

DECLARATION OF COMPLIANCE

DECLARATION PURSUANT TO SECTION 161 OF THE GERMAN STOCK CORPORATION ACT (“AKTIENGESETZ”) REGARDING QSC AG’S COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE (“DEUTSCHER CORPORATE GOVERNANCE KODEX”) IN THE VERSION DATED MAY 15, 2012, AS OF ITS VALIDITY FROM MAY 13, 2013

Since its formation, QSC AG (“QSC”) has been committed to good corporate governance and has viewed transparency and value-driven management as essential. Consequently, the company implements nearly all recommendations set forth in the German Corporate Governance Code (“Deutscher Corporate Governance Kodex”) and adheres to them in its daily work. Since the submittal of its last Declaration of Compliance, the company has complied and continues to comply with the recommendations of the Government Commission “German Corporate Governance Code” in the version dated May 15, 2012, as of its validity from May 13, 2013, with the following exceptions:

***No sending of the notification of the convening of the Annual General Meeting together with the convention documents to all domestic and foreign financial services providers, shareholders and shareholders' associations by electronic means
(Item 2.3.2 of the Code in the version dated May 15, 2012)***

There are two reasons why QSC sends the convention documents only by mail: Firstly, experience has shown that an invitation provided by mail leads to a higher attendance of the shareholders at the Annual General Meeting. Secondly, as QSC is in possession of all postal addresses of its shareholders due to the fact that QSC has issued registered shares, QSC refrains from collecting e-mail addresses of its shareholders for reasons of efficiency. With effect from the date on which the current version of the Code became valid, the procedure applied by QSC does not constitute an exception.

***No agreement regarding a deductible in the D&O insurance for members of the Supervisory Board (Section 93, Paragraph 2 of the German Stock Corporation Act (“Aktiengesetz”)
(Item 3.8 Paragraphs 2 and 3 of the Code)***

QSC complies with the recommendation of the German Corporate Governance Code insofar as the D&O insurance policy has, since July 1, 2010, included a deductible for Supervisory Board members of 10 percent of the respective damages per damage event. However, and contrary to the recommendation, the liability per year is capped at 100 percent of the fixed annual remuneration of the Supervisory Board members, since QSC does not deem it appropriate for the deductible to exceed their annual remuneration.

***No cap on all variable remuneration components of the Management Board members and on total remuneration
(Code item 4.2.3, paragraphs 2, sentence 6 in the version dated May 15, 2013)***

Only one Management Board member still holds convertible bonds awarded in conjunction with the SOP 2006 (i.e. before the new version of the Code became valid) as part of a variable remuneration component. Although the relevant Management Board member's contract contains a cap in the event of exceptional developments, it does not, however, contain any fixed cap on the amount of gains that might arise on exercise of the conversion rights in conjunction with the SOP 2006, nor, as a consequence, any cap on total remuneration. With the exception of this one point, QSC complies fully with the Code's new recommendation with respect to current Management Board remuneration and will comply with it in the future when any new remuneration arrangements are put in place.

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***The contracts of the Management Board members do not contain a cap on severance payments in case of premature termination
(Item 4.2.3, Paragraph 4 of the Code)***

QSC AG's Supervisory Board – in its earlier composition, and during whose period of office the employment contracts of two of the current members of the Management Board were signed – was previously of the opinion that any advance agreement with respect to severance payment cap would be contrary to the spirit of a contract, which is usually concluded for a fixed term and does not, in principle, provide for the possibility of an ordinary termination by notice. Similarly, it was argued that it would be difficult in practice to enforce a contractual severance payment cap against a Management Board member in the circumstances where it would be relevant. Furthermore, it was considered unfeasible that any such advance stipulation would be reasonably able to take into account the particular facts and the surrounding circumstances that might later give rise to the premature ending of a Management Board member's contract. Accordingly, no cap was agreed with the Management Board members concerned. The Supervisory Board in its current composition since the Annual General Meeting on May 29, 2013, has relinquished this opinion and – for new Management Board members as from that date – has agreed a severance cap which complies with the Code. The Supervisory Board also intends to continue this policy in the future.

***No aiming for an appropriate consideration of women when appointing the Management Board
(Item 5.1.2, Paragraph 1, Sentence 2 of the Code)***


The Supervisory Board does not follow this recommendation insofar as its decisions when filling Supervisory Board positions are guided solely by the qualifications of the persons available as it has been in the past. In this respect the Supervisory Board does not give decision priority to gender.

***No disclosure of the private and business relationships of each individual candidate with the company, its representative bodies and any significant shareholder of the company in the event of proposals for election at the Annual General Meeting.
(Item 5.4.1, paragraphs 4 to 6)***

In QSC's opinion, the recommendation of the German Corporate Governance Code does not specify clearly enough which relationships of a candidate must be disclosed and the extent to which such disclosures are required to be made for proposed elections at the Annual General Meeting, in order to comply with the recommendation. In the interests of legal certainty with respect to future elections to the Supervisory Board, the Management Board and Supervisory Board have decided to declare a divergence from the recommendation. QSC is of the opinion that the existing disclosure requirements contained in § 124 paragraph 3 sentence 4 and in § 125 paragraph 1 sentence 5 of the German Stock Corporation Act ("AktG") are sufficient to meet the informational needs of the shareholders and will, at an appropriate date in the future, investigate and decide – voluntarily and without tying itself to the Code's recommendation – whether to disclose additional information about candidates proposed for election at the Annual General Meeting.

Cologne, November 21, 2013


On behalf of the Management Board
Jürgen Hermann


On behalf of the Supervisory Board
Dr. Bernd Schlobohm

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