

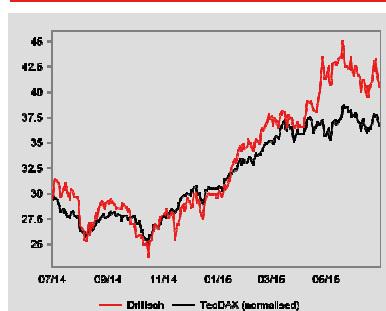
Hold EUR 42.00 Price EUR 40.56 Upside 3.6 %	Value Indicators: EUR DCF: 42.00 FCF-Value Potential 17e: 31.70	Share data: Bloomberg: DRI GR Reuters: DRIG ISIN: DE0005545503	Description: Virtual mobile network operator
	Market Snapshot: EUR m Market cap: 2,221 No. of shares (m): 55 EV: 2,253 Freefloat MC: 2,132 Ø Trad. Vol. (30d; EUR): 11.01 m	Shareholders: Freefloat 96.0 % M Brucherseifer+Management 3.5 % United Internet Ventures AG 20.7 % Allianz Global Investors 5.0 % Alken Luxemburg 3.2 %	Risk Profile (WRe): 2015e Beta: 1.3 Price / Book: 6.4 x Equity Ratio: 59 % Net Fin. Debt / EBITDA: 0.3 x Net Debt / EBITDA: 0.3 x

Meeting with CEO Pascal Choulidis

Last week, we had a meeting with the CEO Pascal Choulidis and the Head of IR Oliver Keil.

- Other operating income:** In Q1/15 Drillisch had other operating income of EUR 4.8m, the majority of which stemmed from Telefonica Deutschland payments to Drillisch for lease obligations of yourfone. Yourfone signed leasing contracts to finance handset subsidies to customers when it was managed by E-Plus. Those lease obligations are covered until October 2015 by Telefonica Deutschland. It should be considered, however, that this cannot be seen as additional income for Drillisch, as additional income is offset by material expenses of the same value (which reflects the cash outflow from Drillisch to the lease company).
- Financial support from Telefonica for the takeover of 300 shops:** Drillisch already said that it is receiving financial support from Telefonica to establish the shop network. Assuming that the payment per shop is on average EUR 80k, the total payment should be as much as EUR 25m. It is assumed that the complete payment will be settled in Q3/15. This payment is not fully included in our EBITDA expectation of EUR 97m. Hence, we will probably need to fine-tune our expectations regarding potential other operating income from the Telefonica payment. In our model, we have reflected payments for the takeover of Telefonica and E-Plus shops in 2015 and 2016 (instead of a one-time payment). We assume that part of the additional other operating income is used for additional marketing. Hence, we see room to lift our EBITDA projection for 2015 by EUR 3m to EUR 5m.
- Customer split and gross additions:** Based on our assumptions, Drillisch achieved roughly 670k gross additions in 2014. We expect that in 2016, gross additions should go up to 1m, and thereof 20% should be contributed from the stationary sales channel and 80% from the online-related sales channels.
- Mobile data usage:** Currently, a customer uses 60% of their monthly inclusive mobile data volume on average. The difference between used mobile data volume and paid mobile data volume has been one driver for the EBIT. Therefore, in our view, it is important that Drillisch can manage to keep a difference between mobile data usage and paid mobile data volume over time. We assume that customers have probably started increasing their monthly inclusive volume and asking for higher tariffs.
- Competitive landscape:** Drillisch currently sees a healthy market environment and does not currently expect any disruptive actions from competitors.

Our investment case remains unchanged. Drillisch has implemented a challenger strategy and positioned itself as a price-quantity leader in the market. The combination of favourable access to mobile network capacities and expansion of its distribution should increase its gross and net add figures over time. Furthermore, as a result, we see a substantial improvement of the EBITDA from EUR 85m in 2014 to EUR 268m by 2019e. In our view, the current share price level almost reflects expected strong growth in the upcoming years. Hence, we reiterate our Hold rating with a DCF-based PT of EUR 42.

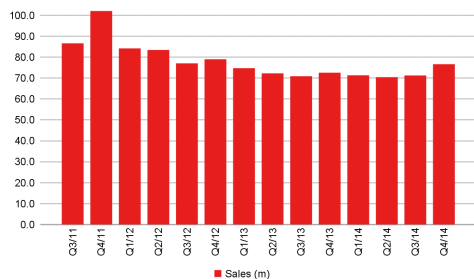


Rel. Performance vs TecDAX:	
1 month:	-1.5 %
6 months:	17.0 %
Year to date:	17.0 %
Trailing 12 months:	13.5 %

Company events:	
13.08.15	Q2
12.11.15	Q3

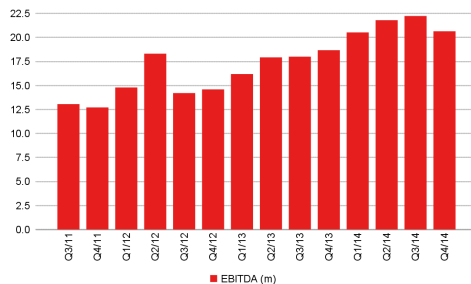
FY End: 31.12. in EUR m	CAGR (14-17e)	2011	2012	2013	2014	2015e	2016e	2017e
Sales	43.7 %	349	324	290	290	584	714	859
Change Sales yoy		-3.7 %	-7.3 %	-10.3 %	-0.3 %	101.6 %	22.3 %	20.3 %
Gross profit margin		30.1 %	34.3 %	41.8 %	49.9 %	34.6 %	37.3 %	38.6 %
EBITDA	25.8 %	51	62	71	85	97	116	170
Margin		14.7 %	19.1 %	24.4 %	29.4 %	16.6 %	16.2 %	19.7 %
EBIT	25.1 %	48	55	61	75	76	94	148
Margin		13.8 %	17.1 %	21.1 %	26.0 %	13.0 %	13.2 %	17.2 %
Net income	23.6 %	41	23	156	50	45	56	94
EPS	23.4 %	0.77	0.44	3.25	0.91	0.82	1.03	1.71
EPS adj.	23.4 %	0.77	0.44	0.84	0.91	0.82	1.03	1.71
DPS	1.9 %	0.70	1.30	1.60	1.70	1.80	1.80	1.80
Dividend Yield		9.6 %	14.8 %	10.5 %	6.4 %	4.4 %	4.4 %	4.4 %
FCFPS		0.32	0.02	0.77	1.21	-1.61	1.12	1.61
FCF / Market cap		4.1 %	0.5 %	5.2 %	4.1 %	-4.0 %	2.8 %	4.0 %
EV / Sales		0.7 x	1.4 x	1.2 x	3.3 x	3.9 x	3.2 x	2.7 x
EV / EBITDA		4.7 x	7.1 x	5.0 x	11.3 x	23.2 x	19.7 x	13.6 x
EV / EBIT		5.1 x	7.9 x	5.8 x	12.8 x	29.7 x	24.4 x	15.6 x
P / E		9.4 x	20.0 x	4.7 x	29.4 x	49.5 x	39.4 x	23.7 x
P / E adj.		9.4 x	20.0 x	18.2 x	29.4 x	49.5 x	39.4 x	23.7 x
FCF Yield Potential		15.6 %	13.1 %	10.9 %	5.4 %	3.0 %	3.5 %	5.1 %
Net Debt		138	253	-99	-225	32	69	80
ROCE (NOPAT)		15.9 %	18.5 %	21.7 %	46.1 %	21.7 %	17.3 %	27.2 %
Guidance:		EBITDA 2015e: EUR 95m - EUR 100m, dividend per share 2015e: EUR 1.70						

Sales development in EUR m



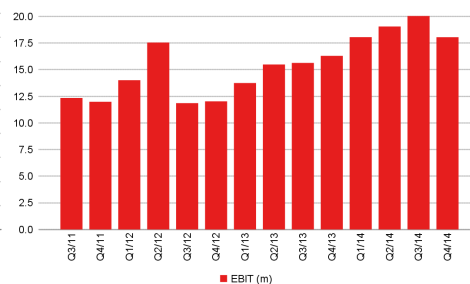
Source: Warburg Research

EBITDA development in EUR m



Source: Warburg Research

EBIT development in EUR m



Source: Warburg Research

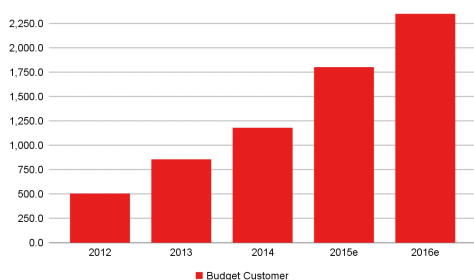
Company Background

- 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

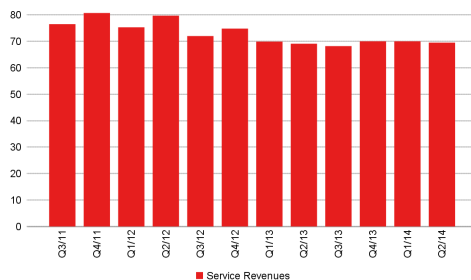
- Management track-record: Since 2003, the management has several times adjusted the strategy and sucessfully reacted on market changes. Drillisch was transferred from a prepaid distributor to a leading MVNO in Germany.
- Network and technolgy access: Drillisch can operate as a mobile network operator 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



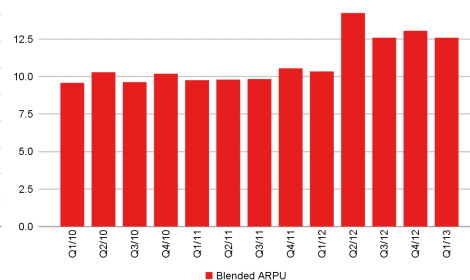
Source: Warburg Research

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
	2015e	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	
Sales	584	714	859	971	1,068	1,121	1,155	1,189	1,225	1,262	1,287	1,287	1,287	
Sales change	101.6 %	22.3 %	20.3 %	13.0 %	10.0 %	5.0 %	3.0 %	3.0 %	3.0 %	3.0 %	2.0 %	0.0 %	0.0 %	0.0 %
EBIT	76	94	148	200	248	263	271	280	288	297	302	302	302	
EBIT-margin	13.0 %	13.2 %	17.2 %	20.6 %	23.2 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	23.5 %	
Tax rate (EBT)	31.0 %	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	52	65	102	138	171	182	187	193	199	205	209	209	209	
Depreciation	21	22	22	17	18	20	23	24	25	25	26	26	26	
in % of Sales	3.6 %	3.1 %	2.6 %	1.8 %	1.7 %	1.8 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	
Changes in provisions	0	0	0	0	-1	0	0	0	0	0	0	0	0	
Change in Liquidity from														
- Working Capital	29	-1	13	11	8	4	3	3	3	3	2	0	0	
- Capex	164	15	15	19	21	22	23	24	25	25	26	26	26	
Capex in % of Sales	28.1 %	2.1 %	1.7 %	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)	-120	72	96	125	159	175	185	190	196	202	207	209	209	209
PV of FCF	-116	66	82	99	119	123	121	117	113	109	105	99	93	1,391
share of PVs	1.24 %			43.57 %										55.19 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	25.00 %	Financial Strength	1.00
Cost of debt (after tax)	1.4 %	Liquidity (share)	1.00
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.75
WACC	6.68 %	Beta	1.26

Valuation (m)

Present values 2027e	1,130		
Terminal Value	1,391		
Financial liabilities	140		
Pension liabilities	2		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	0		
Liquidity	115	No. of shares (m)	59.3
Equity Value	2,494	Value per share (EUR)	42.06

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	7.7 %	33.80	34.31	34.84	35.42	36.03	36.68	37.38	1.50	7.7 %	32.77	33.65	34.54	35.42	36.30	37.18	38.06
1.38	7.2 %	36.55	37.16	37.81	38.50	39.24	40.04	40.90	1.38	7.2 %	35.66	36.60	37.55	38.50	39.45	40.39	41.34
1.32	6.9 %	38.07	38.73	39.45	40.21	41.03	41.92	42.87	1.32	6.9 %	37.26	38.24	39.23	40.21	41.20	42.18	43.16
1.26	6.7 %	39.69	40.42	41.21	42.06	42.97	43.95	45.02	1.26	6.7 %	38.98	40.01	41.03	42.06	43.08	44.10	45.13
1.20	6.4 %	41.43	42.24	43.11	44.05	45.06	46.16	47.36	1.20	6.4 %	40.85	41.91	42.98	44.05	45.11	46.18	47.25
1.14	6.2 %	43.29	44.19	45.16	46.20	47.34	48.57	49.91	1.14	6.2 %	42.86	43.98	45.09	46.20	47.32	48.43	49.54
1.02	5.7 %	47.48	48.59	49.79	51.10	52.52	54.09	55.81	1.02	5.7 %	47.44	48.66	49.88	51.10	52.31	53.53	54.75

- In 2015e we assume an upfront investment of EUR 150m related to the contract with Telefonica Deutschland
- Number of shares: 57m; convertible bonds: +4.54m
- 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	2011	2012	2013	2014	2015e	2016e	2017e	
Net Income before minorities	41	23	156	50	45	56	94	
+ Depreciation + Amortisation	3	6	10	10	21	22	22	
- Net Interest Income	4	-35	117	-3	-11	-13	-12	
- Maintenance Capex	2	6	10	10	10	10	10	
+ Other	0	0	0	0	0	0	0	
= Free Cash Flow Potential	38	58	39	52	67	81	117	
Free Cash Flow Yield Potential	15.6 %	13.1 %	10.9 %	5.4 %	3.0 %	3.5 %	5.1 %	
WACC	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	6.68 %	
= Enterprise Value (EV)	244	441	356	961	2,253	2,290	2,301	
= Fair Enterprise Value	571	863	579	783	1,001	1,208	1,756	
- Net Debt (Cash)	-226	-226	-226	-226	30	68	78	
- Pension Liabilities	2	2	2	2	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	1,075	1,368	1,083	1,288	969	1,139	1,676	
No. of shares (total) (m)	55	55	55	55	55	55	55	
= Fair value per share (EUR)	19.64	24.98	19.78	23.51	17.70	20.80	30.61	
premium (-) / discount (+) in %					-56.4 %	-48.7 %	-24.5 %	
Sensitivity Fair value per Share (EUR)								
	9.68 %	16.41	20.09	16.51	19.08	12.04	13.97	20.68
	8.68 %	17.24	21.35	17.35	20.22	13.49	15.72	23.23
	7.68 %	18.28	22.93	18.41	21.65	15.32	17.93	26.44
WACC	6.68 %	19.64	24.98	19.78	23.51	17.70	20.80	30.61
	5.68 %	21.47	27.75	21.64	26.03	20.91	24.68	36.25
	4.68 %	24.08	31.71	24.29	29.62	25.50	30.22	44.31
	3.68 %	28.12	37.82	28.39	35.16	32.59	38.77	56.73

- 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							
	2011	2012	2013	2014	2015e	2016e	2017e
Price / Book	2.3 x	3.9 x	3.4 x	4.4 x	6.4 x	7.3 x	7.5 x
Book value per share ex intangibles	1.63	0.24	2.42	4.25	0.55	0.01	0.17
EV / Sales	0.7 x	1.4 x	1.2 x	3.3 x	3.9 x	3.2 x	2.7 x
EV / EBITDA	4.7 x	7.1 x	5.0 x	11.3 x	23.2 x	19.7 x	13.6 x
EV / EBIT	5.1 x	7.9 x	5.8 x	12.8 x	29.7 x	24.4 x	15.6 x
EV / EBIT adj.*	5.1 x	7.9 x	5.8 x	12.8 x	29.7 x	24.4 x	15.6 x
P / FCF	24.2 x	188.4 x	19.1 x	24.1 x	n.a.	39.2 x	27.2 x
P / E	9.4 x	20.0 x	4.7 x	29.4 x	49.5 x	39.4 x	23.7 x
P / E adj.*	9.4 x	20.0 x	18.2 x	29.4 x	49.5 x	39.4 x	23.7 x
Dividend Yield	9.6 %	14.8 %	10.5 %	6.4 %	4.4 %	4.4 %	4.4 %
Free Cash Flow Yield Potential	15.6 %	13.1 %	10.9 %	5.4 %	3.0 %	3.5 %	5.1 %
*Adjustments made for: -							

Company Specific Items							
	2011	2012	2013	2014	2015e	2016e	2017e
Service Revenues	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Budget Customer	n.a.	0	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	2011	2012	2013	2014	2015e	2016e	2017e
Sales	349	324	290	290	584	714	859
Change Sales yoy	-3.7 %	-7.3 %	-10.3 %	-0.3 %	101.6 %	22.3 %	20.3 %
Increase / decrease in inventory	0	0	0	0	0	0	0
Own work capitalised	2	2	2	2	3	4	4
Total Sales	351	326	293	291	587	718	863
Material Expenses	246	215	171	147	385	451	531
Gross profit	349	324	290	290	584	714	859
<i>Gross profit margin</i>	<i>30.1 %</i>	<i>34.3 %</i>	<i>41.8 %</i>	<i>49.9 %</i>	<i>34.6 %</i>	<i>37.3 %</i>	<i>38.6 %</i>
Personnel expenses	21	23	24	25	41	59	62
Other operating income	2	8	4	1	9	6	6
Other operating expenses	34	34	30	36	73	98	106
Unfrequent items	0	0	0	0	0	0	0
EBITDA	51	62	71	85	97	116	170
<i>Margin</i>	<i>14.7 %</i>	<i>19.1 %</i>	<i>24.4 %</i>	<i>29.4 %</i>	<i>16.6 %</i>	<i>16.2 %</i>	<i>19.7 %</i>
Depreciation of fixed assets	1	1	1	1	3	3	3
EBITA	51	61	70	84	95	113	167
Amortisation of intangible assets	3	5	9	9	19	19	19
Goodwill amortization	0	0	0	0	0	0	0
EBIT	48	55	61	75	76	94	148
<i>Margin</i>	<i>13.8 %</i>	<i>17.1 %</i>	<i>21.1 %</i>	<i>26.0 %</i>	<i>13.0 %</i>	<i>13.2 %</i>	<i>17.2 %</i>
EBIT adj.	48	55	61	75	76	94	148
Interest income	1	1	1	1	1	1	1
Interest expenses	5	12	50	4	12	13	12
Other financial income (loss)	8	-24	166	0	0	0	0
EBT	52	21	178	73	65	82	136
<i>Margin</i>	<i>15.0 %</i>	<i>6.4 %</i>	<i>61.3 %</i>	<i>25.1 %</i>	<i>11.1 %</i>	<i>11.4 %</i>	<i>15.8 %</i>
Total taxes	11	-3	22	23	20	25	42
Net income from continuing operations	41	23	156	50	45	56	94
Income from discontinued operations (net of tax)	0	0	0	0	0	0	0
Net income before minorities	41	23	156	50	45	56	94
Minority interest	0	0	0	0	0	0	0
Net income	41	23	156	50	45	56	94
<i>Margin</i>	<i>11.7 %</i>	<i>7.2 %</i>	<i>53.7 %</i>	<i>17.2 %</i>	<i>7.7 %</i>	<i>7.9 %</i>	<i>10.9 %</i>
Number of shares, average	53	53	48	55	55	55	55
EPS	0.77	0.44	3.25	0.91	0.82	1.03	1.71
EPS adj.	0.77	0.44	0.84	0.91	0.82	1.03	1.71

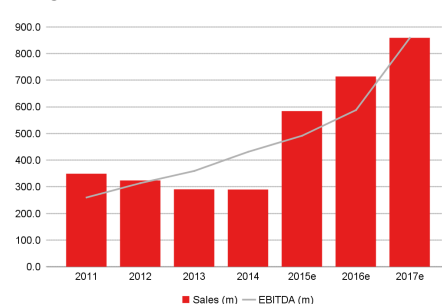
*Adjustments made for:

Guidance: EBITDA 2015e: EUR 95m - EUR 100m, dividend per share 2015e: EUR 1.70

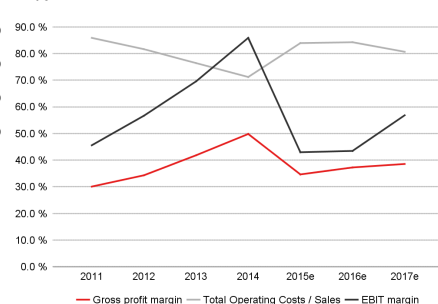
Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Total Operating Costs / Sales	85.9 %	81.6 %	76.4 %	71.2 %	83.9 %	84.2 %	80.7 %
Operating Leverage	-5.3 x	-2.1 x	-1.0 x	-81.7 x	0.0 x	1.1 x	2.8 x
EBITDA / Interest expenses	10.9 x	5.3 x	1.4 x	23.8 x	8.4 x	8.9 x	14.1 x
Tax rate (EBT)	21.5 %	-12.9 %	12.5 %	31.0 %	31.0 %	31.0 %	31.0 %
Dividend Payout Ratio	90.7 %	294.8 %	49.3 %	185.9 %	220.1 %	175.3 %	105.0 %
Sales per Employee	997,420	924,834	829,911	827,566	1,668,571	2,040,000	2,454,286

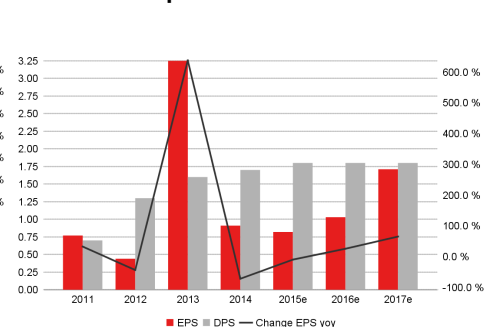
Sales, EBITDA
in EUR m



Operating Performance
in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated balance sheet

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Assets							
Goodwill and other intangible assets	78	108	101	99	315	302	289
thereof other intangible assets	11	41	34	31	248	235	222
thereof Goodwill	67	67	67	67	67	67	67
Property, plant and equipment	1	1	1	3	4	10	16
Financial assets	236	260	0	0	0	0	0
Other long-term assets	0	0	0	0	0	0	0
Fixed assets	316	369	103	101	319	312	305
Inventories	9	8	6	5	23	24	29
Accounts receivable	42	42	45	48	88	98	118
Liquid assets	21	77	187	317	121	113	103
Other short-term assets	7	26	11	4	30	30	30
Current assets	78	153	249	374	262	265	279
Total Assets	394	523	352	476	581	577	584
Liabilities and shareholders' equity							
Subscribed capital	57	54	53	59	60	60	60
Capital reserve	120	92	96	231	292	292	292
Retained earnings	31	31	31	31	-52	-106	-148
Other equity components	-43	-56	37	10	45	56	94
Shareholders' equity	165	120	218	331	345	303	298
Minority interest	0	0	0	0	0	0	0
Total equity	165	120	218	331	345	303	298
Provisions	7	11	11	9	10	10	10
thereof provisions for pensions and similar obligations	1	1	1	2	1	1	1
Financial liabilities (total)	158	330	87	91	151	181	181
thereof short-term financial liabilities	0	0	0	0	0	0	0
Accounts payable	25	16	16	22	48	59	71
Other liabilities	39	45	21	23	27	25	25
Liabilities	228	402	135	144	236	274	286
Total liabilities and shareholders' equity	394	523	352	476	581	577	584

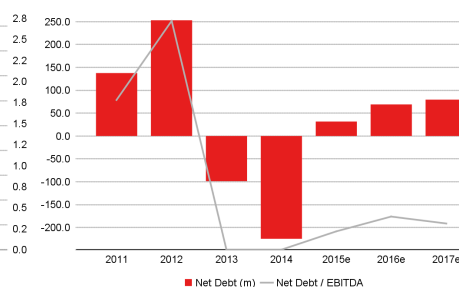
Financial Ratios

	2011	2012	2013	2014	2015e	2016e	2017e
Efficiency of Capital Employment							
Operating Assets Turnover	79.7 x	12.4 x	9.8 x	10.4 x	10.0 x	11.2 x	10.4 x
Capital Employed Turnover	1.2 x	0.9 x	2.4 x	2.7 x	1.5 x	1.9 x	2.3 x
ROA	13.0 %	6.4 %	151.5 %	49.1 %	14.0 %	18.0 %	30.8 %
Return on Capital							
ROCE (NOPAT)	15.9 %	18.5 %	21.7 %	46.1 %	21.7 %	17.3 %	27.2 %
ROE	26.9 %	16.4 %	92.2 %	18.1 %	13.2 %	17.4 %	31.2 %
Adj. ROE	26.9 %	16.4 %	23.8 %	18.1 %	13.2 %	17.4 %	31.2 %
Balance sheet quality							
Net Debt	138	253	-99	-225	32	69	80
Net Financial Debt	137	252	-100	-226	30	68	78
Net Gearing	83.3 %	210.0 %	-45.4 %	-67.9 %	9.2 %	22.8 %	26.7 %
Net Fin. Debt / EBITDA	266.5 %	407.8 %	n.a.	n.a.	31.3 %	58.4 %	46.2 %
Book Value / Share	3.1	2.3	4.5	6.0	6.3	5.5	5.4
Book value per share ex intangibles	1.6	0.2	2.4	4.2	0.6	0.0	0.2

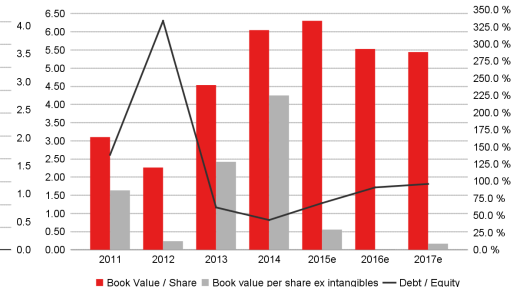
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

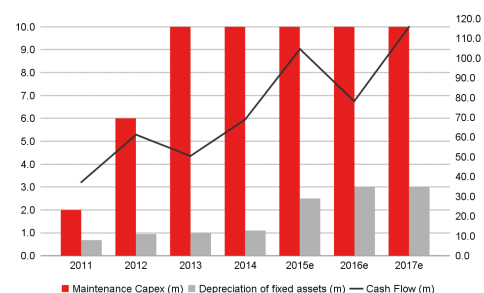
Consolidated cash flow statement

In EUR m	2011	2012	2013	2014	2015e	2016e	2017e
Net income	41	23	156	50	45	56	94
Depreciation of fixed assets	1	1	1	1	3	3	3
Amortisation of goodwill	0	0	0	0	0	0	0
Amortisation of intangible assets	3	5	9	9	19	19	19
Increase/decrease in long-term provisions	0	0	0	1	0	0	0
Other non-cash income and expenses	-7	31	-115	9	39	0	0
Cash Flow	37	61	51	69	105	78	116
Increase / decrease in inventory	-1	1	2	1	-18	0	-5
Increase / decrease in accounts receivable	-13	0	-3	-2	-40	-10	-20
Increase / decrease in accounts payable	-3	-22	-2	4	29	11	12
Increase / decrease in other working capital positions	0	-16	10	0	0	-3	0
Increase / decrease in working capital (total)	-17	-37	6	3	-29	-2	-13
Net cash provided by operating activities	20	24	57	72	76	76	103
Investments in intangible assets	-3	-20	-17	-9	-160	-6	-6
Investments in property, plant and equipment	-2	-2	-2	-2	-4	-9	-9
Payments for acquisitions	0	0	0	0	-136	0	0
Financial investments	-67	-75	0	0	0	0	0
Income from asset disposals	0	106	370	1	0	0	0
Net cash provided by investing activities	-70	8	350	-5	-300	-15	-15
Change in financial liabilities	78	92	-183	0	60	30	0
Dividends paid	-27	-36	-62	-77	-93	-99	-99
Purchase of own shares	-8	-32	-8	0	0	0	0
Capital measures	0	0	0	0	61	0	0
Other	-1	0	-44	140	0	0	0
Net cash provided by financing activities	43	25	-298	63	28	-69	-99
Change in liquid funds	-7	57	110	130	-197	-7	-11
Effects of exchange-rate changes on cash	0	0	0	0	0	0	0
Cash and cash equivalent at end of period	21	77	187	317	121	113	103

Financial Ratios

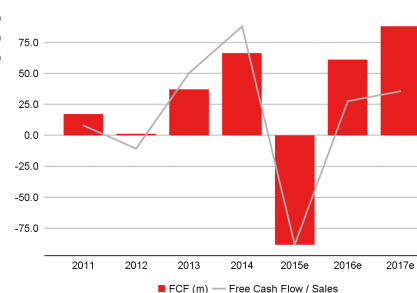
	2011	2012	2013	2014	2015e	2016e	2017e
Cash Flow							
FCF	17	1	37	66	-88	61	88
Free Cash Flow / Sales	4.6 %	0.8 %	13.2 %	21.0 %	-15.1 %	8.6 %	10.2 %
Free Cash Flow Potential	38	58	39	52	67	81	117
Free Cash Flow / Net Profit	39.0 %	10.6 %	24.7 %	122.2 %	-197.5 %	108.7 %	93.8 %
Interest Received / Avg. Cash	2.2 %	1.9 %	1.0 %	0.4 %	0.2 %	0.4 %	0.5 %
Interest Paid / Avg. Debt	4.4 %	4.8 %	24.2 %	4.0 %	9.5 %	7.8 %	6.6 %
Management of Funds							
Investment ratio	1.1 %	6.7 %	6.4 %	3.8 %	28.1 %	2.1 %	1.7 %
Maint. Capex / Sales	0.6 %	1.9 %	3.4 %	3.5 %	1.7 %	1.4 %	1.2 %
Capex / Dep	119.3 %	337.7 %	191.8 %	110.9 %	777.3 %	68.2 %	68.2 %
Avg. Working Capital / Sales	-1.6 %	4.3 %	9.1 %	9.2 %	6.8 %	7.6 %	7.0 %
Trade Debtors / Trade Creditors	166.1 %	260.7 %	286.7 %	218.1 %	183.3 %	166.6 %	166.7 %
Inventory Turnover	27.6 x	27.1 x	27.5 x	26.8 x	16.5 x	18.9 x	18.6 x
Receivables collection period (days)	44	47	57	60	55	50	50
Payables payment period (days)	37	27	34	54	46	48	49
Cash conversion cycle (Days)	-56	-28	-34	-53	-29	-33	-32

CAPEX and Cash Flow in EUR m



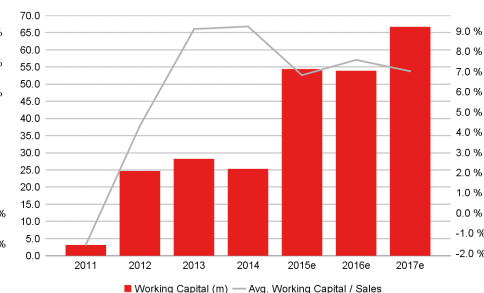
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

LEGAL DISCLAIMER

This research report was prepared by the Warburg Research GmbH, a fully owned 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.

Additional information for clients in the United States

1. This research report (the "Report") is a product of Warburg Research GmbH, Germany, a fully owned subsidiary of M.M.Warburg & CO (AG & Co.) KGaA, Germany (in the following collectively "Warburg"). Warburg is the employer of the research analyst(s), who have prepared the Report. The research analyst(s) reside outside the United States and are not associated persons of any U.S. regulated broker-dealer and therefore are not subject to the supervision of any U.S. regulated broker-dealer.
2. The Report is provided in the United States for distribution solely to "major U.S. institutional investors" under Rule 15a-6 of the U.S. Securities Exchange Act of 1934.
3. Any recipient of the Report should effect transactions in the securities discussed in the Report only through J.P.P. Euro-Securities, Inc., Delaware.
4. J.P.P. Euro-Securities, Inc. does not accept or receive any compensation of any kind for the dissemination of the research reports from Warburg.

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.

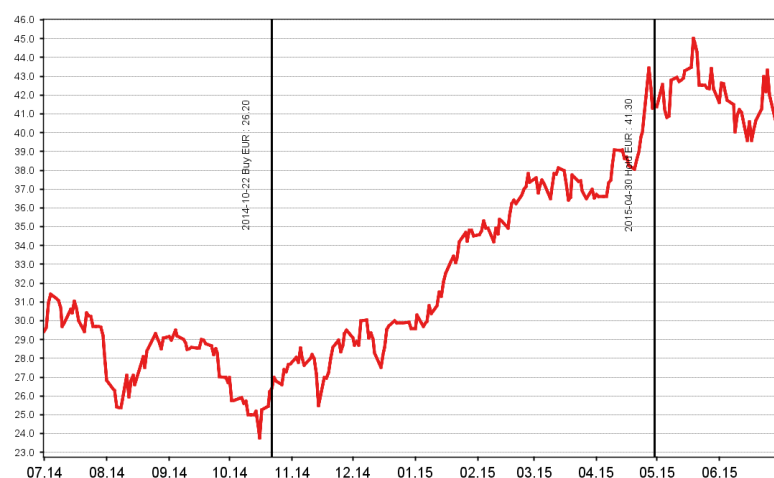
WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	101	55
Hold	71	39
Sell	7	4
Rating suspended	3	2
Total	182	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	84	61
Hold	47	34
Sell	5	4
Rating suspended	2	1
Total	138	100

PRICE AND RATING HISTORY DRILLISCH AS OF 30.06.2015


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 aplasier@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

Moritz Rieser +49 40 309537-260
Real Estate mrieser@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

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, Switzerland 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