



Drillisch AG

Company Presentation







Part 1: A Successful H1-2014



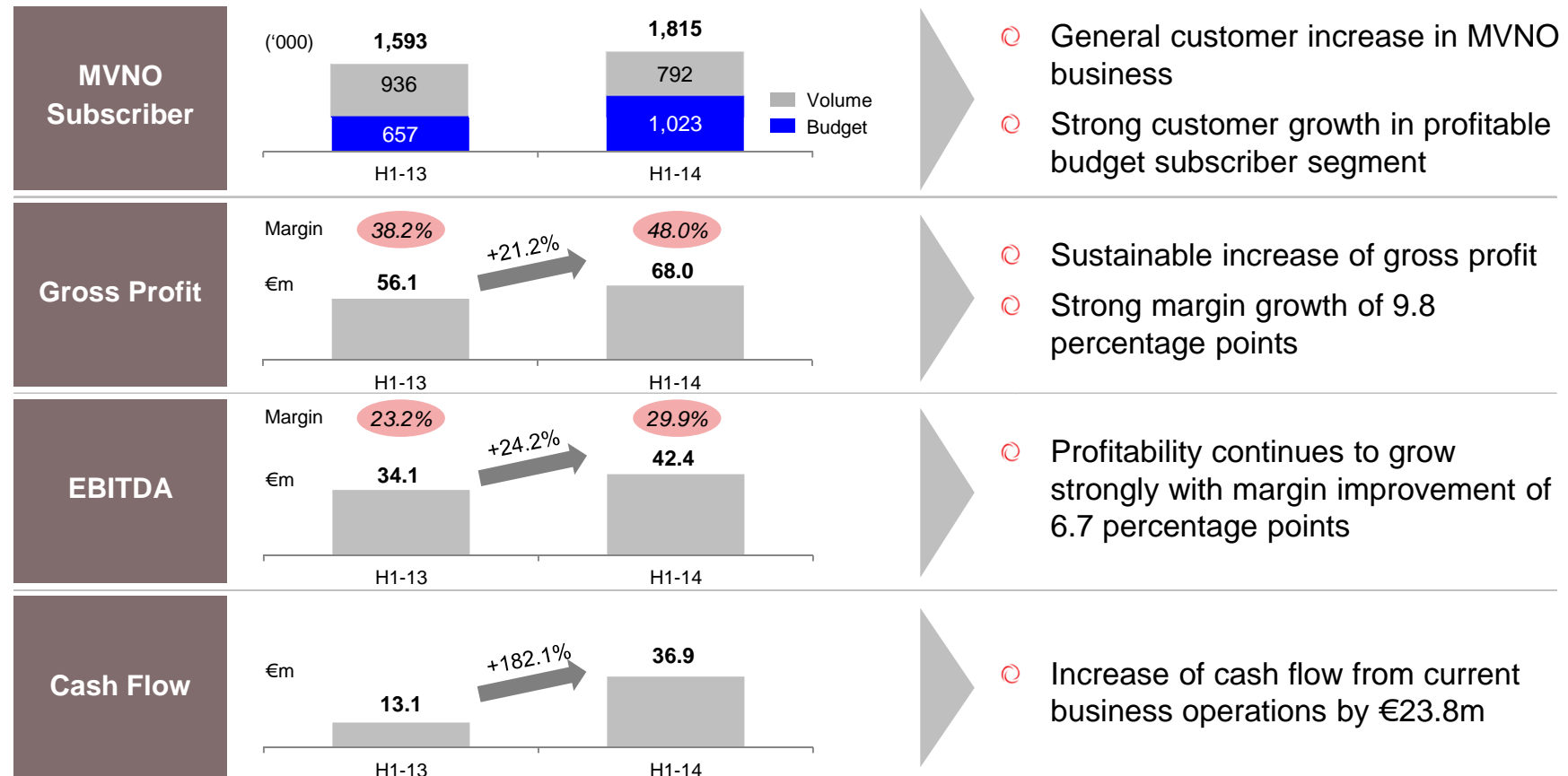
Part 2: Drillisch – MBA MVNO Agreement



Part 3: Guidance and Outlook

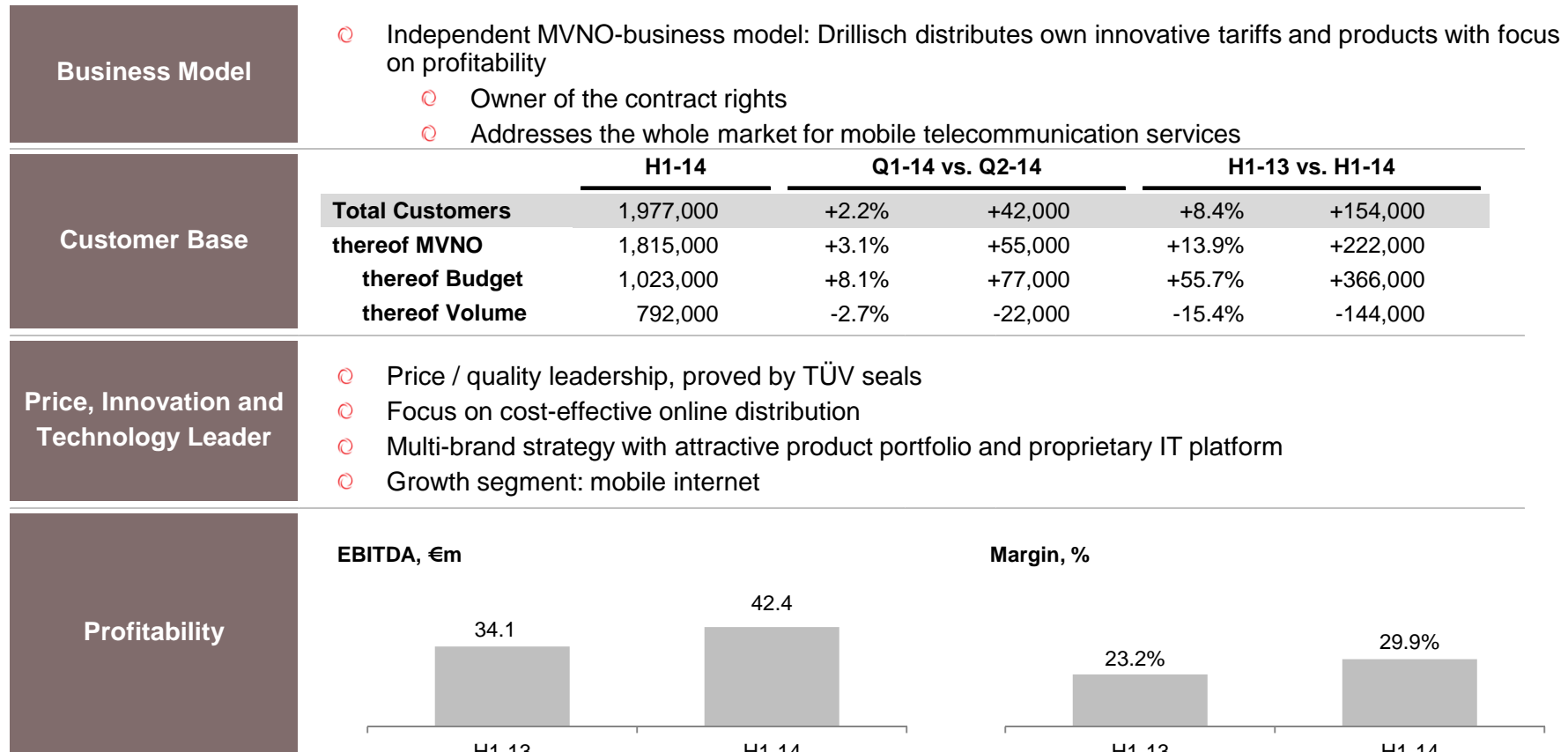
-  **Highlights H1-2014**
-  **Trends in the Mobile Communications Market**
-  **Financial Performance**
-  **Take-Aways**

Highlights H1-2014



Positive Development in H1- 2014 – all Expectations Reached or Outperformed

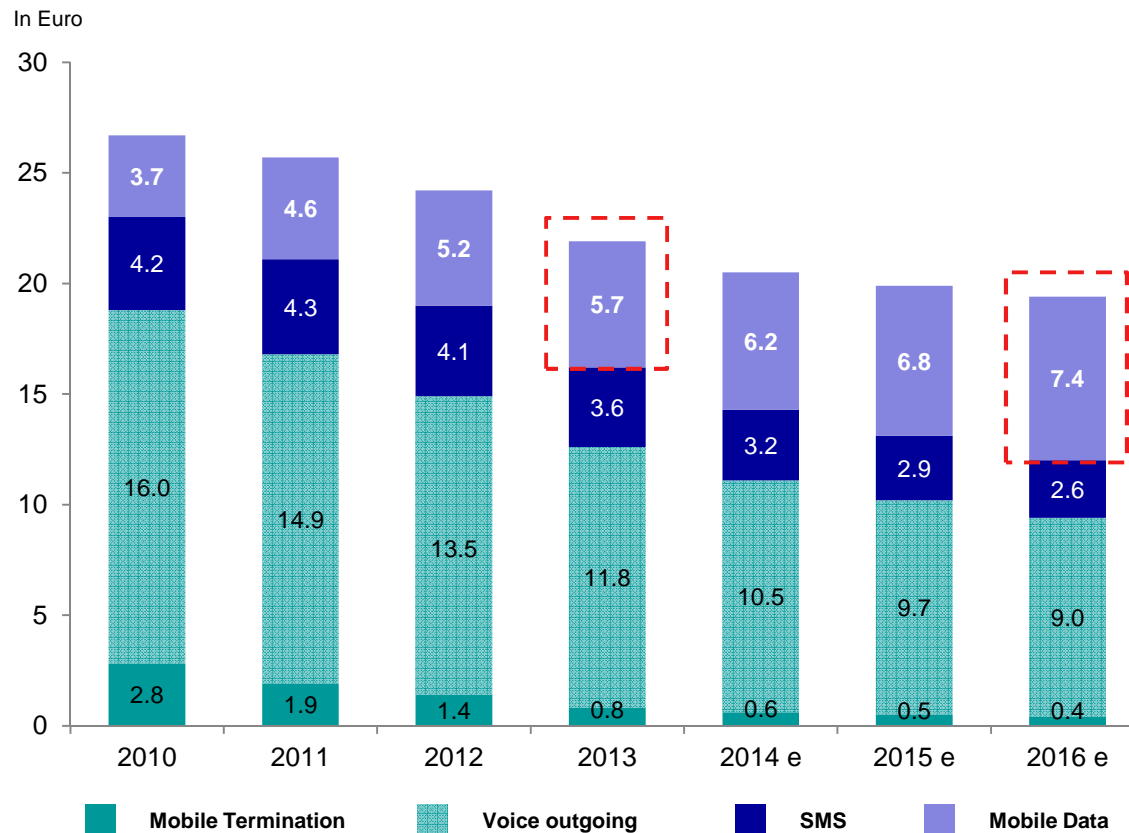
Drillisch Group at a Glance



Business Model and Strategic Focus as Basis for Successful H1-2014

Trends in Telco Market 2010 to 2016 (1)

Average Revenue per User (ARPU) Development 2010-2016 (e)



- Within declining ARPU, mobile data shows a positive trend and absolute growth
- Market developments require a committed price and innovation strategy
- Drillisch is an innovative company with a clear strategy for price leadership and high quality management

Drillisch is in an Excellent Condition to be Successfully Positioned in the Future

(1) Mobile service revenue per inhabitant – Arthur D. Little - BNP Exane “The long march” – March 2014, page 15 (pdf)

Drillisch Brand Portfolio

Successful With Innovative Rates and Transparent Products

Drillisch Portfolio (Selection)



Awards for Price and Quality (Selection)



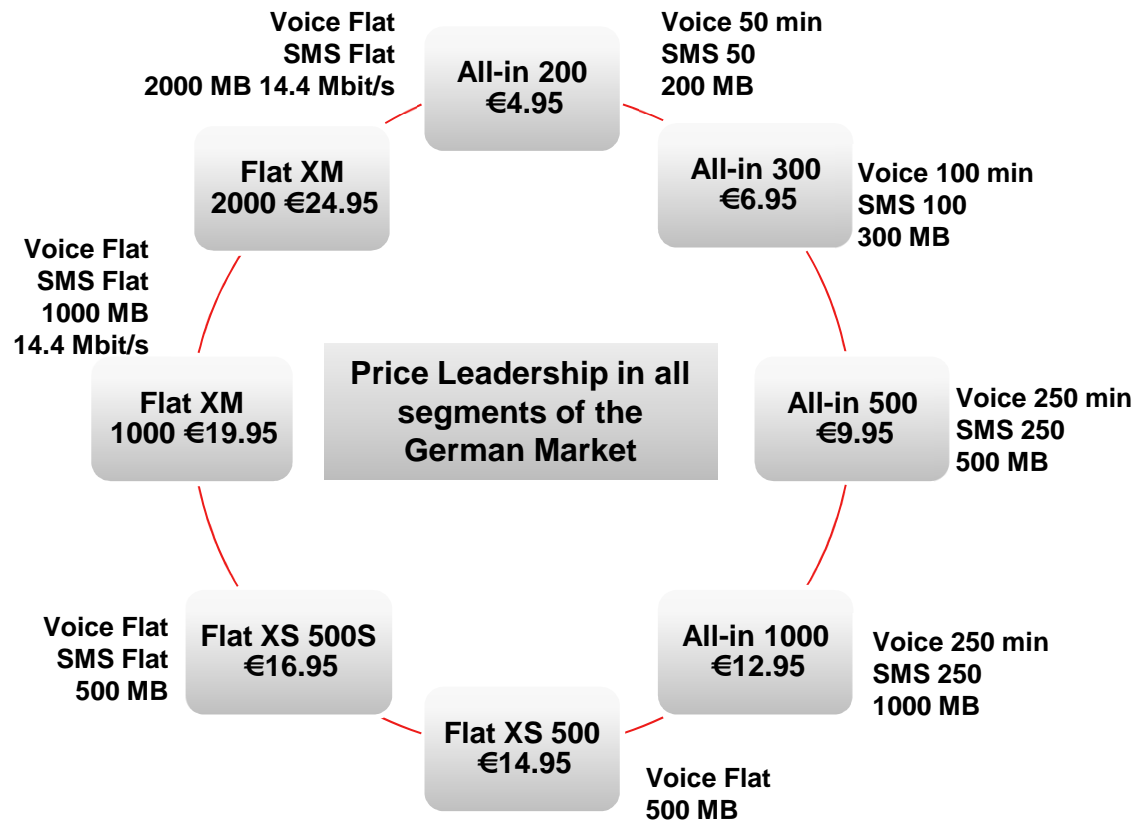
Highly Sustainable Quality Management Reconfirmed by External Audits



High Customer Satisfaction and Client Willingness to Recommend (up to 89%)

Drillisch Product Portfolio

Price Leader in all Segments – Successful From Basic to Full-Flat Tariffs...



Price Leadership in all segments

- From €4.95 for Basic tariff
- To €24.95 Full-Flat

Speed

- Up to 14.4 Mbit/s
- Data bundles as required

LTE Rate

- Over all brands

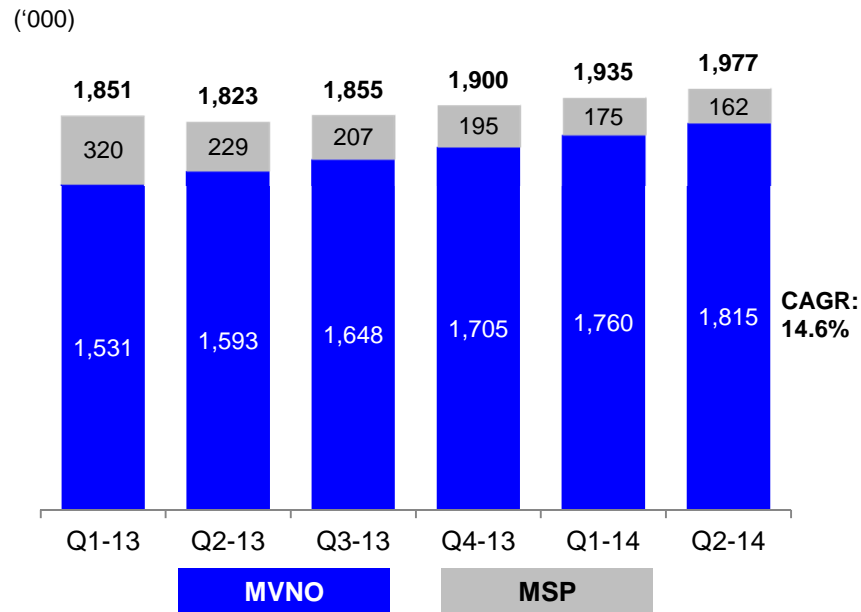
High speed as driver

- Data monetisation

... With Excellent Quality and Transparent Products

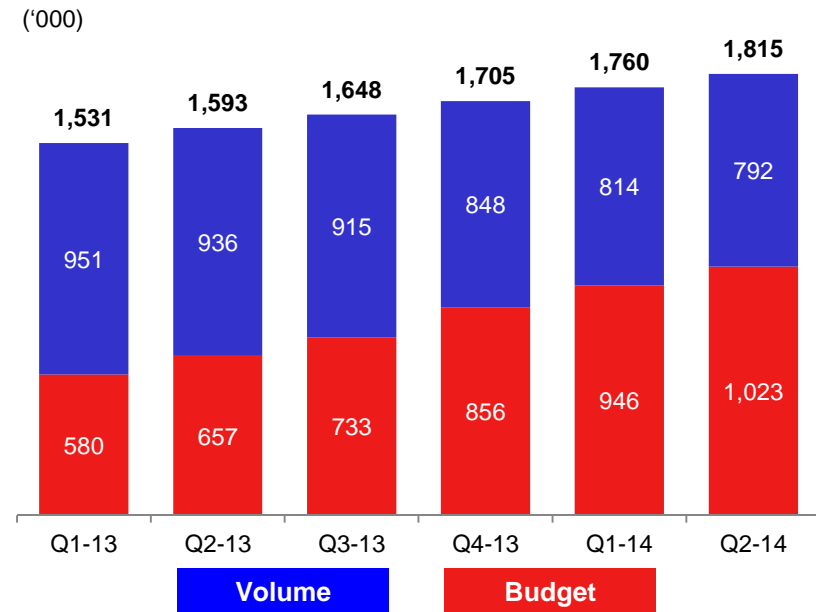
Drillisch Subscriber Development

Subscriber Development*



- **MVNO** subscriber growth
 - + 222k to 1,815k (prev. year: 1,593k)
- **Total subscriber**
 - +154k to 1,977k (prev. year: 1,823k)

Subscriber Focus in MVNO Business

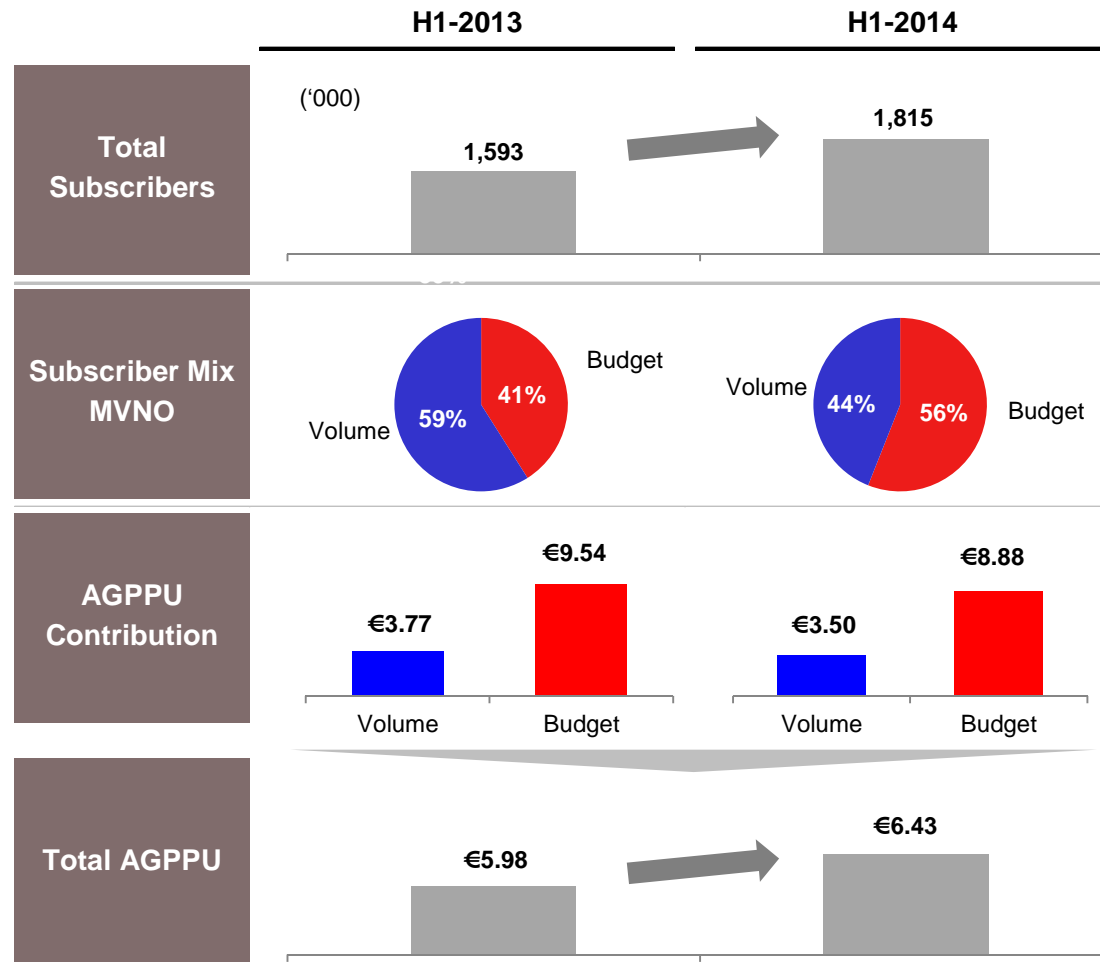


- **Budget** subscriber
 - + 366k to 1,023k (prev. year: 657k)
- **Volume** subscriber
 - -144k to 792k (prev. year: 936k)

Sustainable MVNO Subscriber Growth With Focus on Budget Subscriber Segment

*Growth after adjustment of the former MSP business

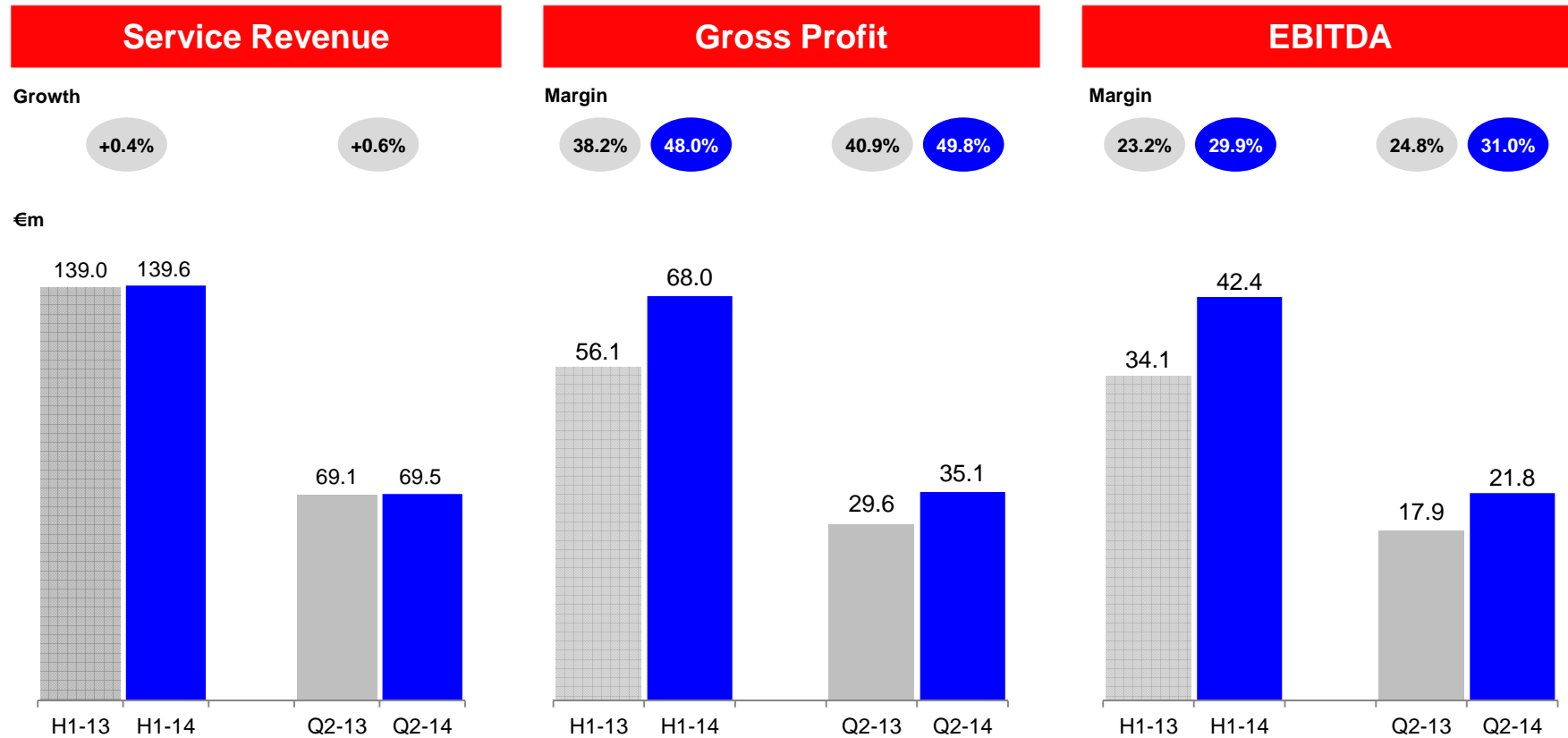
Average Gross Profit per User (AGPPU)



- Addressing the whole market leads to absolute subscriber growth
- Focus on profitable budget subscribers
- Significant growth in budget segment leads to slightly declining budget AGPPU
- Improved customer mix leads to increase in AGPPU for the whole customer base

Improving Customer Mix and Addressing the Whole Market Lead to Increasing Profitability

Revenue and Profitability Development



Increased Profitability and Stable Revenues Lead to Higher Earnings

Cash Flow Development

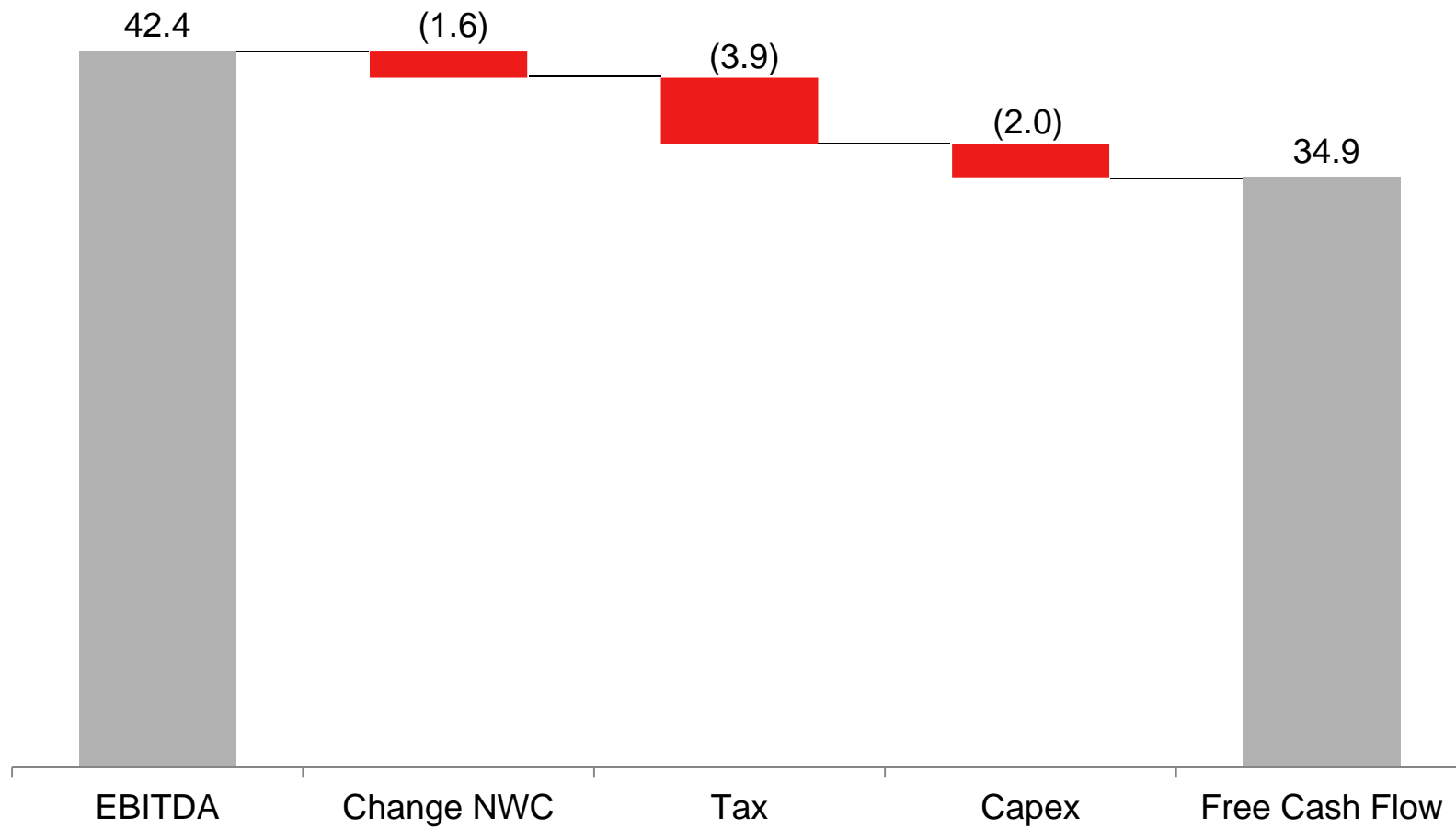
€m	H1-14	H1-13	
Cash flow from current business activities	36.9	13.1	○ Significant increase in accordance with profitability in operating business in H1-14
Cash flow from investment activities	(1.7)	278.7	○ Mainly due to cash inflows of €275.5m from selling freenet shares in H1-13
Cash flow from financing activities	(77.5)	(325.4)	○ H1-14 mainly relates to paid dividends of €76.8m – H1-13 includes paid dividends of €62.4m, redemption of a bond of €108.7m as well as borrowing and repayment of loans with regards to the former freenet investment
Free cash flow ⁽¹⁾	34.9	3.9	

Clear Improvement of Cash Flow From Operating Business

(1) Free Cashflow = Cash Flow from current business activities ./. Capex

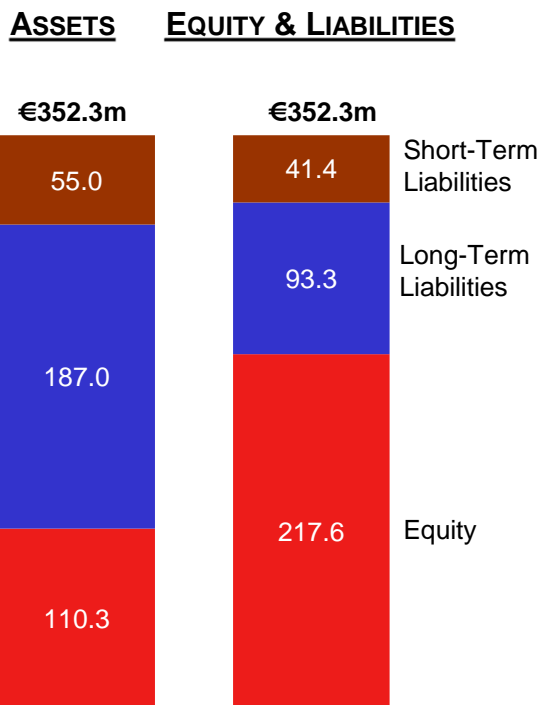
EBITDA to FCF

Free Cash Flow Bridge January – June 2014 in €m

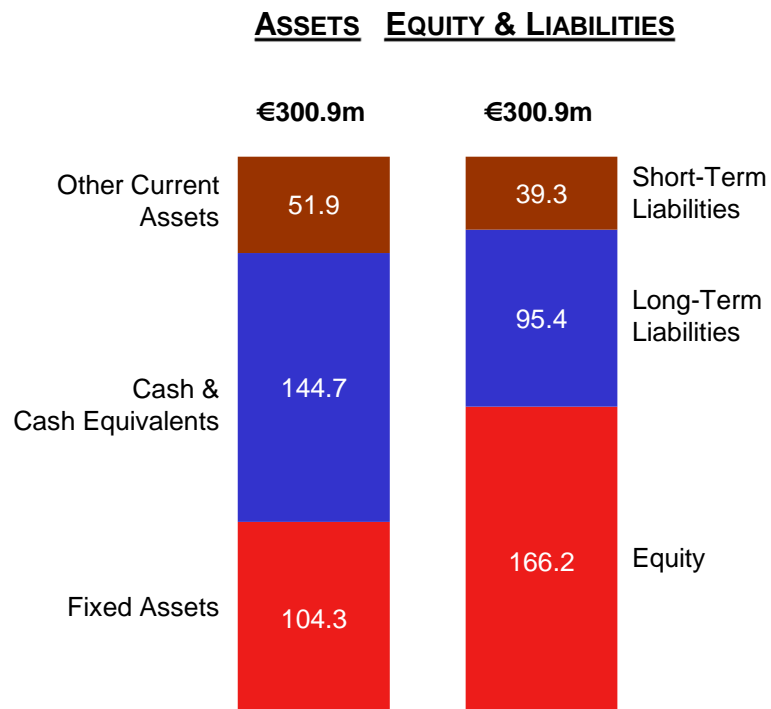


Balance Sheet in Million Euro

31 December 2013



30 June 2014



Strong Balance Sheet With High Cash Position and Equity Ratio of 55%

Take-Aways



Awards and seals for quality and transparency of products



Price leader in all segments



Total flexibility – No debt and high cash position



Part 1: A Successful H1-2014



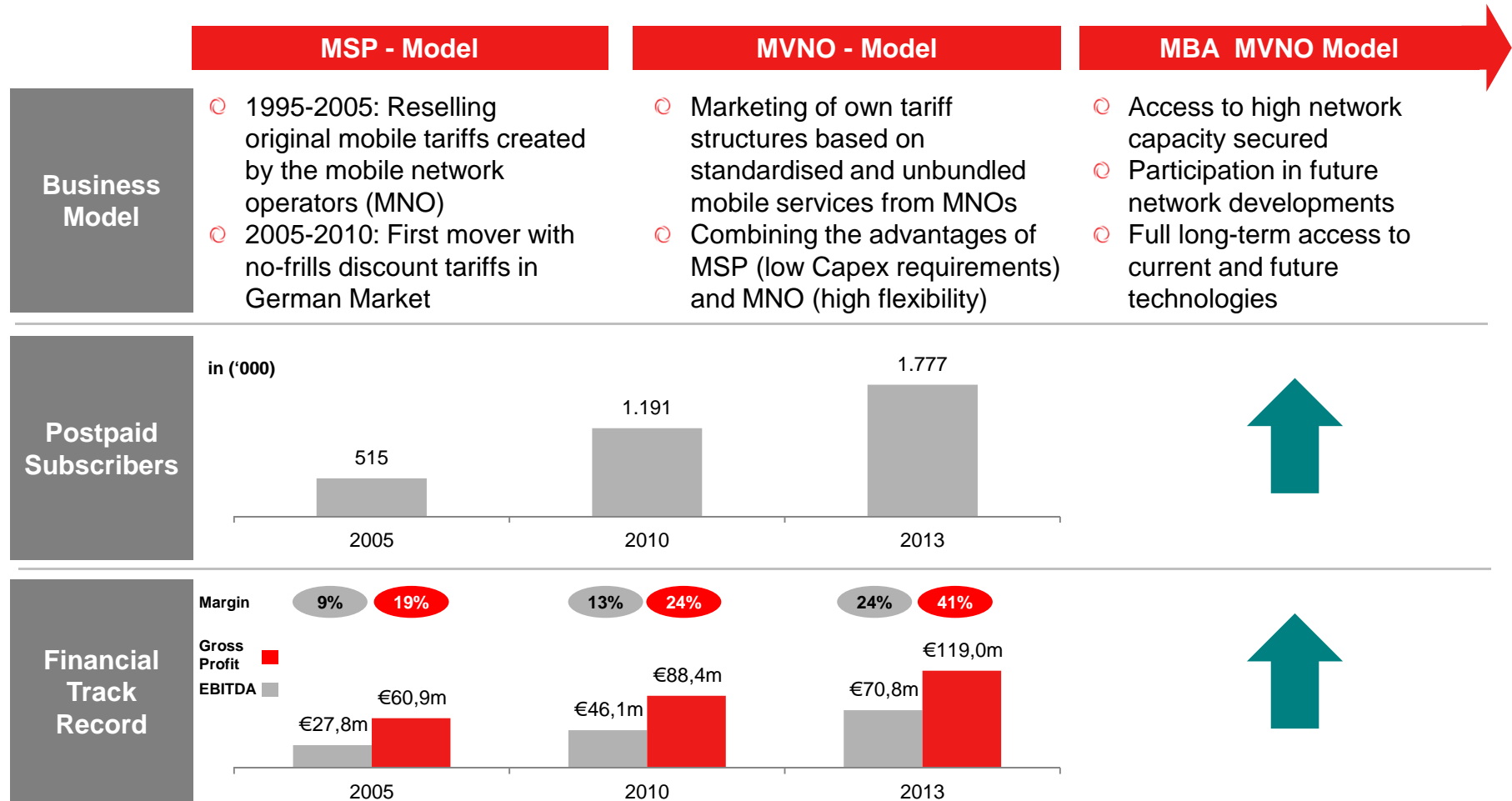
Part 2: Drillisch – MBA MVNO Agreement



Part 3: Guidance and Outlook

-  **Drillisch Transformational Success Story**
-  **MBA MVNO Agreement with Telefónica Deutschland (“TEF DE”)**
-  **New Strategic Opportunities**
-  **Key Take-Aways**

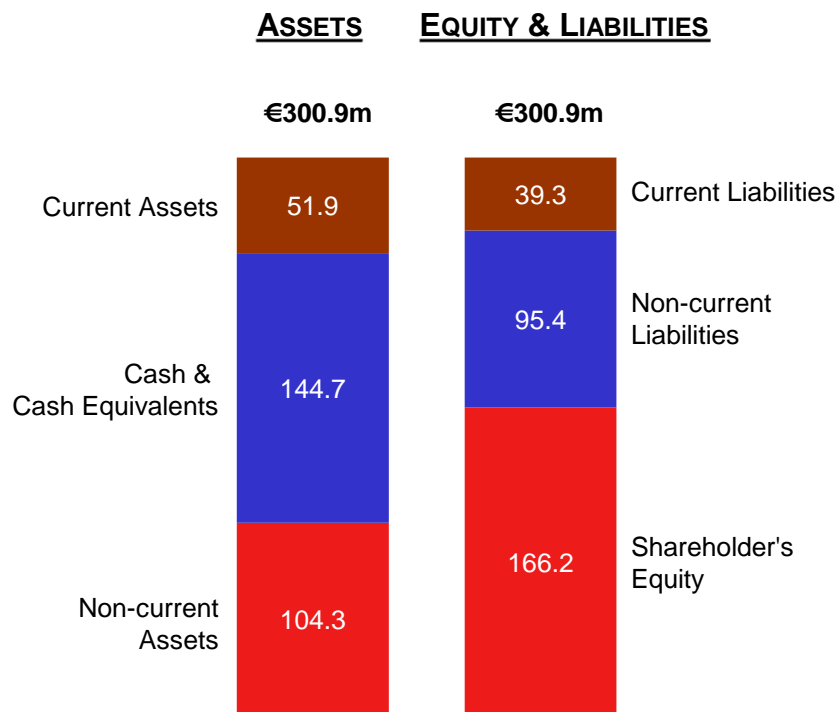
Drillisch Transformational Success Story



Drillisch Managed to Develop its Business Model Successfully and Profitably – MBA MVNO Agreement with TEF DE is the Next Step

Balance Sheet and Liquidity

Balance Sheet as at 30 June 2014



Liquidity

As at 30 June 2014

€m

Cash & Cash Equivalents	144.7
Convertible Bond ⁽¹⁾	(87.5)
Leasing Liabilities	(0.8)
Net Cash	56.4

- 5.19m treasury shares (9.76% of share capital)⁽²⁾
- Excellent access to debt capital markets
 - €100m convertible bond issued December 2013
 - €125m exchangeable bond issued April 2012 (repaid)

Drillisch has Ample Financial Flexibility to Fund Future Growth

(1) Current strike price of convertible bond at €22.85 vs. Drillisch share price of €29.10 as at 30 June 2014

(2) At current share price of €26.53 equivalent to c.€138m

Key Elements of the Agreement with TEF DE (1/2)

Opportunities for Drillisch

Capacity

- Access to 20% of TEF DE network capacity for new customers via a glide path mechanism over a 5 year period
- Option to acquire access to another 10% of TEF DE network capacity

✓ Access to up to 30% of network capacity of TEF DE

✓ Unlimited 4G access 12 months ahead of other Non-MNOs

Distribution

- Purchase of shops at very attractive economics
- Acquisition of 50 shops
- Option to acquire up to 550 additional shops

✓ Enlarged distribution power and access to new customer groups

✓ Existing best-in-class online distribution to market additional capacity

MBA MVNO Agreement Allows Drillisch to Strengthen and Grow its Price, Technology and Innovation Leadership Position in the German Mobile Telecommunication Market

Key Elements of the Agreement with TEF DE (2/2)

Technology and Networks

- Opportunity to take part in future network developments (e.g. prioritised access)
- Non-discrimination with respect to time and technological quality

General Terms and Conditions

- 5 years, plus two options to extend the agreement by additional terms of 5 years each (i.e. guaranteed term of agreement of at least 15 years)
- Upfront payment as consideration for upcoming investments into the TEF DE network for development of 4G and future technologies on the network

Opportunities for Drillisch

✓ Unlimited access to all current and future technologies (e.g. 4G, 5G, etc.)

✓ Opportunity to become a network operator/ participate in future network developments

✓ Up to 15 years guaranteed access

✓ Contractual certainty and very attractive terms & conditions

MBA MVNO Agreement Allows Drillisch to Strengthen and Grow its Price, Technology and Innovation Leadership Position in the German Mobile Telecommunication Market

New Strategic Opportunities for Drillisch

Current Strategy

Network capacity	Utilisation of ~3% of the TEF DE network capacity
Product portfolio	Product portfolio focusing on 3G (no unlimited access to 4G)
Price strategy	Focus on price leadership and appealing product portfolio
Sales strategy	Focus on cost-efficient online sales

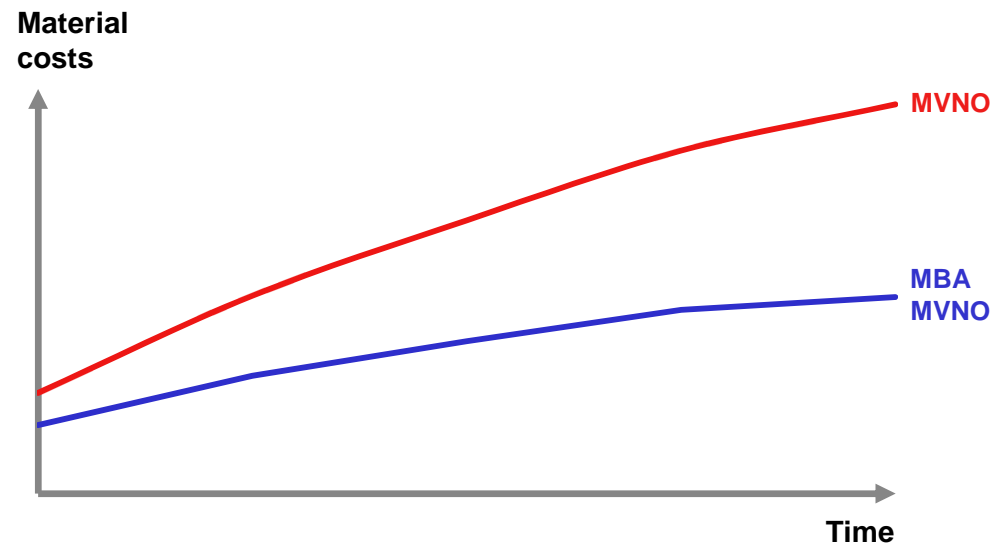
Future Strategy

- Access to **up to 30%** of the TEF DE **network capacity** opens the door to significant growth in revenues
- Unlimited access to 4G and new technologies** as future growth drivers
- Expansion of price leadership** to include the complete product portfolio (incl. 4G)
- Opportunity to **expand distribution network** (e.g. acquisition of shops)
- Expanding of product portfolio and, hence, addressing additional customer groups (business, fixed line substitution, prepaid)

Based on the MBA MVNO Agreement Drillisch will Expand its Profitable Business Model and will Continue to Offer Attractive Products to Grow its Customer Base

Attractive MBA MVNO Model

Comparison Material Costs (MVNO and MBA MVNO)⁽¹⁾



- Assuming same volume and customer development under both models

Advantages to Drillisch under MBA MVNO

- Favourable procurement conditions under MBA MVNO contract enables future profitable growth
- Full utilisation of contracted capacity leads to significant profitability increase
- Due to enhanced flexibility profitability will be maintained at high levels and expanded
- MBA MVNO contract enables Drillisch to offer attractive terms to its customers as well as maintain and expand highly competitive pricing position in every segment of the market

With MBA MVNO Agreement, Drillisch is Well Positioned for the Future

(1) Illustrative

Drillisch Future Growth Drivers

Enlarged Addressable Customer Base

- Existing postpaid subscribers **plus additional premium postpaid customers** (high value segment)
- Prepaid contracts:** concluded an agreement with TEF DE under existing contract related to IN platform for prepaid and can now utilise it with MBA volumes
- Fixed line substitution**
- Business customers:** focus on SoHo and SME customers
- Branded Salespartner/ M2M:** opportunity for MBA Branded salespartner (large customers e.g. regional LECs for bundled rates) and addressing smaller Branded Salespartner customers, plus M2M marketing

Expanded Product Offering

- MBA allows for greater product offering flexibility**
- Providing both low- and high-end tariffs**
- Access to all current and future technologies** (4G, 5G etc.) – ability to offer 4G products to customers 12-months ahead of other Non-MNO
- Offering group and package rates:** data, voice and text message packages which are billed and used for a group of customers rather than for individuals
- Tablet and big screen**
- Cloud, hosting and housing services**

Enhanced Distribution Platform

- Online: Existing leading online distribution platform** - >80% of current turnover generated through the internet
- Indirect: co-operation with selected distribution partners** as well as classic mobile phone retailers
- Direct: Now complemented by 50 own quality service shops** – with the option to acquire further up to 550 shops

Future Growth by Enhanced Distribution Channels and Enlarged Addressable Market through Offering Expanded Product Portfolio

Take-Aways and Key Strategic Objectives



MBA MVNO — A decision for growth



Pro-actively driving market dynamics, maintaining innovation leadership and highly competitive pricing will continue to be key pillars of growth strategy



Future growth potential based on larger addressable customer base, enhanced distribution power and attractive product offering



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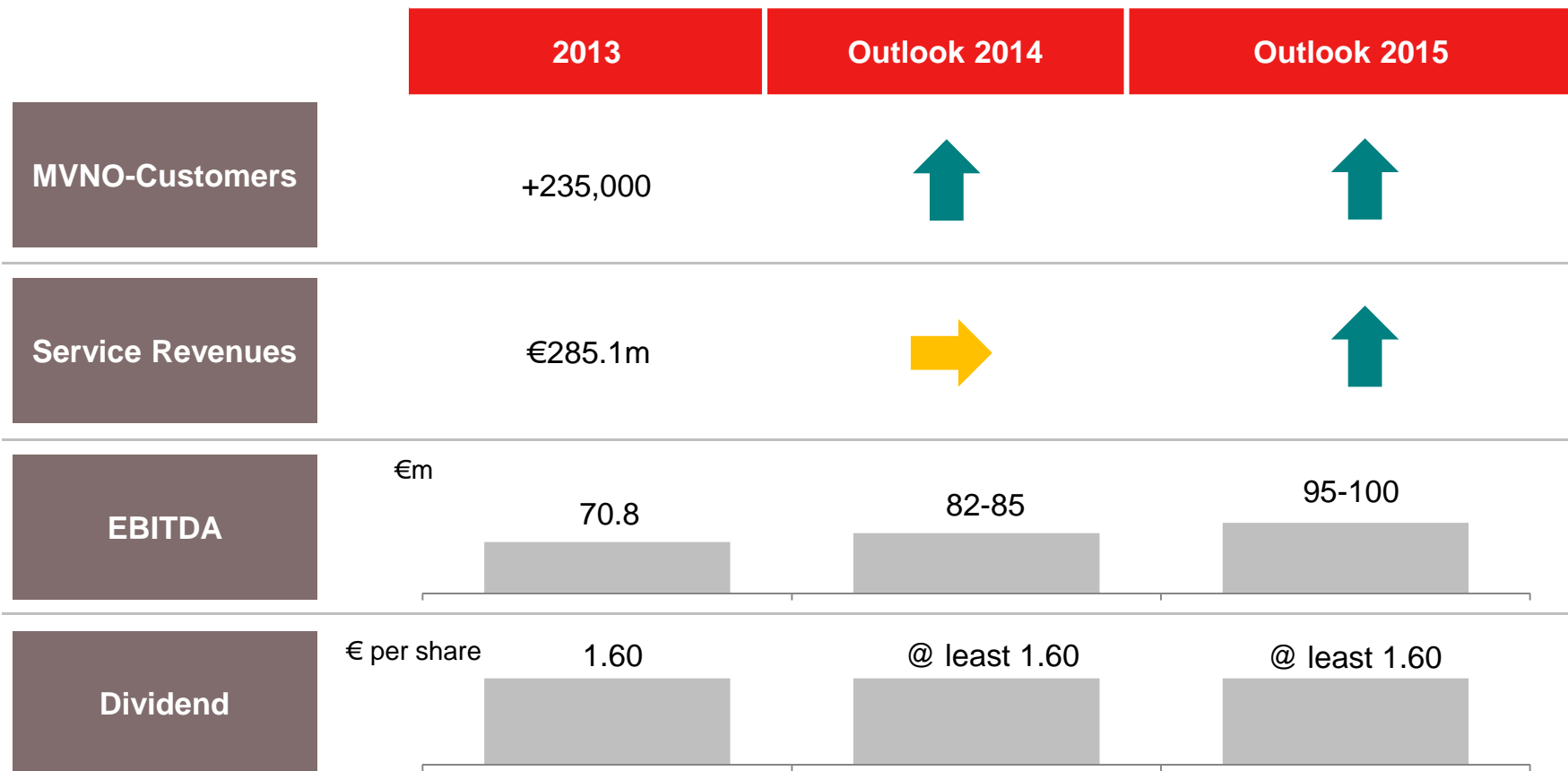


Part 2: Drillisch – MBA MVNO Agreement



Part 3: Guidance and Outlook

Guidance 2014 and 2015



**Further Profit Growth Expected for 2014 and 2015 –
2-year Dividend Guidance with at Least €1.60 per Share**

This presentation contains forward-looking statements that reflect the current views of the management of Drillisch AG with respect to future events. Such statements are subject to risks and uncertainties, most of which are difficult to predict and are generally beyond the control of Drillisch AG.

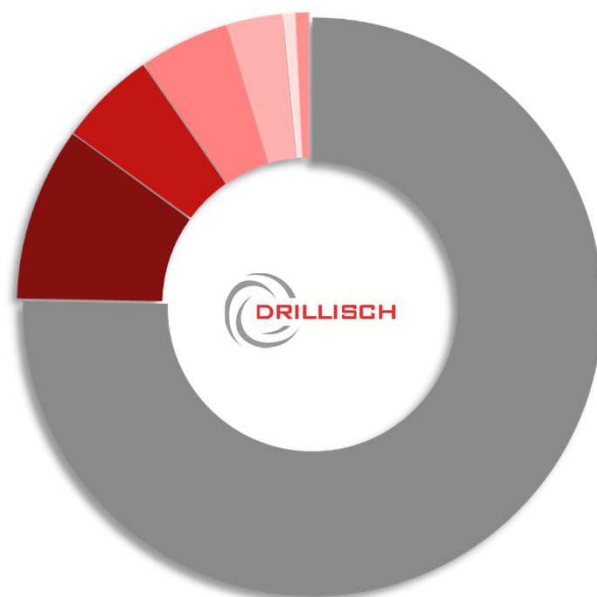
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Appendix

Drillisch Share

Shareholder Structure as of 12 August 2014



Shareholder Structure	in %	in Shares
Free Float	76.16%	40,518,522
Treasury Shares	9.76%	5,189,015
Fidelity FMR, Boston	5.45%	2,896,567
Union Investment Privatfonds	5.07%	2,694,500
M. Brucherseifer	2.03%	1,077,565
P. Choulidis	0.75%	400,000
V. Choulidis	0.75%	400,000
J. Weindl	0.02%	10,439
Dr. H. Lennertz	0.01%	2,407
Total	100.00%	53,189,015

Drillisch Position based on

Index Membership (July)	Market Cap	Revenue
TecDAX 30	9	6
Blue Chip Indices Germany	71	57

EBITDA Guidance vs. Actual EBITDA

	EBITDA (adjusted) Guidance						
	2009	2010	2011	2012	2013	2014	2015
FY	Positive Development	Positive Development	€52m	€58m	€67-70m	(old: €77-80m) ↗ €82-85m	€95-100m
Q1	€41-42m ↑	€46m ↑	✓	✓	✓		
Q2	✓	✓	✓	€60-61m ↑	Upper end ↑		
Q3	€43m ↑	€48m ↑	✓	✓	€70m		
EBITDA (IFRS)	€43.5m	€49.3m	€52.6m	€61.9m	€70.8m		
Growth (YoY)	7.1%	13.3%	6.7%	17.8%	14.4%	~ +16%-20% (e)	~ +17%

Comparison with Guidance:	Outperformed ↑	Outperformed ↑	Outperformed ↑	Outperformed ↑	Outperformed ↑	Increased ✓
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Drillisch is Delivering Sustainable Profit Increase (EBITDA) With Continuously Outperforming Initial Guidance