1.26	6.9 %	36.80	37.82	38.84	39.86	40.88	41.90	42.92
1.20	6.6 %	39.23	39.98	40.80	41.68	42.62	43.65	44.76	1.20	6.6 %	38.49	39.56	40.62	41.68	42.74	43.80	44.86
1.14	6.4 %	40.93	41.77	42.67	43.64	44.69	45.83	47.08	1.14	6.4 %	40.32	41.43	42.53	43.64	44.75	45.85	46.96
1.02	5.9 %	44.73	45.76	46.87	48.08	49.39	50.83	52.41	1.02	5.9 %	44.46	45.67	46.87	48.08	49.29	50.49	51.70

- In 2015e we assume an upfront investment of EUR 150m related to the contract with Telefonica Deutschland
- Number of shares: 57m; convertible bonds: +4.1m; own shares: +5.1m
- Additional financial debts of EUR 234m are reflected which relates to the factoring transactions for handsets

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2010	2011	2012	2013	2014e	2015e	2016e	
Net Income before minorities	31	41	23	156	49	45	56	
+ Depreciation + Amortisation	6	3	6	10	10	21	22	
- Net Interest Income	2	4	-35	117	-4	-11	-13	
- Maintenance Capex	2	2	6	10	10	10	10	
+ Other	0	0	0	0	0	0	0	
= Free Cash Flow Potential	32	38	58	39	52	67	80	
Free Cash Flow Yield Potential	108.1 %	15.6 %	13.1 %	10.9 %	2.8 %	3.1 %	3.6 %	
WACC	6.86 %	6.86 %	6.86 %	6.86 %	6.86 %	6.86 %	6.86 %	
= Enterprise Value (EV)	30	244	441	356	1,876	2,158	2,206	
= Fair Enterprise Value	473	556	841	564	760	975	1,167	
- Net Debt (Cash)	-100	-100	-100	-100	-205	77	125	
- Pension Liabilities	1	1	1	1	1	1	1	
- Other	-280	-280	-280	-280	0	0	0	
- Market value of minorities	0	0	0	0	0	0	0	
+ Market value of investments	0	0	0	0	0	0	0	
= Fair Market Capitalisation	852	935	1,220	942	963	896	1,041	
No. of shares (total) (m)	53	53	53	53	53	53	53	
= Fair value per share (EUR)	16.02	17.57	22.93	17.72	18.11	16.85	19.58	
premium (-) / discount (+) in %					-53.7 %	-56.9 %	-49.9 %	
Sensitivity Fair value per Share (EUR)								
	9.86 %	13.31	14.39	18.12	14.49	13.77	11.27	12.90
	8.86 %	14.01	15.21	19.36	15.33	14.89	12.71	14.62
	7.86 %	14.88	16.24	20.92	16.37	16.30	14.52	16.78
WACC	6.86 %	16.02	17.57	22.93	17.72	18.11	16.85	19.58
	5.86 %	17.54	19.36	25.63	19.53	20.55	19.98	23.32
	4.86 %	19.68	21.88	29.44	22.08	24.00	24.40	28.61
	3.86 %	22.94	25.70	35.23	25.96	29.23	31.11	36.64

- FCF-Value potential does exclude the growth potential until 2019e
- FCF-Value potential reflects until 2016e the cash outflows which are needed to prepare the assumed growth path.
- The valuation tool ignores the substantial FCF growth after 2016.
- Therefore, results are misleading because it overestimates current growth-related OPEX but ignores FCF growth.

Valuation							
	2010	2011	2012	2013	2014e	2015e	2016e
Price / Book	2.0 x	2.3 x	3.9 x	3.4 x	6.4 x	7.6 x	9.0 x
Book value per share ex intangibles	1.16	1.63	0.24	2.42	4.17	-0.85	-1.36
EV / Sales	0.1 x	0.7 x	1.4 x	1.2 x	6.6 x	3.7 x	3.1 x
EV / EBITDA	0.7 x	4.7 x	7.1 x	5.0 x	22.1 x	22.3 x	19.2 x
EV / EBIT	0.7 x	5.1 x	7.9 x	5.8 x	24.9 x	28.4 x	23.7 x
EV / EBIT adj.*	0.7 x	5.1 x	7.9 x	5.8 x	24.9 x	28.4 x	23.7 x
P / FCF	7.8 x	24.2 x	188.4 x	19.1 x	43.3 x	n.a.	42.8 x
P / E	9.0 x	9.4 x	20.0 x	4.7 x	43.0 x	46.5 x	37.6 x
P / E adj.*	9.0 x	9.4 x	20.0 x	18.2 x	43.0 x	46.5 x	37.6 x
Dividend Yield	9.5 %	9.6 %	14.8 %	10.5 %	4.6 %	4.6 %	4.6 %
Free Cash Flow Yield Potential	108.1 %	15.6 %	13.1 %	10.9 %	2.8 %	3.1 %	3.6 %

*Adjustments made for: -

Company Specific Items							
	2010	2011	2012	2013	2014e	2015e	2016e
Service Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Budget Customer	n.a.	n.a.	0	0	0	0	0
Blended ARPU	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

Consolidated profit & loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Sales	362	349	324	290	285	584	714
Change Sales yoy	5.2 %	-3.7 %	-7.3 %	-10.3 %	-1.7 %	104.6 %	22.3 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	2	2	2	2	3	3	4
Total Sales	364	351	326	293	288	587	718
Material Expenses	274	246	215	171	145	385	451
Gross profit	362	349	324	290	285	584	714
<i>Gross profit margin</i>	<i>24.9 %</i>	<i>30.1 %</i>	<i>34.3 %</i>	<i>41.8 %</i>	<i>50.2 %</i>	<i>34.6 %</i>	<i>37.3 %</i>
Personnel expenses	24	21	23	24	24	41	59
Other operating income	3	2	8	4	4	9	6
Other operating expenses	23	34	34	30	38	73	99
Unfrequent items	0	0	0	0	0	0	0
EBITDA	46	51	62	71	85	97	115
<i>Margin</i>	<i>12.7 %</i>	<i>14.7 %</i>	<i>19.1 %</i>	<i>24.4 %</i>	<i>29.8 %</i>	<i>16.6 %</i>	<i>16.1 %</i>
Depreciation of fixed assets	1	1	1	1	1	3	3
EBITA	45	51	61	70	84	95	112
Amortisation of intangible assets	5	3	5	9	9	19	19
Goodwill amortization	0	0	0	0	0	0	0
EBIT	40	48	55	61	75	76	93
<i>Margin</i>	<i>11.1 %</i>	<i>13.8 %</i>	<i>17.1 %</i>	<i>21.1 %</i>	<i>26.4 %</i>	<i>13.0 %</i>	<i>13.0 %</i>
EBIT adj.	40	48	55	61	75	76	93
Interest income	1	1	1	1	1	1	1
Interest expenses	2	5	12	50	5	12	13
Other financial income (loss)	3	8	-24	166	0	0	0
EBT	42	52	21	178	72	65	81
<i>Margin</i>	<i>11.7 %</i>	<i>15.0 %</i>	<i>6.4 %</i>	<i>61.3 %</i>	<i>25.1 %</i>	<i>11.1 %</i>	<i>11.3 %</i>
Total taxes	12	11	-3	22	23	20	25
Net income from continuing operations	31	41	23	156	49	45	56
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	31	41	23	156	49	45	56
Minority interest	0	0	0	0	0	0	0
Net income	31	41	23	156	49	45	56
<i>Margin</i>	<i>8.5 %</i>	<i>11.7 %</i>	<i>7.2 %</i>	<i>53.7 %</i>	<i>17.0 %</i>	<i>7.7 %</i>	<i>7.8 %</i>
Number of shares, average	53	53	53	48	53	53	53
EPS	0.58	0.77	0.44	3.25	0.91	0.84	1.04
EPS adj.	0.58	0.77	0.44	0.84	0.91	0.84	1.04

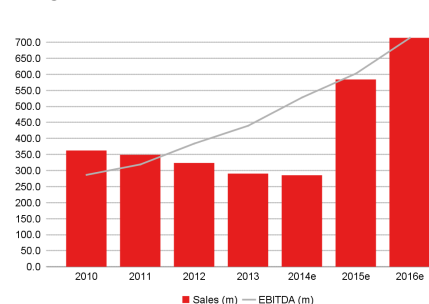
*Adjustments made for:

Guidance: EBITDA 2014e: EUR 82m - EUR 85m, dividend per share 2014e: EUR 1.60

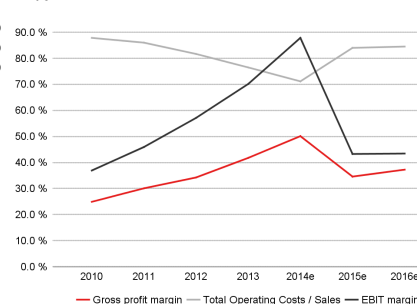
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	87.8 %	85.9 %	81.6 %	76.4 %	71.1 %	83.9 %	84.4 %
Operating Leverage	-1.8 x	-5.3 x	-2.1 x	-1.0 x	-13.2 x	0.0 x	1.0 x
EBITDA / Interest expenses	23.2 x	10.9 x	5.3 x	1.4 x	18.9 x	8.4 x	8.8 x
Tax rate (EBT)	27.4 %	21.5 %	-12.9 %	12.5 %	32.0 %	31.0 %	31.0 %
Dividend Payout Ratio	86.3 %	90.7 %	294.8 %	49.3 %	196.9 %	213.8 %	172.4 %
Sales per Employee	1,035,689	997,420	924,834	829,911	815,429	1,668,571	2,040,000

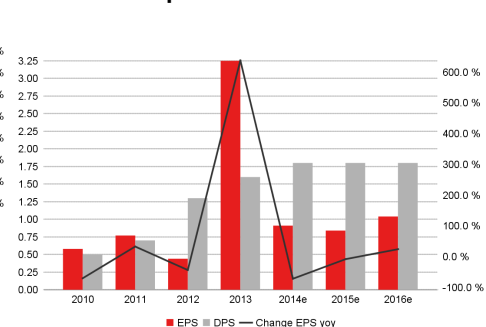
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

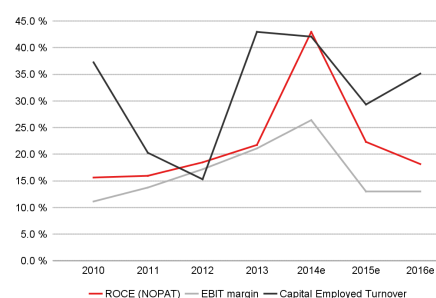
Consolidated balance sheet

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Assets							
Goodwill and other intangible assets	78	78	108	101	101	317	304
thereof other intangible assets	11	11	41	34	34	250	237
thereof Goodwill	67	67	67	67	67	67	67
Property, plant and equipment	1	1	1	1	2	3	9
Financial assets	123	236	260	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	203	316	369	103	103	321	314
Inventories	8	9	8	6	7	20	24
Accounts receivable	28	42	42	45	45	80	98
Liquid assets	28	21	77	187	291	69	52
Other short-term assets	8	7	26	11	12	17	17
Current assets	72	78	153	249	355	185	190
Total Assets	275	394	523	352	457	506	504
Liabilities and shareholders' equity							
Subscribed capital	59	57	54	53	53	53	53
Capital reserve	126	120	92	96	96	96	96
Retained earnings	31	31	31	31	-16	78	27
Other equity components	-76	-43	-56	37	190	45	56
Shareholder's equity	140	165	120	218	323	272	232
Minority interest	0	0	0	0	0	0	0
Total equity	140	165	120	218	323	272	232
Provisions	11	7	11	11	12	12	12
thereof provisions for pensions and similar obligations	0	1	1	1	1	1	1
Financial liabilities (total)	58	158	330	87	86	146	176
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	25	25	16	16	16	48	59
Other liabilities	40	39	45	21	21	28	25
Liabilities	134	228	402	135	134	234	272
Total liabilities and shareholders' equity	275	394	523	352	457	506	504

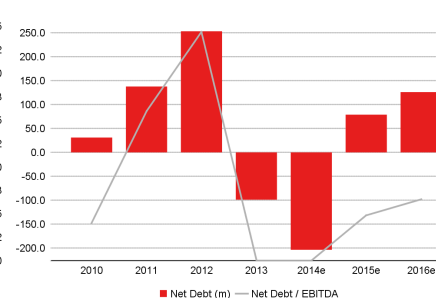
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Efficiency of Capital Employment							
Operating Assets Turnover	-28.2 x	79.7 x	12.4 x	9.8 x	9.2 x	12.7 x	11.3 x
Capital Employed Turnover	2.1 x	1.2 x	0.9 x	2.4 x	2.4 x	1.7 x	2.0 x
ROA	15.2 %	13.0 %	6.4 %	151.5 %	47.3 %	14.0 %	17.7 %
Return on Capital							
ROCE (NOPAT)	15.6 %	15.9 %	18.5 %	21.7 %	43.0 %	22.3 %	18.1 %
ROE	21.4 %	26.9 %	16.4 %	92.2 %	18.0 %	15.1 %	22.1 %
Adj. ROE	21.4 %	26.9 %	16.4 %	23.8 %	18.0 %	15.1 %	22.1 %
Balance sheet quality							
Net Debt	31	138	253	-99	-203	79	126
Net Financial Debt	30	137	252	-100	-205	77	125
Net Gearing	22.1 %	83.3 %	210.0 %	-45.4 %	-63.0 %	29.0 %	54.4 %
Net Fin. Debt / EBITDA	66.1 %	266.5 %	407.8 %	n.a.	n.a.	79.9 %	108.4 %
Book Value / Share	2.6	3.1	2.3	4.5	6.1	5.1	4.4
Book value per share ex intangibles	1.2	1.6	0.2	2.4	4.2	-0.9	-1.4

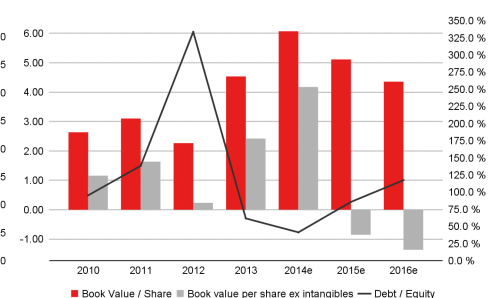
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

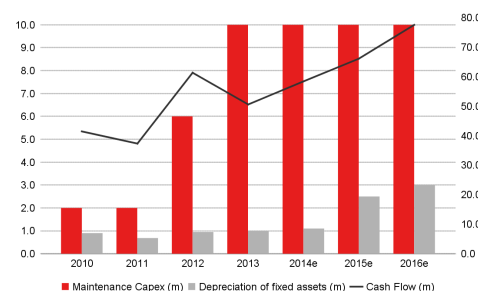
Consolidated cash flow statement

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	31	41	23	156	49	45	56
Depreciation of fixed assets	1	1	1	1	1	3	3
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	5	3	5	9	9	19	19
Increase/decrease in long-term provisions	0	0	0	0	0	0	0
Other non-cash income and expenses	5	-7	31	-115	0	0	0
Cash Flow	41	37	61	51	58	66	78
Increase / decrease in inventory	-1	-1	1	2	-1	-12	-4
Increase / decrease in accounts receivable	5	-13	0	-3	1	-35	-18
Increase / decrease in accounts payable	-3	-3	-22	-2	-1	34	11
Increase / decrease in other working capital positions	-1	0	-16	10	0	0	-3
Increase / decrease in working capital (total)	-1	-17	-37	6	-1	-13	-14
Net cash provided by operating activities	41	20	24	57	58	53	64
Investments in intangible assets	-3	-3	-20	-17	-8	-160	-6
Investments in property, plant and equipment	-2	-2	-2	-2	-2	-4	-9
Payments for acquisitions	0	0	0	0	0	-75	0
Financial investments	0	-67	-75	0	0	0	0
Income from asset disposals	3	0	106	370	0	0	0
Net cash provided by investing activities	-1	-70	8	350	-10	-239	-15
Change in financial liabilities	-23	78	92	-183	-1	60	30
Dividends paid	-16	-27	-36	-62	-85	-96	-96
Purchase of own shares	0	-8	-32	-8	0	0	0
Capital measures	0	0	0	0	0	0	0
Other	0	-1	0	-44	142	0	0
Net cash provided by financing activities	-39	43	25	-298	56	-36	-66
Change in liquid funds	1	-7	57	110	104	-222	-17
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	28	21	77	187	291	69	52

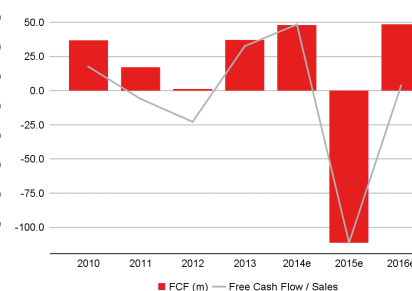
Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Cash Flow							
FCF	37	17	1	37	48	-111	49
Free Cash Flow / Sales	9.9 %	4.6 %	0.8 %	13.2 %	16.8 %	-19.1 %	6.8 %
Free Cash Flow Potential	32	38	58	39	52	67	80
Free Cash Flow / Net Profit	116.3 %	39.0 %	10.6 %	24.7 %	98.7 %	-248.6 %	87.4 %
Interest Received / Avg. Cash	2.9 %	2.2 %	1.9 %	1.0 %	0.3 %	0.3 %	0.8 %
Interest Paid / Avg. Debt	2.9 %	4.4 %	4.8 %	24.2 %	5.2 %	9.9 %	8.1 %
Management of Funds							
Investment ratio	1.4 %	1.1 %	6.7 %	6.4 %	3.4 %	28.1 %	2.1 %
Maint. Capex / Sales	0.6 %	0.6 %	1.9 %	3.4 %	3.5 %	1.7 %	1.4 %
Capex / Dep	84.7 %	119.3 %	337.7 %	191.8 %	99.0 %	777.3 %	68.2 %
Avg. Working Capital / Sales	-3.9 %	-1.6 %	4.3 %	9.1 %	10.0 %	6.1 %	6.8 %
Trade Debtors / Trade Creditors	114.8 %	166.1 %	260.7 %	286.7 %	285.9 %	166.7 %	166.6 %
Inventory Turnover	35.6 x	27.6 x	27.1 x	27.5 x	20.4 x	19.7 x	18.9 x
Receivables collection period (days)	29	44	47	57	57	50	50
Payables payment period (days)	33	37	27	34	39	46	48
Cash conversion cycle (Days)	-56	-56	-28	-34	-36	-33	-33

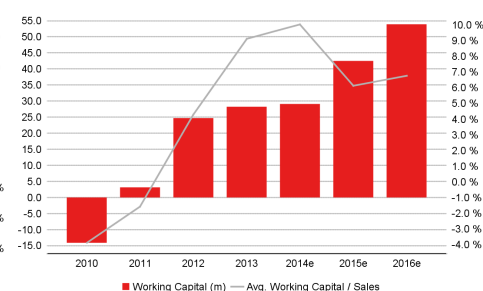
CAPEX and Cash Flow
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

LEGAL DISCLAIMER

This research report was prepared by the Warburg Research GmbH, a subsidiary of the M.M.Warburg & CO (AG & Co.) KGaA and is passed on by the M.M.Warburg & CO (AG & Co.) KGaA. It contains selected information and does not purport to be complete. The report is based on publicly available information and data ("the information") believed to be accurate and complete. Warburg Research GmbH neither does examine the information to be accurate and complete, nor guarantees its accuracy and completeness. Possible errors or incompleteness of the information do not constitute grounds for liability of M.M.Warburg & CO (AG & Co.) KGaA or Warburg Research GmbH for damages of any kind whatsoever, and M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are not liable for indirect and/or direct and/or consequential damages. In particular, neither M.M.Warburg & CO (AG & Co.) KGaA nor Warburg Research GmbH are liable for the statements, plans or other details contained in these analyses concerning the examined companies, their affiliated companies, strategies, economic situations, market and competitive situations, regulatory environment, etc. Although due care has been taken in compiling this research report, it cannot be excluded that it is incomplete or contains errors. M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH, their shareholders and employees are not liable for the accuracy and completeness of the statements, estimations and the conclusions derived from the information contained in this document. Provided a research report is being transmitted in connection with an existing contractual relationship, i.e. financial advisory or similar services, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH shall be restricted to gross negligence and wilful misconduct. In case of failure in essential tasks, M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are liable for normal negligence. In any case, the liability of M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH is limited to typical, expectable damages. This research report does not constitute an offer or a solicitation of an offer for the purchase or sale of any security. Partners, directors or employees of M.M.Warburg & CO (AG & Co.) KGaA, Warburg Research GmbH or affiliated companies may serve in a position of responsibility, i.e. on the board of directors of companies mentioned in the report. Opinions expressed in this report are subject to change without notice. All rights reserved.

COPYRIGHT NOTICE

This work including all its parts is protected by copyright. Any use beyond the limits provided by copyright law without permission is prohibited and punishable. This applies, in particular, to reproductions, translations, microfilming, and storage and processing on electronic media of the entire content or parts thereof.

DISCLOSURE ACCORDING TO §34B (1) OF THE GERMAN SECURITIES TRADING ACT (WHPG) AND THE ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS (FINANV)

The valuation underlying the investment recommendation for the company analysed here is based on generally accepted and widely used methods of fundamental analysis, such as e.g. DCF Model, Free Cash Flow Potential, Peer Group Comparison or Sum of the Parts Model. The result of this fundamental valuation is modified to take into consideration the analyst's assessment as regards the expected development of investor sentiment and its impact on the share price.

Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

This commentary reflects the opinion of the relevant author at the point in time of its compilation. A change in the fundamental factors underlying the valuation can mean that the valuation is subsequently no longer accurate. Whether, or in what time frame, an update of this commentary follows is not determined in advance.

In accordance with § 5 (4) of the Ordinance on the Analysis of Financial Instruments (FinAnV) Warburg Research GmbH has implemented additional internal and organisational arrangements to prevent or to deal with conflicts of interest. Among these are the spatial separation of Warburg Research GmbH from M.M.Warburg & CO (AG & Co.) KGaA and the creation of areas of confidentiality. This prevents the exchange of information, which could form the basis of conflicts of interest for Warburg Research in terms of the analysed issuers or their financial instruments.

The analysts of Warburg Research GmbH do not receive a gratuity – directly or indirectly – from the investment banking activities of M.M.Warburg & CO (AG & Co.) KGaA or of any company within the Warburg Group.

All prices of financial instruments given in this financial analysis are the closing prices on the last stock-market trading day before the publication date stated, unless another point in time is explicitly stated.

M.M.Warburg & CO (AG & Co.) KGaA and Warburg Research GmbH are subject to the supervision of the Federal Financial Supervisory Authority, BaFin.

SOURCES

All data and consensus estimates have been obtained from FactSet except where stated otherwise.

Reference in accordance with section 34b of the German Securities Trading Act (WpHG) and the Ordinance on the Analysis of Financial Instruments (FinAnV) regarding possible conflicts of interest with the analysed company:

- 1- The company preparing the analysis or any of its affiliated companies hold over **5% of shares** in the analysed company's equity capital.
- 2- Within the last twelve months, the company preparing the analysis or any of its affiliated companies have participated in the management of a **consortium** for the public offering of financial securities, which are (or the issuer of which) is the subject of the analysis.
- 3- The company preparing the analysis or any of its affiliated companies **manage the securities** of the analysed company on the grounds of an existing contract.
- 4- On the grounds of an existing contract, the company preparing the analysis or any of its affiliated companies, have managed **investment banking services** for the analysed company within the last twelve months, out of which a service or the promise of a has service emerged.
- 5- The company preparing the analysis and the analysed company came to an **agreement regarding the preparation of the financial analysis**.
- 6- The company preparing the analysis or any of its affiliated companies **regularly trade** in shares or derivatives of the analysed company.
- 7- The company preparing the analysis as well as its affiliated companies and employees have **other important interests** in relation to the analysed company, such as, for example, the exercising of mandates at analysed companies.

Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Drillisch	5, 6	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005545503.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	Buy:	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	100	55
Hold	70	38
Sell	9	5
Rating suspended	4	2
Total	183	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	80	58
Hold	50	36
Sell	5	4
Rating suspended	4	3
Total	139	100

PRICE AND RATING HISTORY DRILLISCH AS OF 15.04.2015


The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

EQUITIES

Roland Rapelius +49 40 3282-2673
Head of Equities rrapelius@mmwarburg.com

RESEARCH

Henner Rüschemier +49 40 309537-270
Head of Research hrueschmeier@warburg-research.com

Lucas Boventer +49 40 309537-290
Others lboventer@warburg-research.com

Christian Cohrs +49 40 309537-175
Engineering, Logistics ccohrs@warburg-research.com

Felix Ellmann +49 40 309537-120
Software, IT fellmann@warburg-research.com

Jörg Philipp Frey +49 40 309537-258
Retail, Consumer Goods jfrey@warburg-research.com

Harald Hof +49 40 309537-125
Medtech hhof@warburg-research.com

Ulrich Huwald +49 40 309537-255
Health Care, Pharma uhuwald@warburg-research.com

Thilo Kleibauer +49 40 309537-257
Retail, Consumer Goods tkleibauer@warburg-research.com

Eggert Kuls +49 40 309537-256
Engineering ekuls@warburg-research.com

Frank Laser +49 40 309537-235
Construction, Industrials flaser@warburg-research.com

Andreas Pläsier +49 40 309537-246
Banks, Financial Services aplaesier@warburg-research.com

Malte Räther +49 40 309537-185
Technology, Telco, Internet mraether@warburg-research.com

Jochen Reichert +49 40 309537-130
Telco, Internet, Media jreichert@warburg-research.com

Christopher Rodler +49 40 309537-290
Utilities crodler@warburg-research.com

Arash Roshan Zamir +49 40 309537-155
Engineering, Logistics aroshanzamir@warburg-research.com

Malte Schaumann +49 40 309537-170
Technology mschaumann@warburg-research.com

Oliver Schwarz +49 40 309537-250
Chemicals, Agriculture oschwarz@warburg-research.com

Marc-René Tonn +49 40 309537-259
Automobiles, Car Suppliers mtonn@warburg-research.com

Björn Voss +49 40 309537-254
Steel, Car Suppliers bvoss@warburg-research.com

Andreas Wolf +49 40 309537-140
Software, IT awolf@warburg-research.com

Stephan Wulf +49 40 309537-150
Utilities swulf@warburg-research.com

INSTITUTIONAL EQUITY SALES

Holger Nass +49 40 3282-2669
Head of Equity Sales, USA hnass@mmwarburg.com

Klaus Schilling +49 40 3282-2664
Dep. Head of Equity Sales, GER kschilling@mmwarburg.com

Christian Alisch +49 40 3282-2667
Scandinavia, Spain calisch@mmwarburg.com

Tim Beckmann +49 40 3282-2665
United Kingdom tbeckmann@mmwarburg.com

Matthias Fritsch +49 40 3282-2696
United Kingdom mfritsch@mmwarburg.com

Marie-Therese Grübner +49 40 3282-2630
France mgruebner@mmwarburg.com

Ömer Güven +49 40 3282-2633
USA, Germany ogueven@mmwarburg.com

Michael Kriszun +49 40 3282-2695
United Kingdom mkriszun@mmwarburg.com

Marc Niemann +49 40 3282-2660
Germany mniemann@mmwarburg.com

Sanjay Oberoi +49 69 5050-7410
United Kingdom soberoi@mmwarburg.com

Philipp Stumpfegger +49 40 3282-2635
Australia, United Kingdom pstumpfegger@mmwarburg.com

Juliane Willenbruch +49 40 3282-2694
Roadshow/Marketing jwillenbruch@mmwarburg.com

SALES TRADING

Oliver Merckel +49 40 3282-2634
Head of Sales Trading omerckel@mmwarburg.com

Thekla Struve +49 40 3282-2668
Dep. Head of Sales Trading tstruve@mmwarburg.com

Gudrun Bolsen +49 40 3282-2679
Sales Trading gbolsen@mmwarburg.com

Michael Ilgenstein +49 40 3282-2700
Sales Trading milgenstein@mmwarburg.com

Bastian Quast +49 40 3282-2701
Sales Trading bquast@mmwarburg.com

Jörg Treptow +49 40 3262-2658
Sales Trading jtreptow@mmwarburg.com

Jan Walter +49 40 3262-2662
Sales Trading jwalter@mmwarburg.com

MACRO RESEARCH

Carsten Klude +49 40 3282-2572
Macro Research cklude@mmwarburg.com

Matthias Thiel +49 40 3282-2401
Macro Research mthiel@mmwarburg.com

Dr. Christian Jasperneite +49 40 3282-2439
Investment Strategy cjasperneite@mmwarburg.com

Our research can be found under:

Warburg Research research.mmwarburg.com/en/index.html
Bloomberg MMWA GO
FactSet www.factset.com

Thomson www.thomson.com
Reuters www.knowledge.reuters.com
Capital IQ www.capitaliq.com

For access please contact:

Andrea Schaper +49 40 3282-2632
Sales Assistance aschaper@mmwarburg.com

Kerstin Muthig +49 40 3282-2703
Sales Assistance kmuthig@mmwarburg.com