

# QSC AG

Company Presentation

Results Q1 2012

Cologne, May 7, 2012

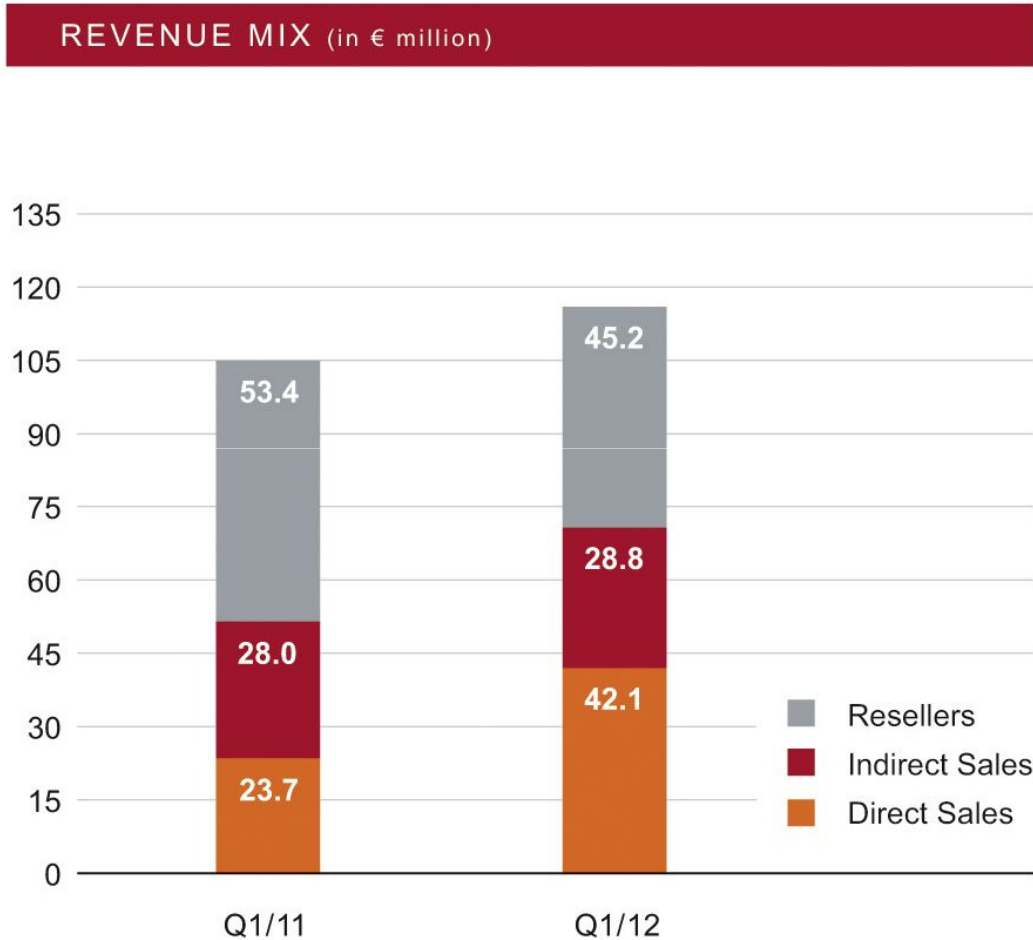
# AGENDA

1. Highlights Q1 2012
2. Financial results Q1 2012
3. Financial outlook 2012
4. Strategic outlook 2012 – 2016
5. Questions & Answers

## MAJOR ACHIEVEMENTS IN Q1 2012

- New contracts in Direct Sales with a total contract value (TCV) of € 36.4 million
- New products: cospace, QSC-Housing
- New IT Sales Partners: +22 partners since the start of 2012
- Progress in the integration process: Merger agreement with INFO AG
- Transformation process according to plan:
  - Mainly TC revenues in Wholesale down by 15%
  - ICT revenues in Direct Sales up by 78% (consolidation effect)

# GROWING IMPORTANCE OF DIRECT SALES



## Growth drivers

- Consolidation of INFO AG
- New clients in Direct Sales

## Growth restraints

- Fierce price competition especially in ADSL2+ business
- Lower termination fees
- Traditionally, lower revenues in IT Consulting in Q1

# NEW CUSTOMERS: A VERY SUCCESSFUL QUARTER FOR THE QSC GROUP

Industry	Total contract value (Q1 2012)
Consumer Electronics	€ 26,804,000
Retail	€ 3,116,000
Industry/Oil & Chemistry	€ 1,854,000
Food & Beverages (Tobacco)	€ 1,027,000
Gas/Energy	€ 838,000
Insurance/Healthcare	€ 378,000
Logistics/Shipping	€ 149,000
Others	€ 2,251,000
<b>Total contract value (INFO AG only)</b>	<b>€ 36,417,000</b>

## Highlights

- **KIND Hörgeräte** (market leader in hearing devices): Fixed-line and mobile technology for more than 600 locations + IPfonie centraflex
- **Olympus Europe** (optical and digital products): 5-year IT outsourcing contract with a total contract volume of € 27 million

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⇒ Revenue impact from H2 2012 onward

## OUR BASIS OF SUCCESS IN DIRECT SALES: DATA CENTERS IN THE MAJOR REGIONS



- In Q1 2012, QSC opened a new data center in Munich, one of southern Germany's most modern and energy efficient data centers
- On 5,000 sqm of floor space, QSC provides the entire data center portfolio: from housing to managed services
- The QSC group now runs data centers with a total capacity of ~15,000 sqm

# QSC HAS LAUNCHED TWO NEW CLOUD PRODUCTS

## QSC-Housing: a modular toolbox for data center services



- QSC transferred a solution from IP Partner into a marketable product for sales channels
- QSC-Housing offers a standardized and cost-effective solution for SMEs to take advantage of Cloud computing

## cospace: a fully self-developed Cloud application

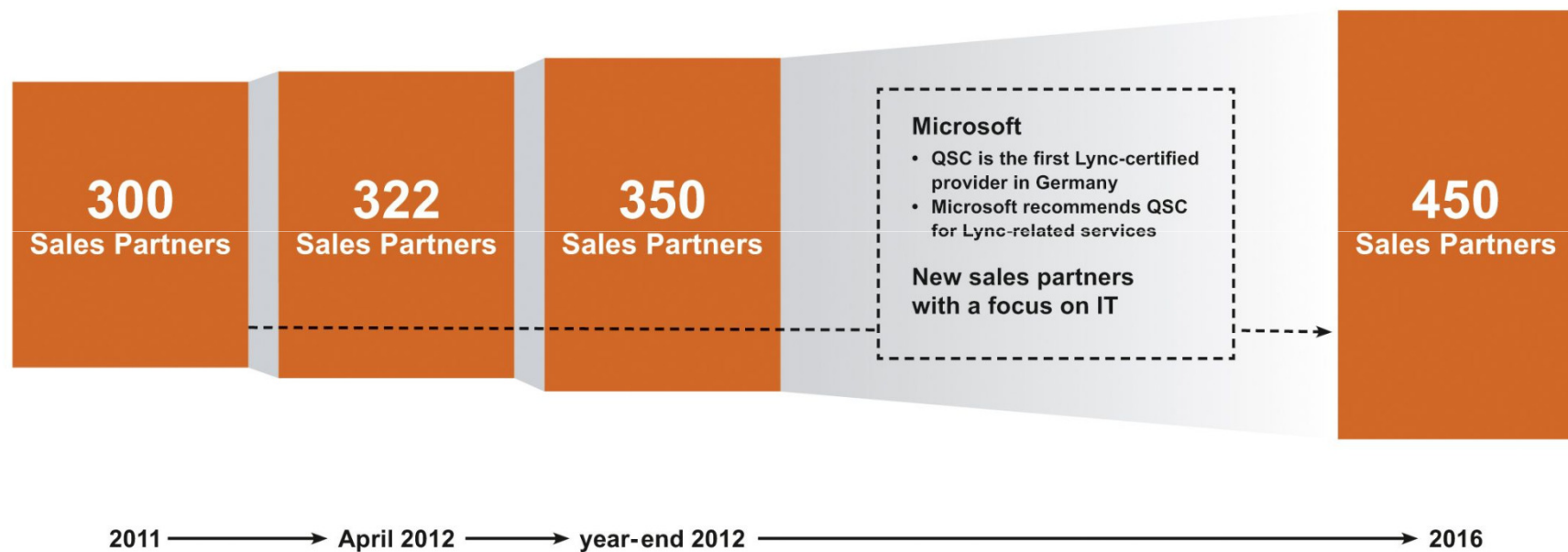


- Web 2.0 app using state-of-the-art browser technology to integrate ICT features (voicebox / fax / conferencing)
- A “true” Cloud application: sky-high scalability with minimal production costs

7 ⇒ Major revenue impact from 2013 onward

# QSC HAS ALREADY WON 22 NEW IT SALES PARTNERS

Partner Sales focuses on companies with 10 to 500 employees



8 ⇒ Major revenue impact from 2013 onward



# PROGRESS IN THE INTEGRATION PROCESS

## Joint sales forces

- Growing number of leads are won by joint teams
- Employees of all companies worked closely together at CeBIT

## Merger

- INFO AG signed merger agreement on March 20, 2012
- Next steps:
  - General Annual Meeting of QSC on May 16, 2012:  
Profit transfer agreement with INFO Holding (formerly IP Partner)
  - General Annual Meeting of INFO AG on May 24, 2012:  
Decision on squeeze out

# TRANSFORMATION AND INTEGRATION PROCESS ACCORDING TO PLAN

Milestone	Progress in Q1 2012	Goal for 2012
Integration	Merger agreement	Complete merger process by Oct 2012
New customers	Total contract value of € 36.4 million Direct sales revenues up by 78%	Achieve faster-than-market revenue growth in Direct Sales
New products	Launched cospace and QSC-housing	Launch 4-6 new products
Intellectual property	Launched the first self-developed SaaS product	Launch several self-developed SaaS products
New sales partners	Won 22 more IT sales partners	Win 50 IT sales partners; 350 sales partners in total

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## QSC STARTED IN 2012 AS PLANNED

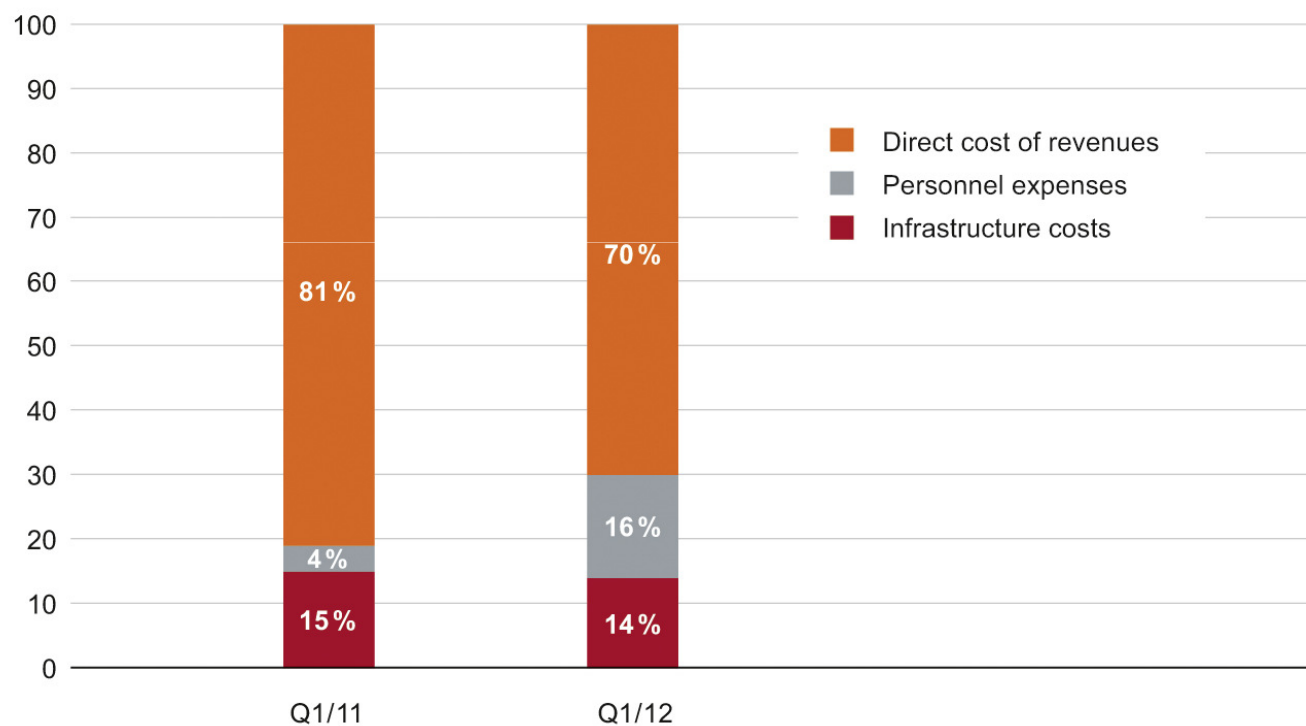
In € million	Q1 2011	Q1 2012	△
• Revenues	105.1	116.0	+10.4%
• Cost of revenues <sup>(1)</sup>	68.2	78.1	+14.5%
• <b>Gross profit</b>	<b>+36.9</b>	<b>+38.0</b>	<b>+3.0%</b>
• Other operating expenses <sup>(1)</sup>	16.4	20.5	+25.0%
• <b>EBITDA profit</b>	<b>+20.5</b>	<b>+17.5</b>	<b>-14.6%</b>
• Depreciation	12.4	13.5	+8.9%
• <b>EBIT profit</b>	<b>+8.1</b>	<b>+4.1</b>	<b>-49.4%</b>
• Financial results	-0.3	-0.9	nm
• Income taxes	-1.3	-0.9	-30.8%
• <b>Net profit</b>	<b>+6.5</b>	<b>+2.3</b>	<b>-64.6%</b>

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(1) Excluding depreciation and non-cash share-based payments

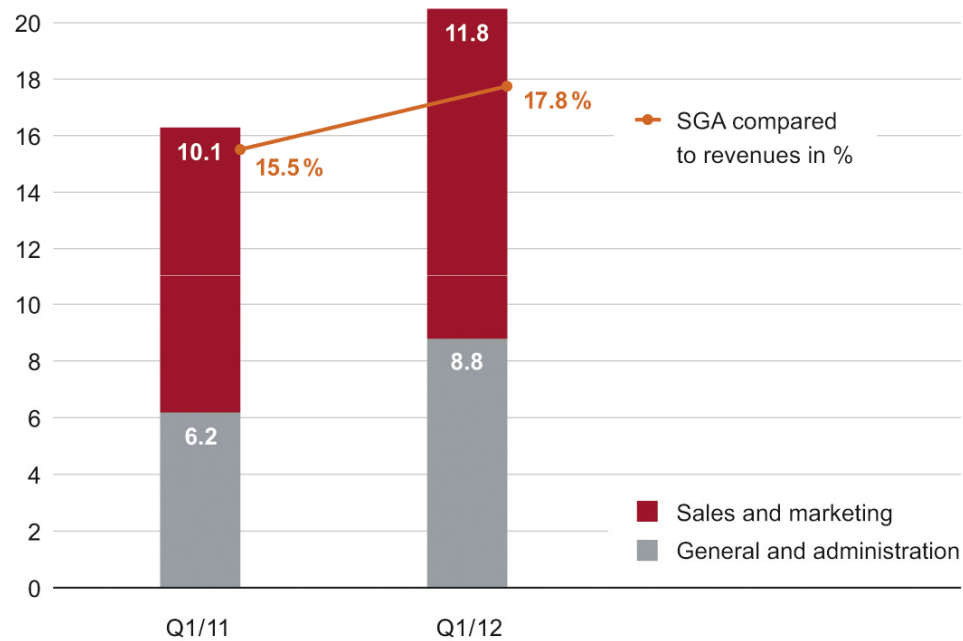
# CONSOLIDATION OF INFO AG CHANGES STRUCTURE OF COST OF REVENUES

STRUCTURE OF COST OF REVENUES EXCLUDING DEPRECIATION (in percent)



# HIGHER ADMINISTRATION COSTS IN 2012

OTHER OPERATING EXPENSES (in € million)

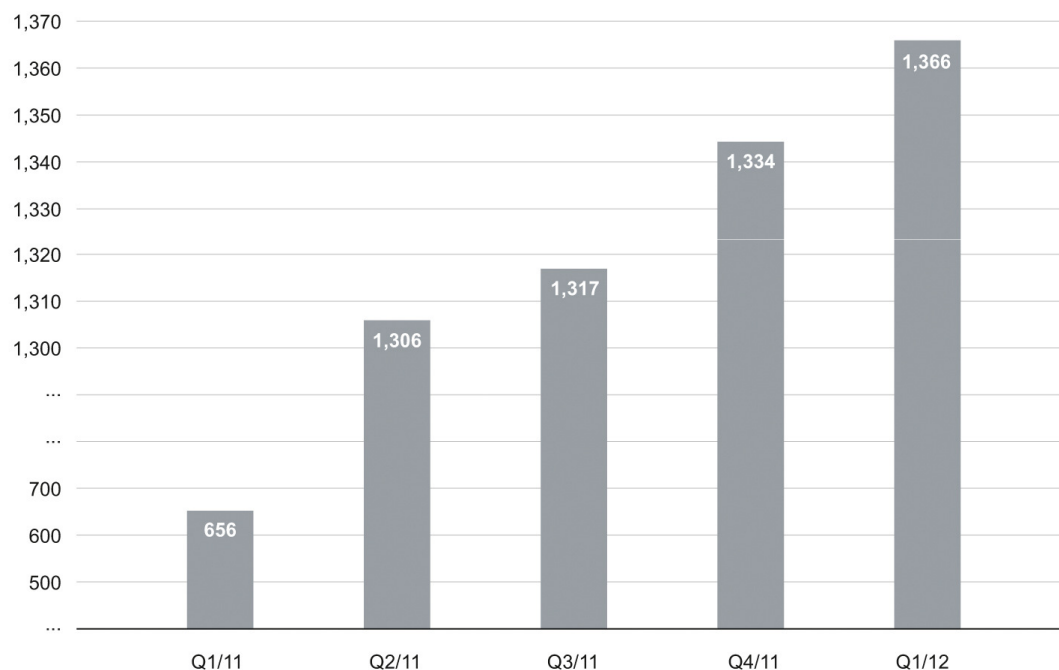


## Cost drivers

- Consolidation of INFO AG
- QSC is maintaining two headquarters for publicly traded companies

# HIGHER LEVEL OF INCOMING ORDERS IN DIRECT SALES NECESSITATES HIRING NEW STAFF

DEVELOPMENT OF EMPLOYEES OF QSC GROUP

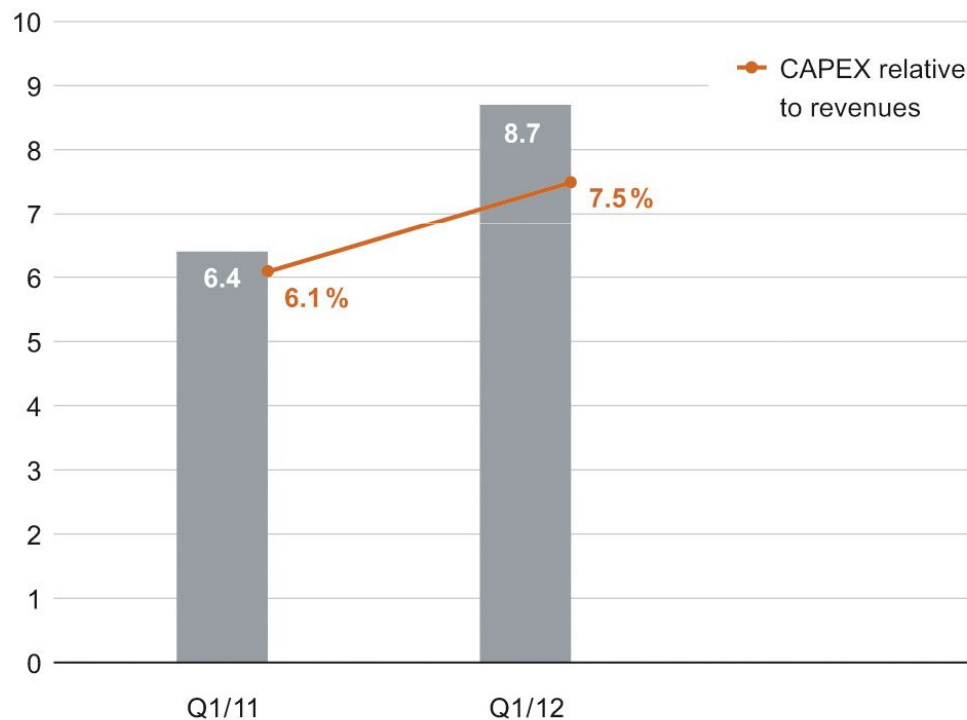


## Growing importance of personnel costs

- In total, personnel costs rose by 102% to € 22.6 million
- In Direct Sales, personnel costs quadrupled to € 12.0 million
- Two drivers
  - Doubling the number of employees
  - Employment of external consultants (€ 3.3 million in Q1 2012)

# CAPEX IMPACTED BY COMPLETION OF NEW DATA CENTER IN MUNICH

CAPEX (in € million)



## Main CAPEX components

- Customer driven investments (e.g. routers, servers)
- Maintenance investments for existing infrastructure
- Extension of capacity (e.g. data centers)

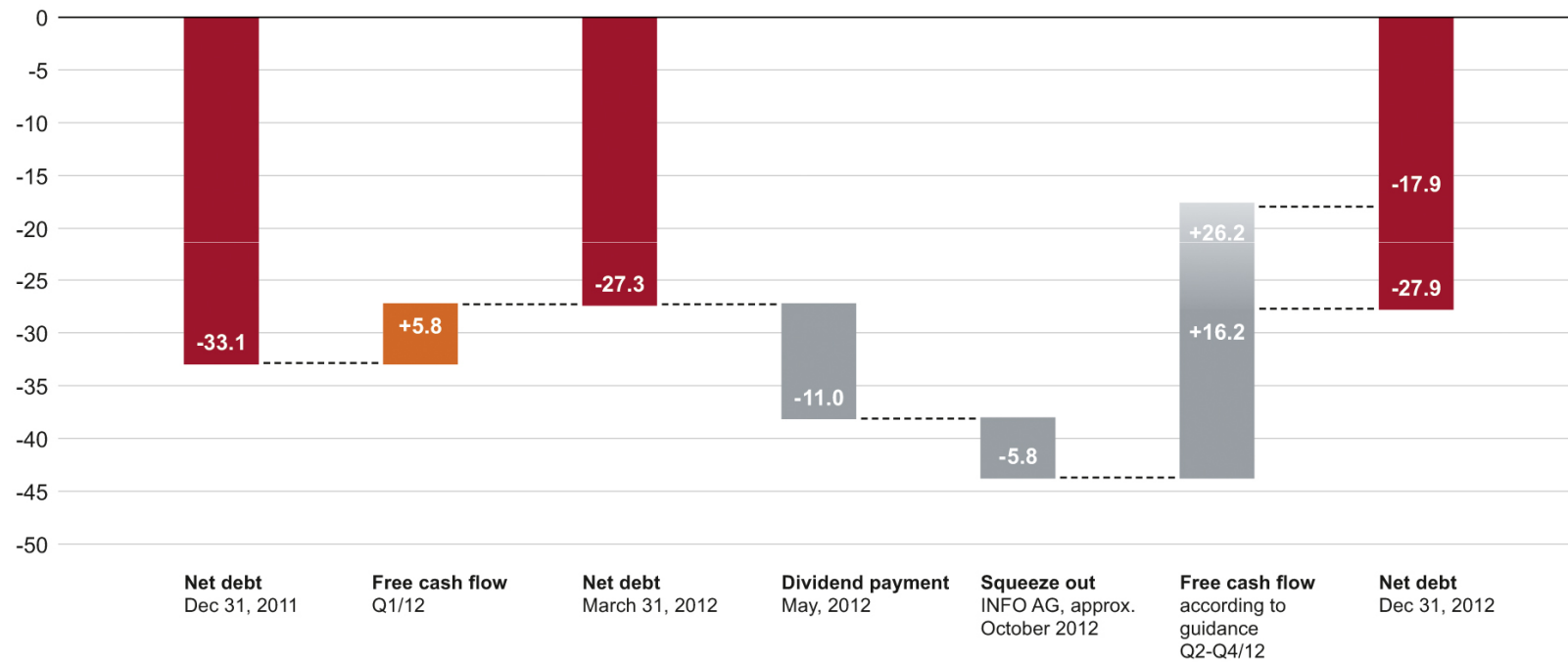


## QSC EARNED A FREE CASH FLOW OF € 5.8 MILLION

(in € million)	Dec 31, 2011	March 31, 2012
Cash and cash equivalents	23.8	29.0
Available-for-sale assets	0.3	0.3
<b>Liquidity</b>	<b>24.1</b>	<b>29.3</b>
Liabilities under financing arrangements	-13.6	-12.4
Liabilities due to banks	-43.6	-44.2
<b>Interest-bearing liabilities</b>	<b>-57.2</b>	<b>-56.6</b>
<b>Net debts</b>	<b>-33.1</b>	<b>-27.3</b>
<b>Free cash flow</b>	<b>5.8</b>	

# OPERATING BUSINESS IS GENERATING A SUSTAINABLE FREE CASH FLOW IN 2012

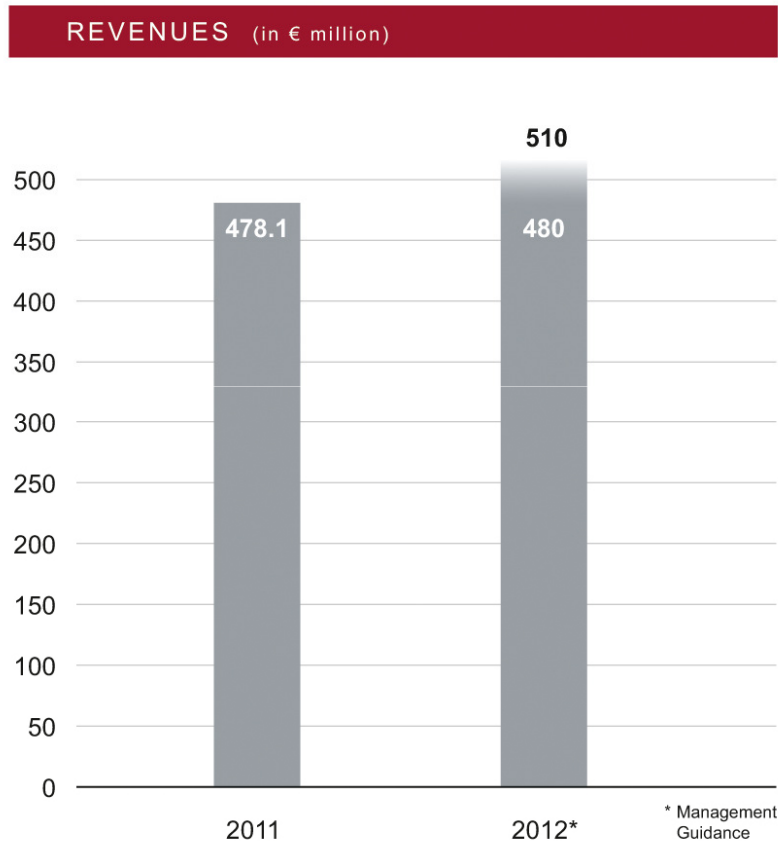
## NET DEBT DEVELOPMENT IN 2012



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# 2012: PREPARING FOR FUTURE GROWTH



## QSC confirms its guidance

- **Revenues of € 480 – € 510 million**
  - Rise in Direct Sales above market average
  - Steady development in Indirect Sales
  - Decline in Wholesale due to lower CbC and ADSL2+ revenues
- **An EBITDA margin of at least 16%**
- **Free cash flow of € 22 – € 32 million**

The Board aims to pay a **dividend of at least € 0.08 per share** for 2012 as well

# 2012 CHARACTERIZED BY A TWOFOLD DEVELOPMENT

+

- Strong demand for Consulting and Outsourcing services
- Growing revenues with Cloud-based products and services
- Positive consolidation effect of nearly € 31 million compared to 2011

-

- Decline of CbC / ADSL2+ business of € 25 million
- Negative impact of regulation of € 6 million
- Higher cost base due to maintaining two headquarters and investment in growth

The transformation process will be largely concluded by year-end 2012

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# 2012 IS A YEAR OF PREPARATION CHARACTERIZED BY INVESTMENTS IN EXPECTED GROWTH

## Main areas of investments

- Integration
- More IT experts
- More sales partners
- New products with own Intellectual Property (IP)

# INVESTMENTS WILL HELP TO SEIZE NEW MARKET OPPORTUNITIES IN THE COMING YEARS

- **Leveraging the ICT portfolio in the Cloud**

The entire ICT sector is at the beginning of a paradigm shift – and QSC is perfectly positioned for this new market

- **Scaling the Cloud**

The Cloud is the answer for energy management and e-mobility – and QSC is working on products for these verticals

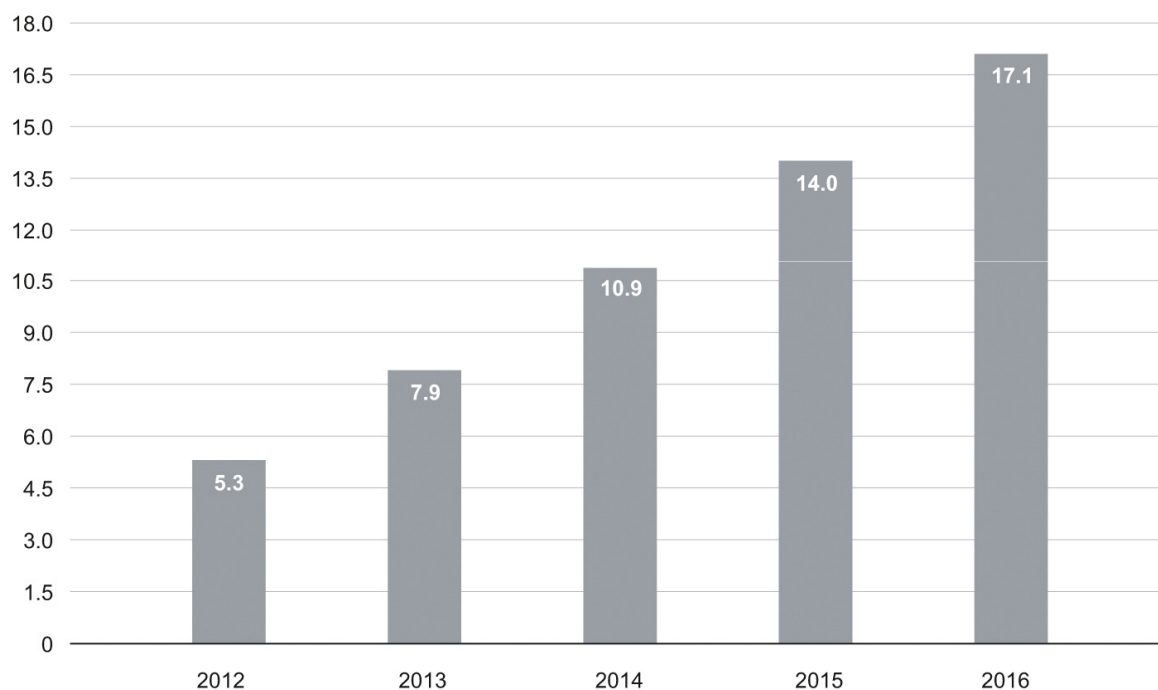
- **Up- and Cross-Selling**

The QSC group has nearly 30,000 business customers



# COMPANIES HAVE ONLY JUST BEGUN TO INVEST IN CLOUD COMPUTING

GERMAN MARKET SPENDINGS ON CLOUD COMPUTING (in € billion)



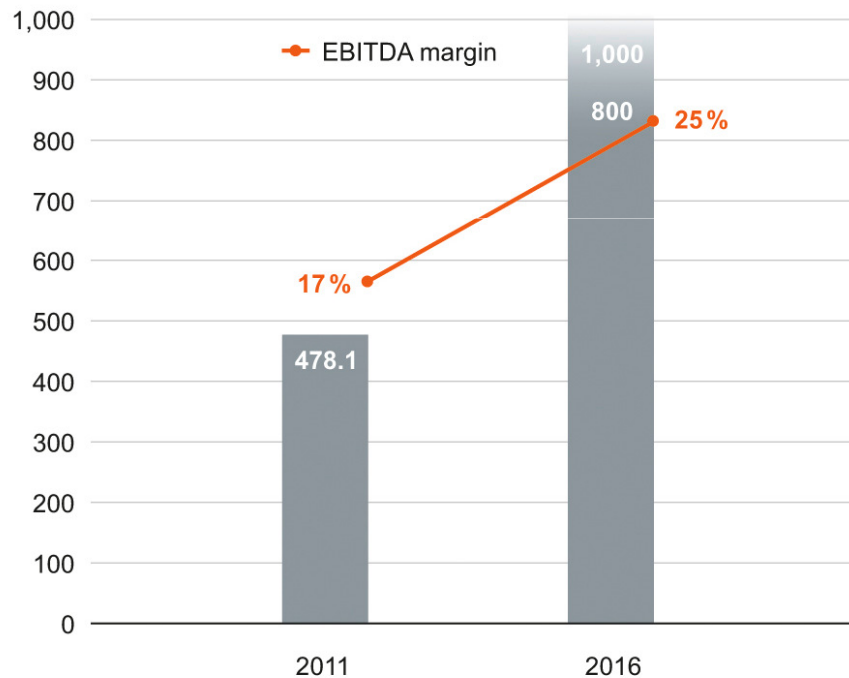
## Cloud Monitor 2012

- 28% of German companies are already using some features of Cloud computing; 22% are considering doing so
- 47% of large companies have already begun using private clouds

Source: BITKOM, Experton Group

# CLOUD COMPUTING IS A MAJOR DRIVER FOR DOUBLING REVENUES BY 2016

REVENUES (in € million)



In 2016, QSC will be a company with

- Revenues of € 0.8 – € 1.0 billion
- An EBITDA margin of 25%
- Free cash flow of € 120 – € 150 million

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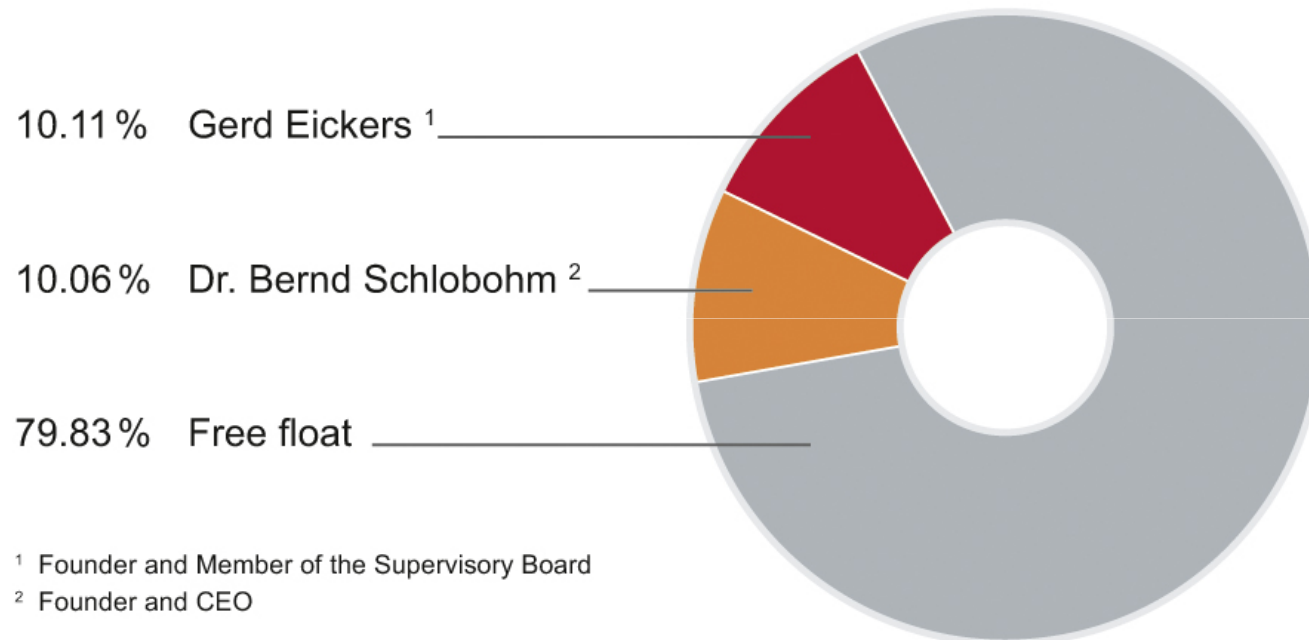
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<sup>2</sup> Founder and CEO

Status quo: 30/04/2012