QSC AG

Company Presentation

Preliminary Results 2013 / Outlook for 2014

Cologne, February 26, 2014

AGENDA

1. Strategic Development 2013

2. Financial Development 2013

3. Outlook for 2014

4. Questions & Answers

QSC REACHED ALL TARGETS SET FOR 2013

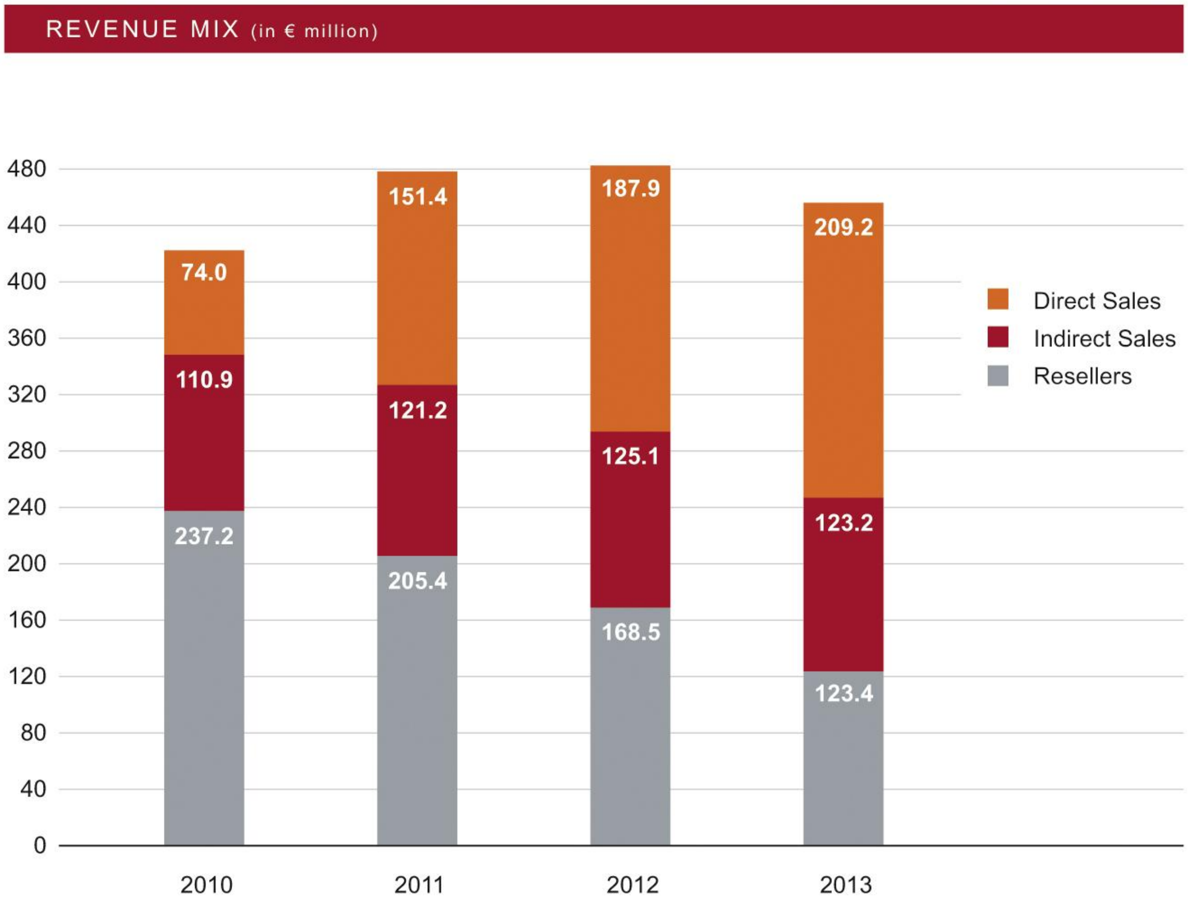
• Revenues of at least € 450 million	=>	€ 455.7 million
• EBITDA margin of at least 17%	=>	17.1%
• Free cash flow of at least € 24 million	=>	€ 25.6 million

⇒ The Management Board will recommend raising the dividend to € 0.10 per share

2013 WAS A YEAR OF TRANSFORMATION AND INVESTMENTS IN GROWTH

- Internal transformation process was completed and new organization has taken shape
- Targeted investments in ICT growth and innovation
  - Employees (+204 in 2013)
  - Development budget (+195% in 2013)
- Launch of promising self-developed products and services

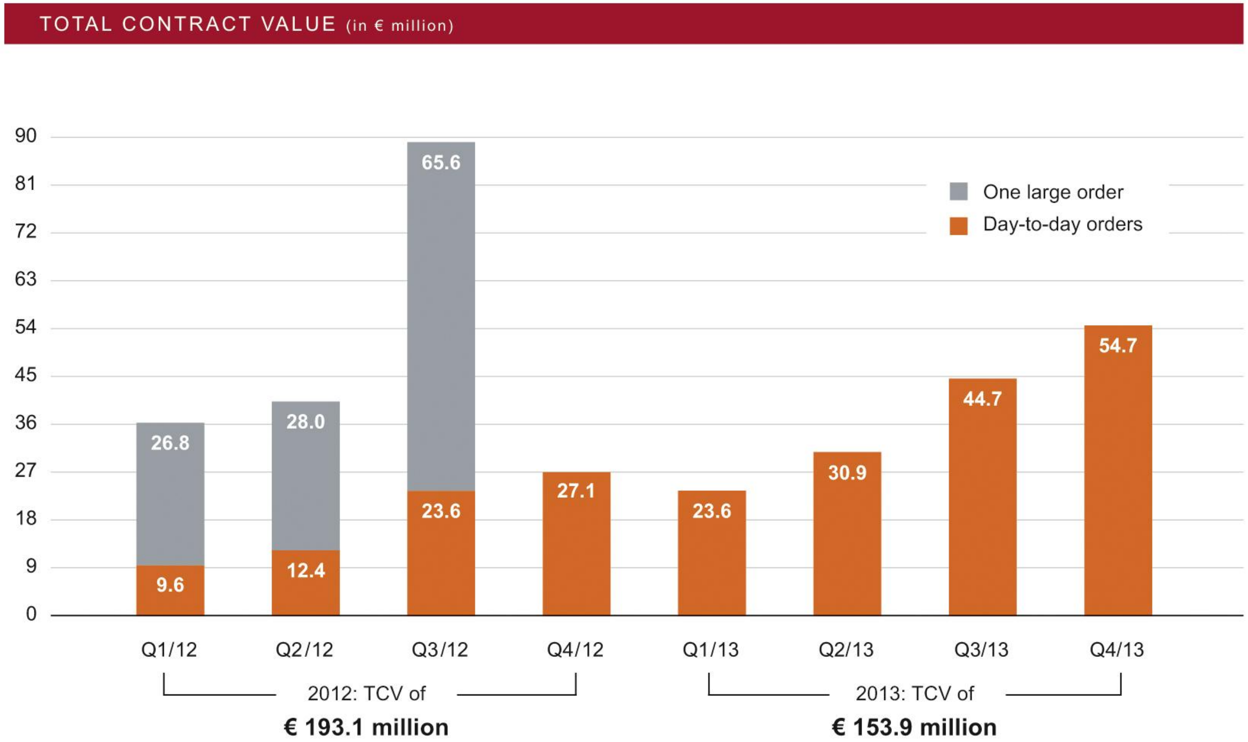
ICT'S SHARE OF TOTAL REVENUES ROSE TO 73%



However:

- Legacy voice and ADSL2+ are declining and now comprise 27% of revenues

DIRECT SALES THE MAJOR GROWTH DRIVER – TAILWIND FROM LARGE ORDERS WON IN 2012



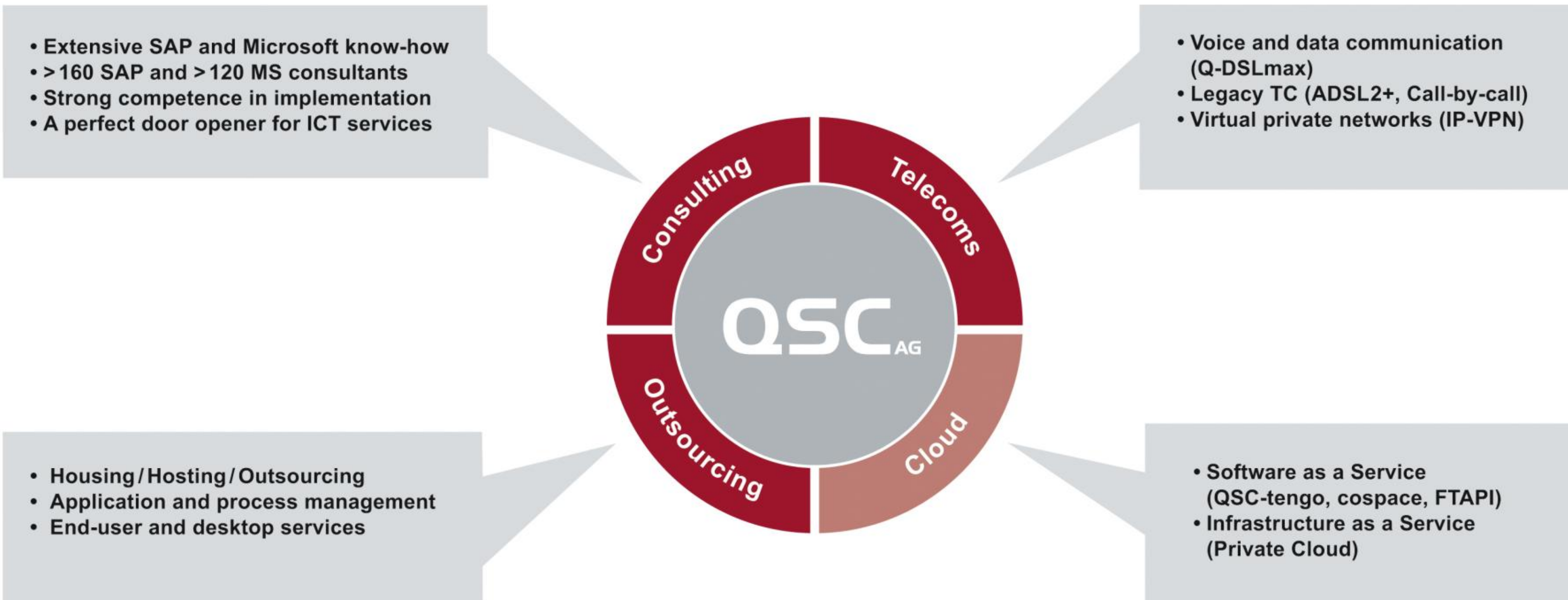
- Significant increase in day-to-day orders from existing and new customers in 2013
- Nevertheless, TCV was higher in 2012 than it was in 2013

OBSTACLE TO GROWTH: TC BUSINESS STRAINED BY TIGHTENED REGULATION …

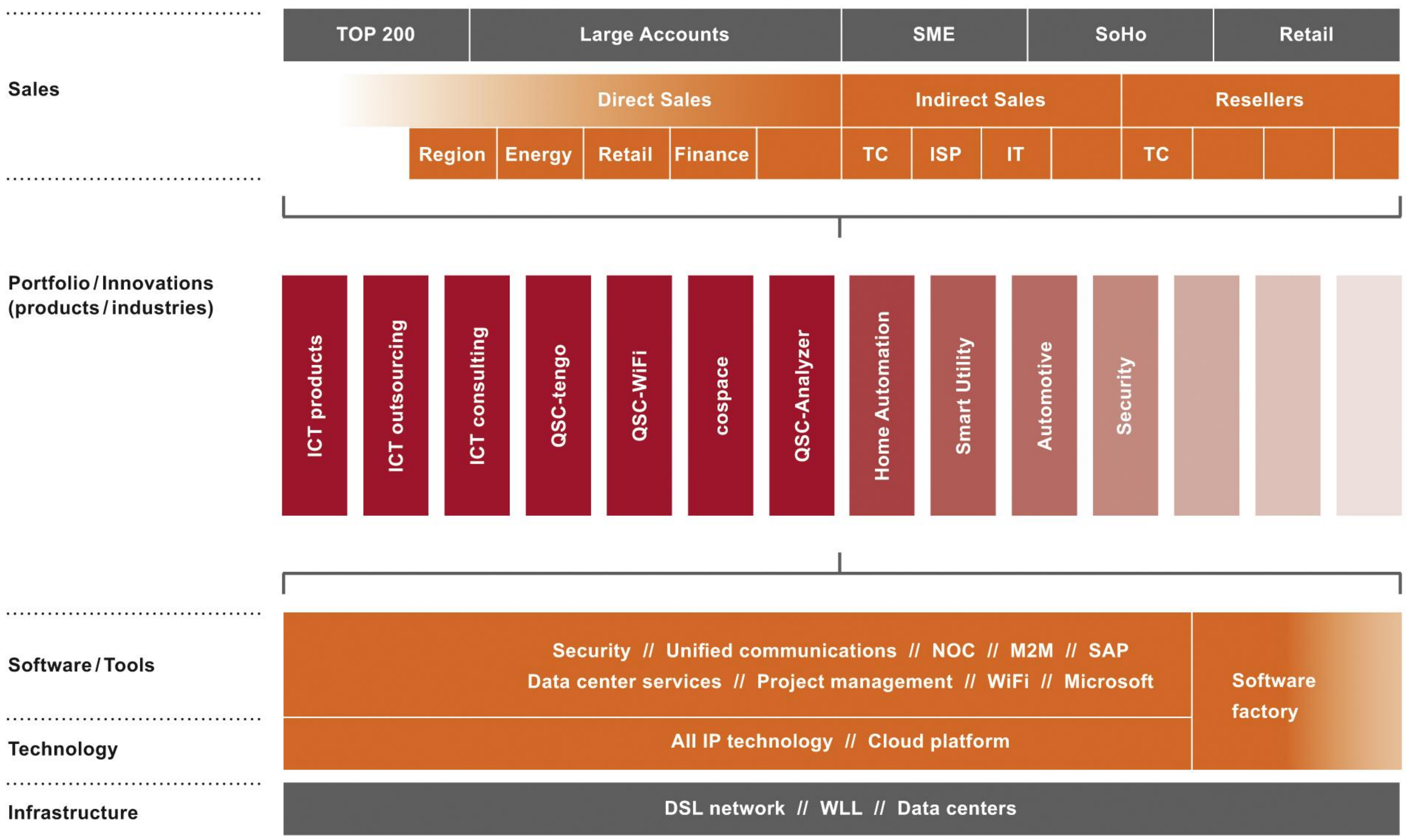
- As of December 1, 2012, the German regulator lowered interconnection fees – effects on QSC:
  - Around € 30 million less in revenues in 2013
  - Around € 4 million less in EBITDA in 2013
- As of November 20, 2013, the German regulator lowered the fees for alternative net providers – effects on QSC:
  - Around € 8 million less in revenues in 2014
  - Around € 3 million less in EBITDA in 2014

⇒ QSC expects regulation to tighten up at the end of 2014

DEVELOPMENT OF INTELLECTUAL PROPERTY IS THE NEXT DRIVER



QSC IS NOW IN A POSITION TO BECOME AN INNOVATION DRIVER



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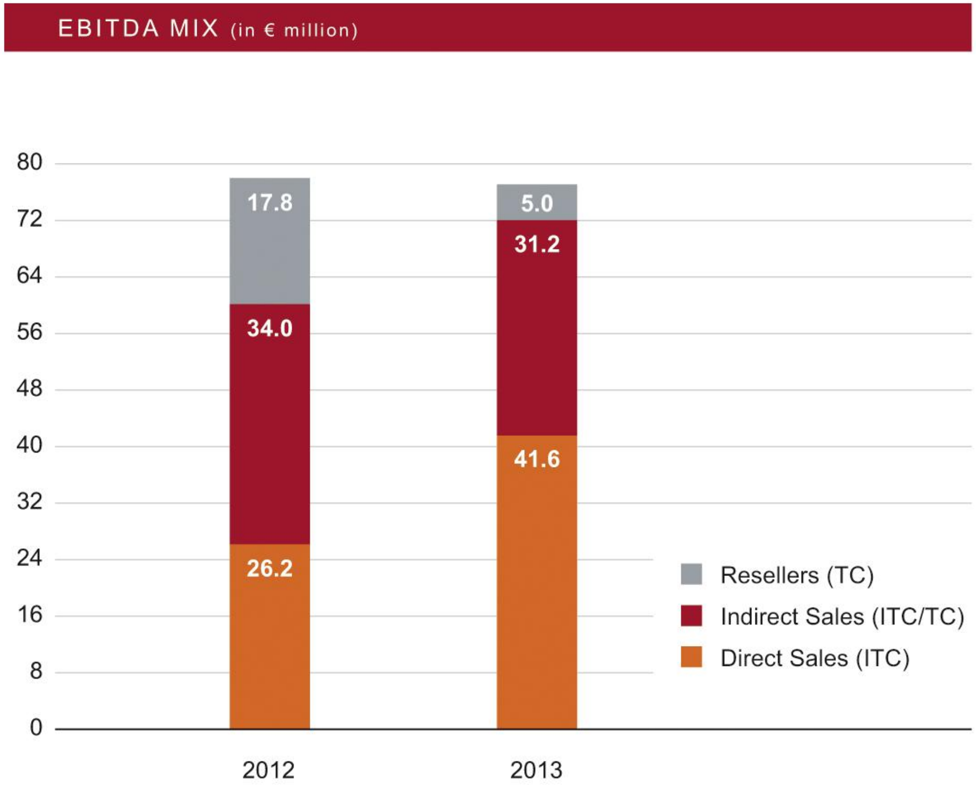
SUSTAINABLE PROFITABILITY DESPITE INVESTMENTS IN GROWTH AND NEGATIVE REGULATORY IMPACT

In € million	2012	2013	Δ
• Revenues	481.5	455.7	-5.4%
• Cost of revenues (1)	320.2	303.4	-5.2%
• *Gross profit*	*+161.3*	*+152.3*	*-5.6%*
• Other operating expenses (1)	83.4	74.5	-10.7%
• *EBITDA profit*	*+77.9*	*+77.8*	*-0.1%*
• Depreciation	53.3	51.3	-3.8%
• *EBIT profit*	*+24.6*	*+26.5*	*+7.7%*
• Financial result	-3.9	-3.8	-2.6%
• Income taxes	-1.7	+0.9	nm
• *Net profit*	*+19.0*	*+23.6*	*+24.2%*

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

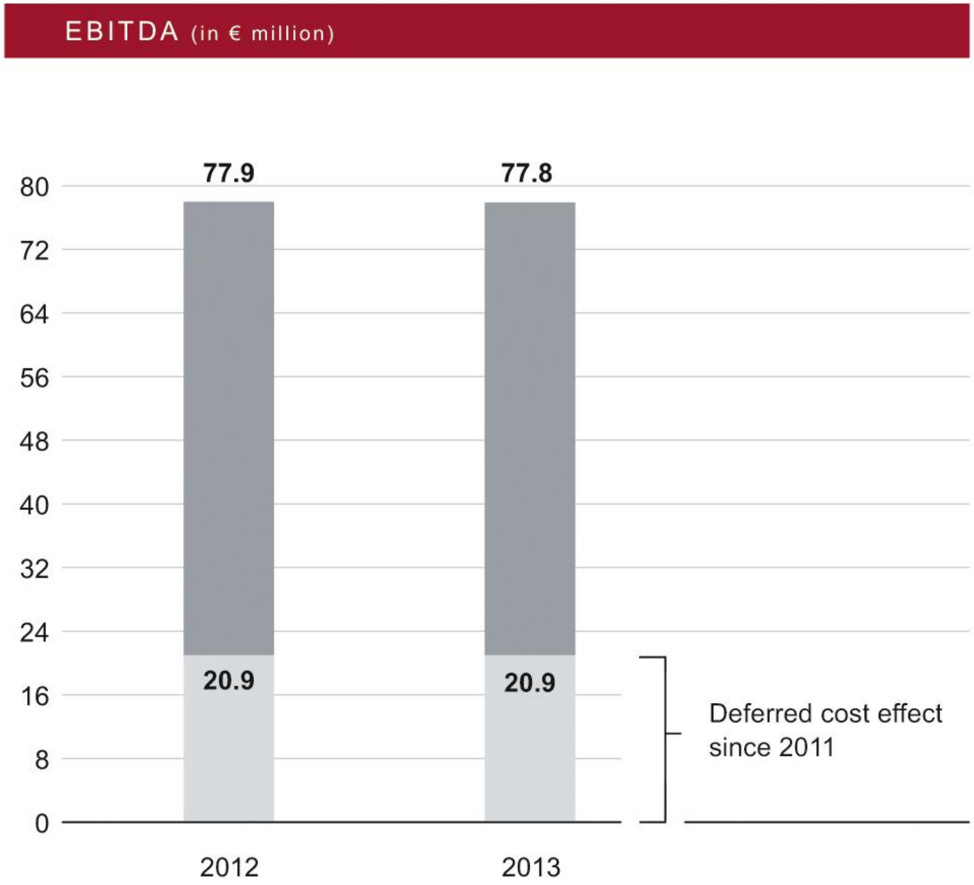
QSC AG

IN 2013, PROFITABILITY GREW BECAUSE OF A MORE FAVORABLE REVENUE MIX



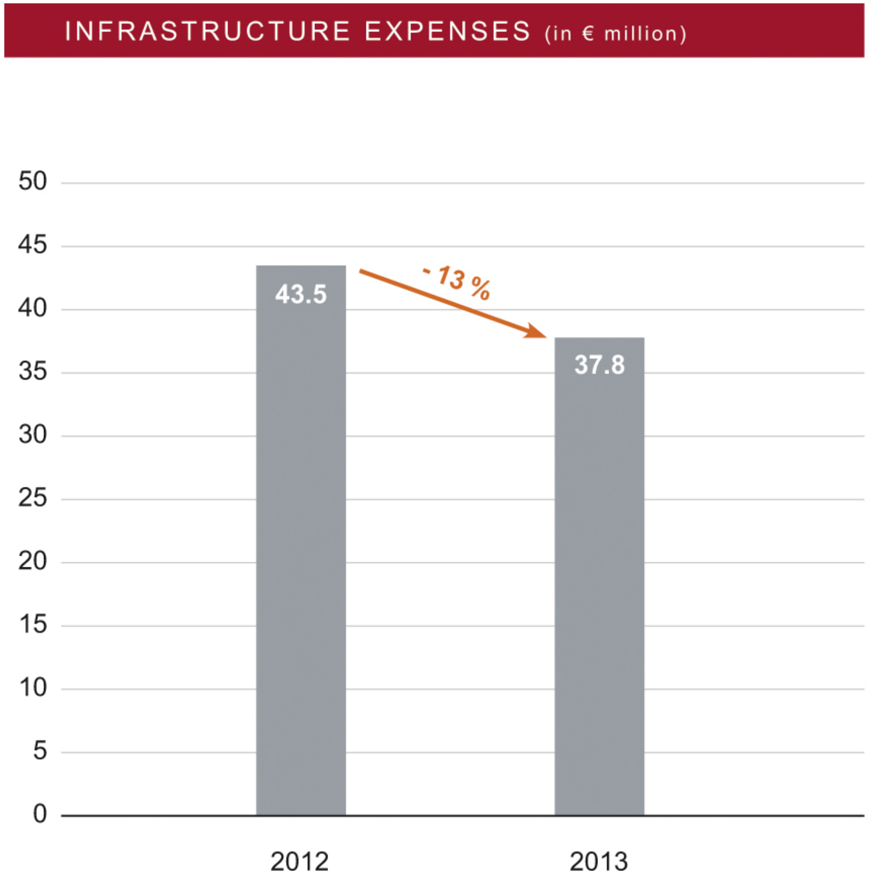
- Direct Sales now earns more than 50% of EBITDA
- EBITDA margin of Direct Sales rose to 20% in 2013
- Positive impact of change in the distribution of administrative costs
- Indirect Sales was able to earn an EBITDA margin of 25%
- Resellers earned a mere 4%, but still made a significant contribution to covering the infrastructure costs

IN 2013, PROFITABILITY WAS BOOSTED FOR THE LAST TIME BY THE DEFERRED COST EFFECT



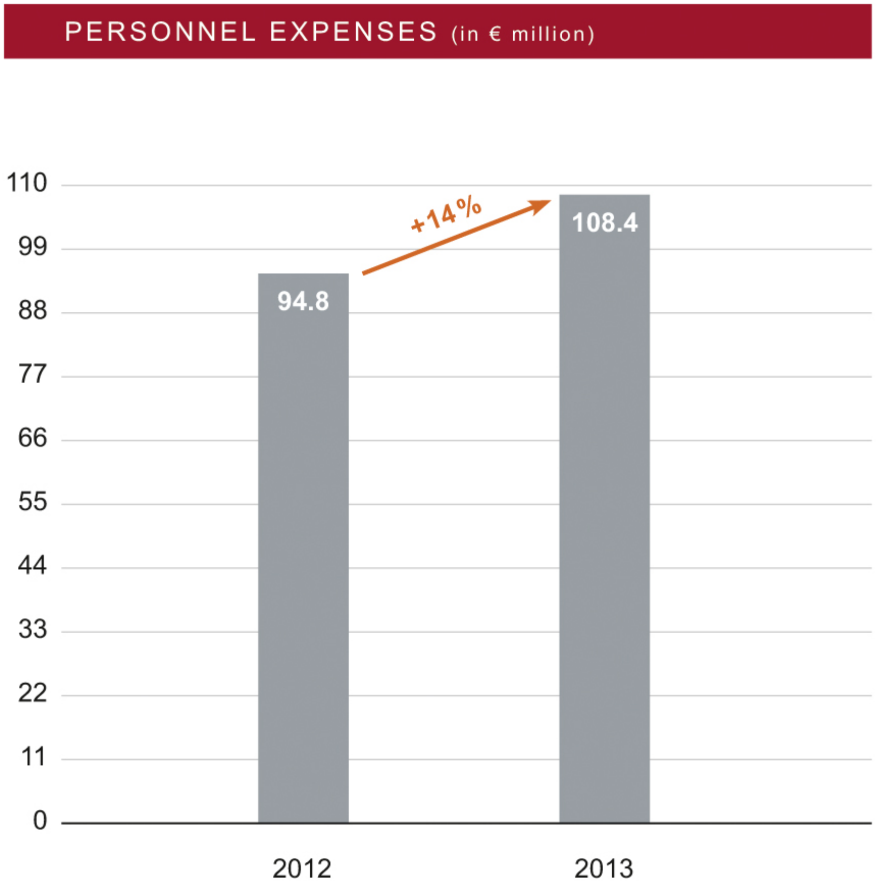
- Cost reduction of € 20.9 million per year since 2011 due to the premature termination of the Plusnet contract (originally to run through Dec 31, 2013) in late 2010
- QSC used deferred costs to return the payment from TELE2 over the remaining contract period

IN 2013, PROFITABILITY STARTED TO BENEFIT FROM THE NETWORK DEAL



- Largest cost optimization project in the history of QSC aims to reduce infrastructure costs by around € 20 million
- Major lever: a network deal with an international operator
- Earlier than expected, QSC started to reap the fruits in 2013
- Positive effect in 2014: around € 10 – € 12 million

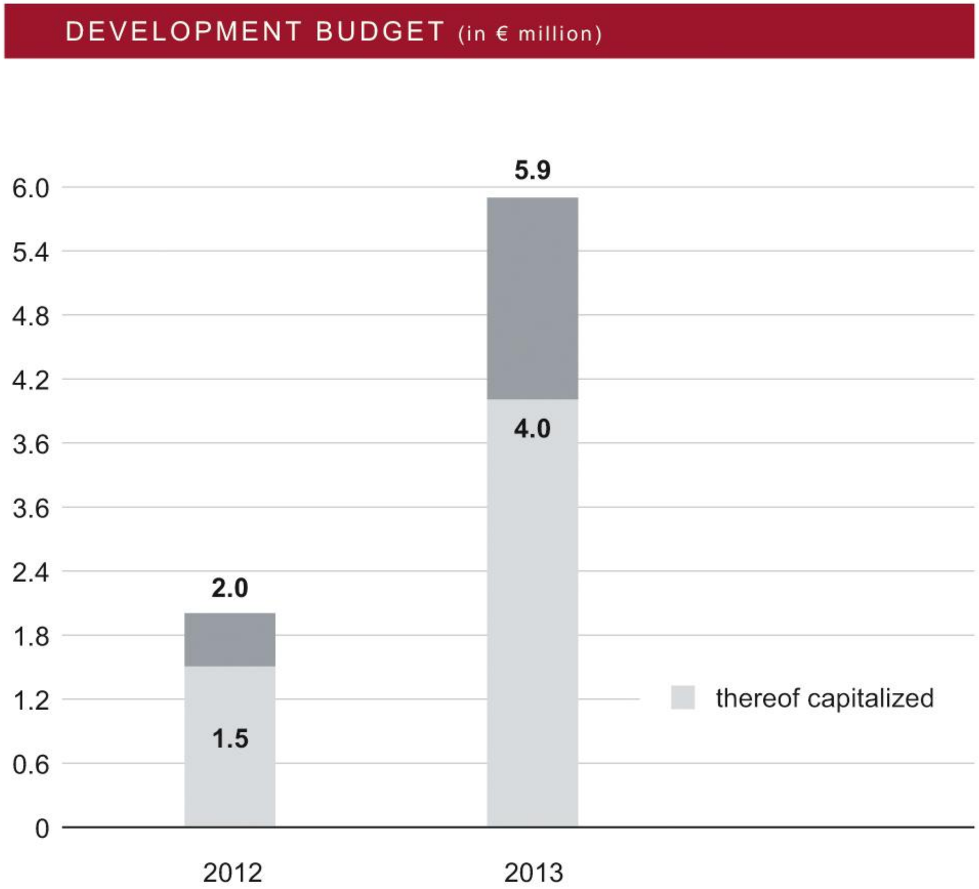
IN 2013, PROFITABILITY WAS BURDENED BY HIGHER PERSONNEL EXPENSES …



Recruitment focus:

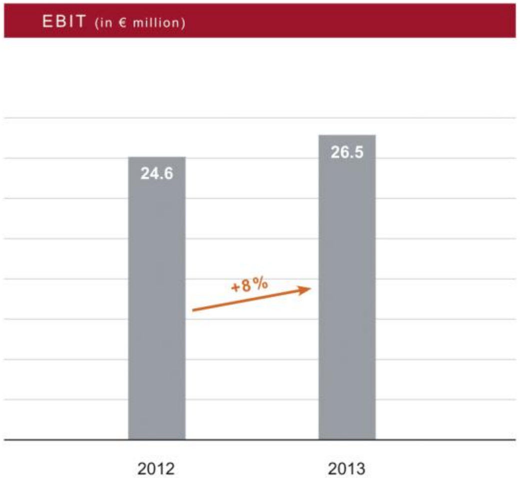
- Outsourcing (+86)
- Consulting (+45)
- Development (+36)

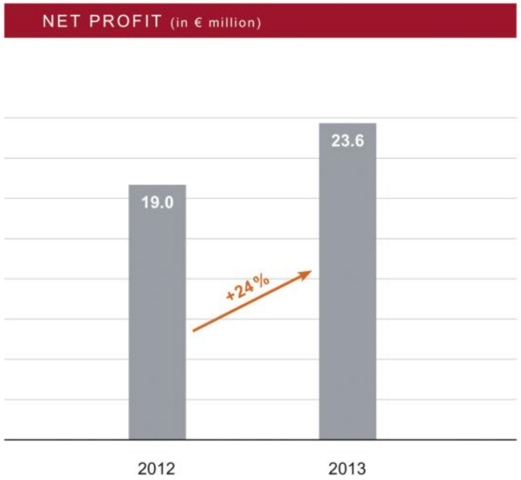
… AS WELL AS HIGHER DEVELOPMENT EXPENSES



- Development budget rose by 195 percent in 2013
- QSC now employs some 50 developers
- Budget is split between current and capital expenditures

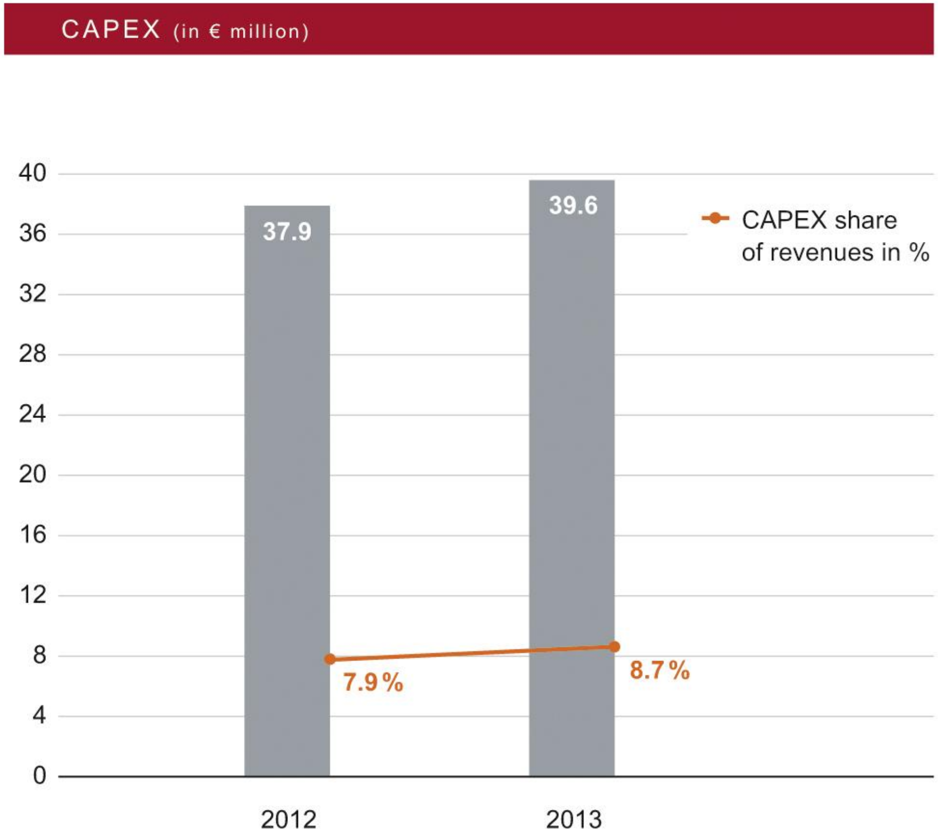
ALL IN ALL, THE EFFECTS EVENED OUT IN 2013





- Stable profitability despite lower revenues
- Stable profitability despite negative regulatory effect of € 4 million
- Quarter by quarter, QSC more and more felt the impact of investments in growth
- Growth investments impact margins short-term but are the basis for higher margins mid-term

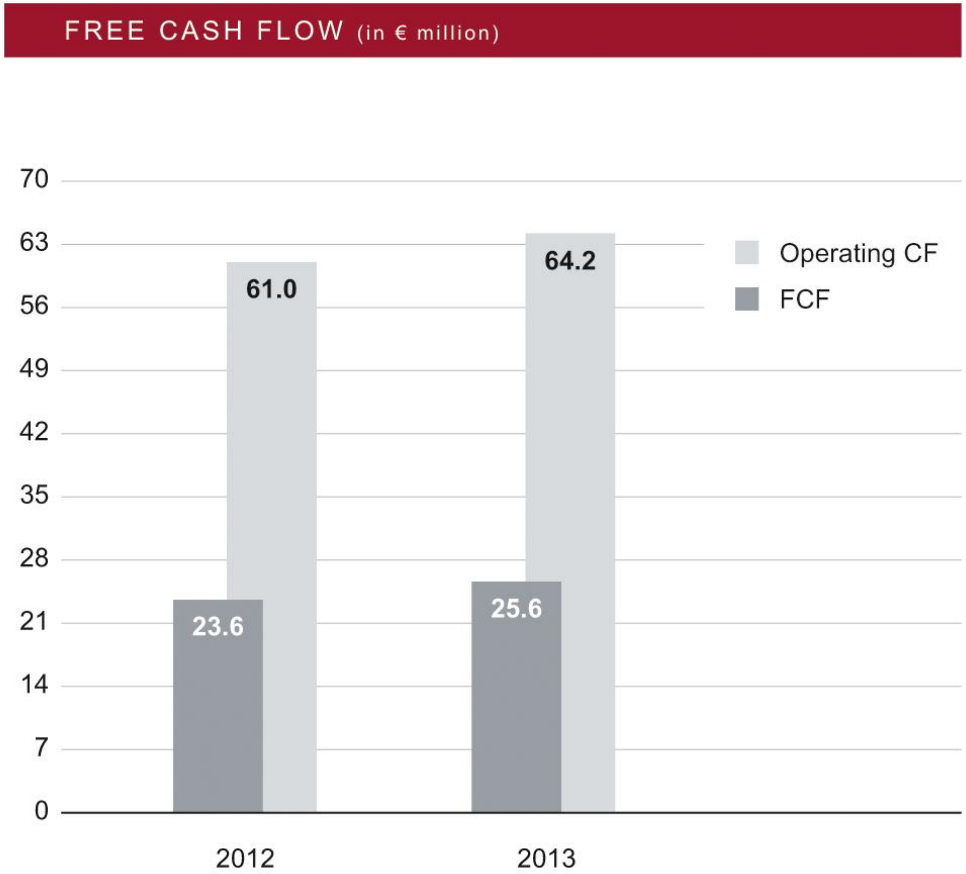
QSC INVESTED IN CUSTOMERS AND DEVELOPMENT IN 2013



CAPEX components:

- 42% customer-driven investments (e.g. routers, servers)
- 22% investments in data centers and infrastructure
- 18% software and licences
- 10% investments in development
- 8% others

DESPITE HIGHER CAPEX, QSC EARNED A HIGHER FREE CASH FLOW

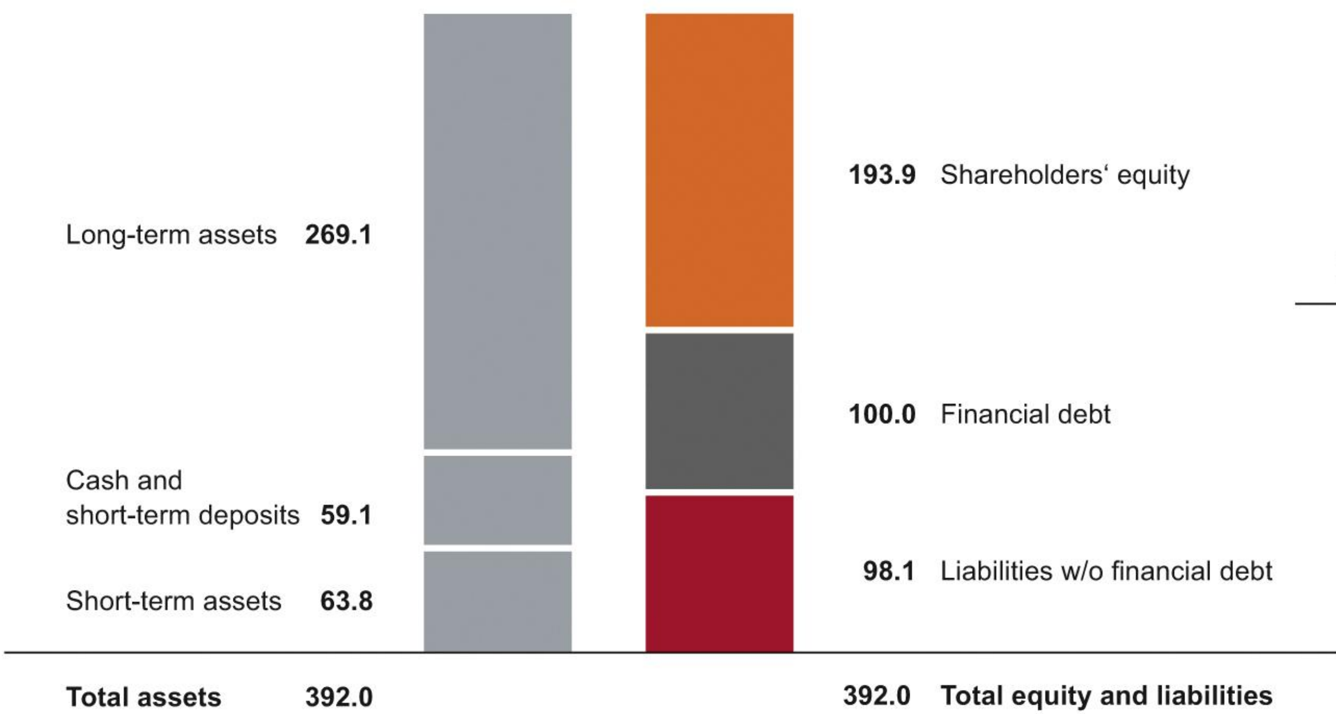


Major sources:

- High operating cash flow
- Ongoing optimization of working capital

QSC IS VERY SOLIDLY FINANCED

CONSOLIDATED BALANCE SHEET AS OF DEC. 31, 2013 (in € million)



$$\frac{\textbf{Net debt}}{\textbf{EBITDA}} \quad \textbf{0.5 x}$$

SOLID FINANCING AND ATTRACTIVE FCF ENABLE RECOMMENDING FOR ANOTHER DIVIDEND INCREASE

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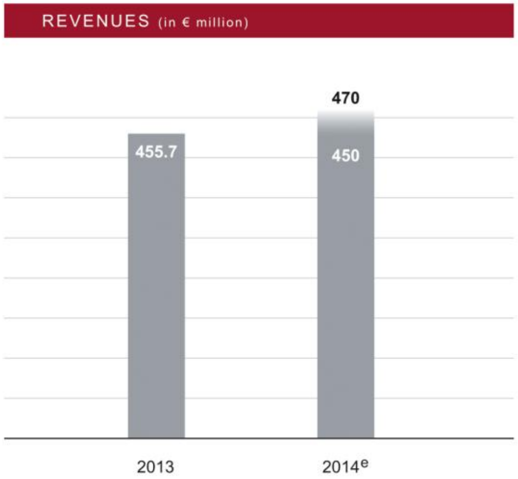
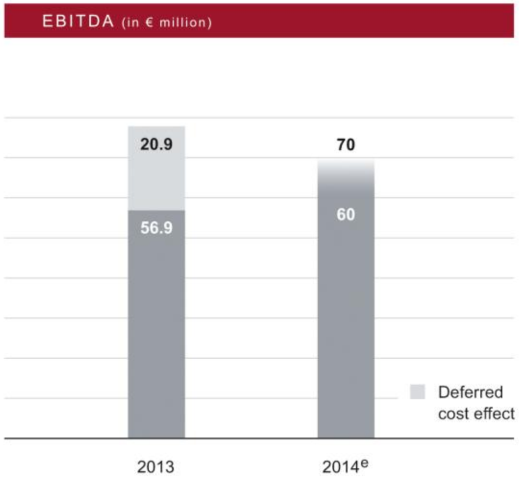
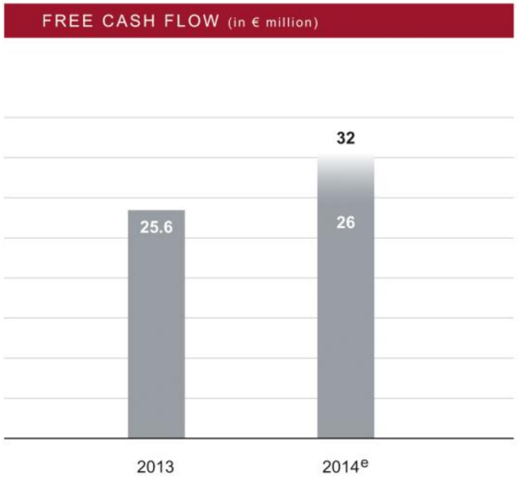
OUTLOOK FOR 2014: RISING FREE CASH FLOW

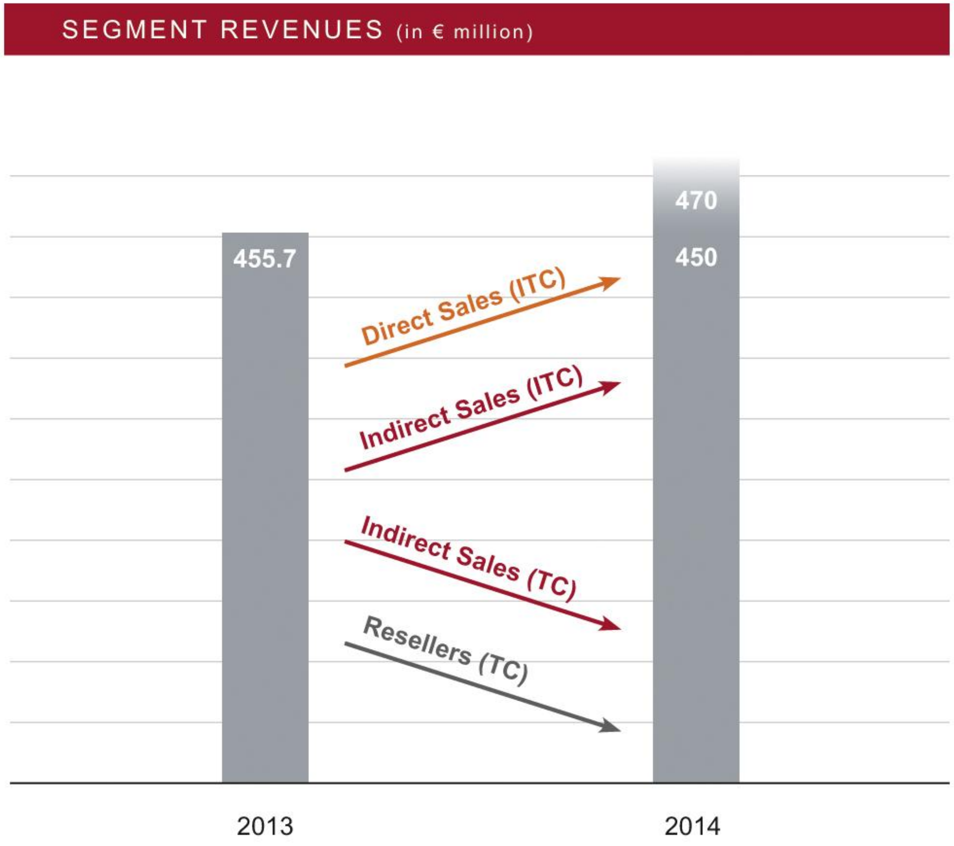






- Dividend of € 0.10 is the minimum amount for fiscal 2014
- QSC expects a slow start to FY 2014 and a stronger H2 2014

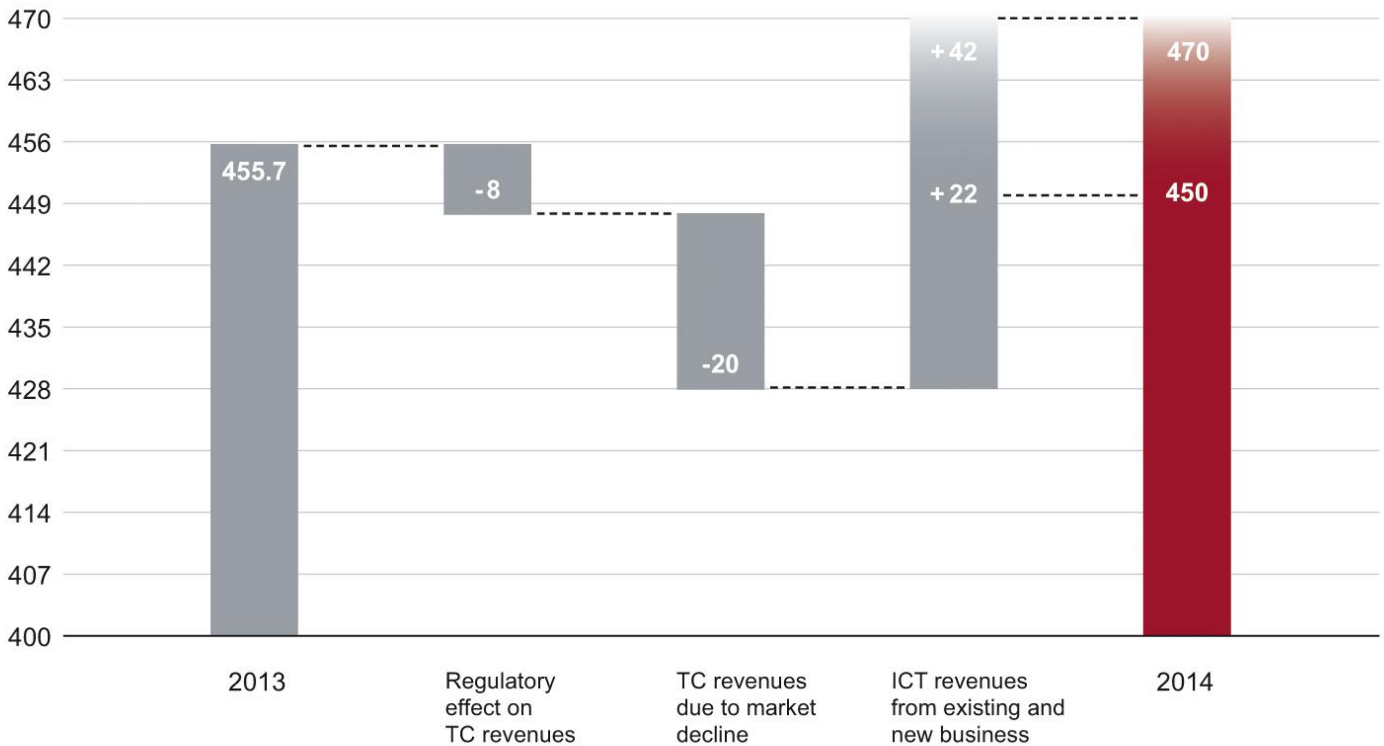
REVENUES WILL DEVELOP TWO-FOLD



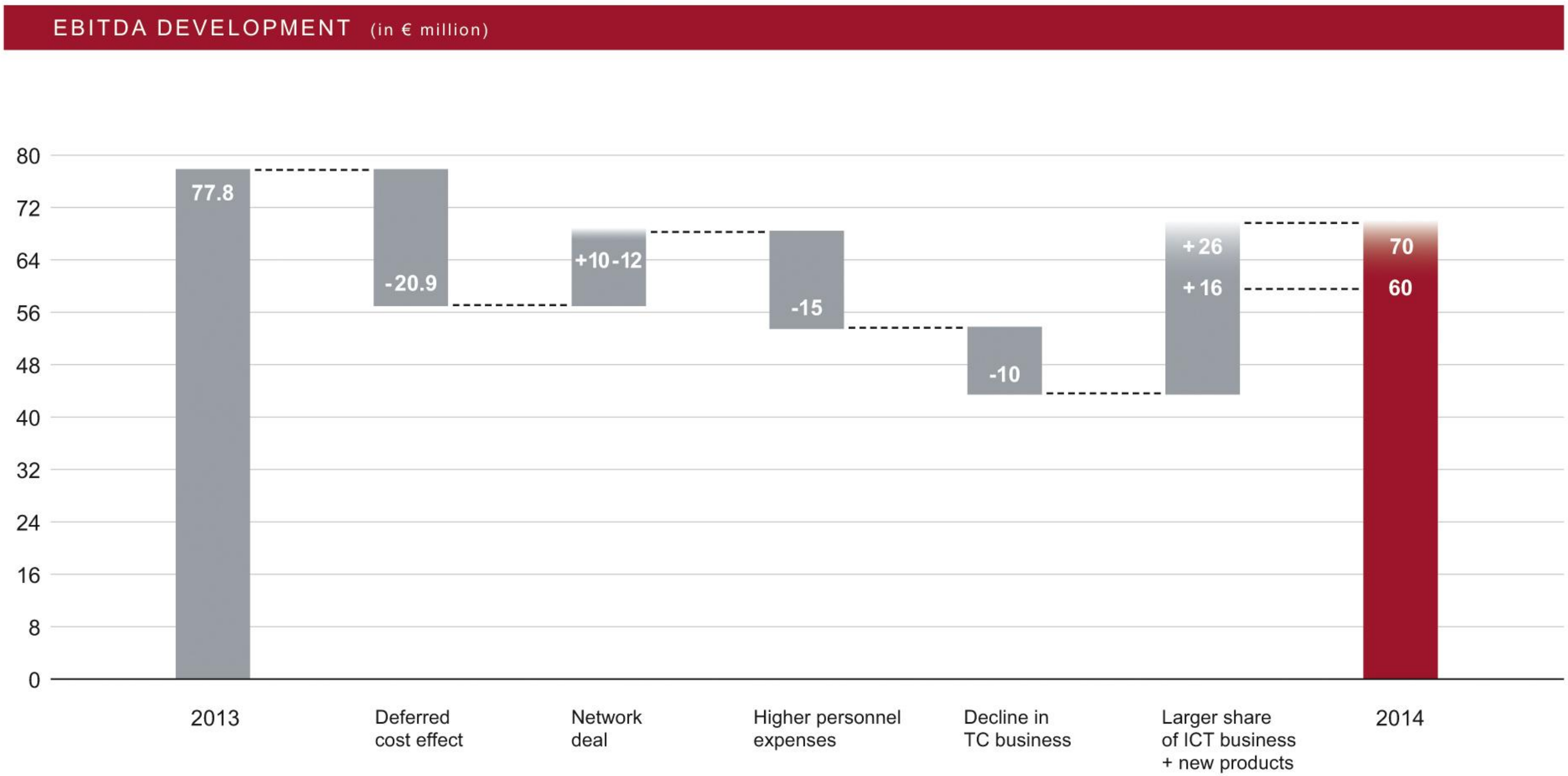
- Direct Sales will again grow faster than the market
- Indirect sales: Rising ICT revenues with existing and new products vs. lower TC revenues
- Resellers segment has to face a further decline in TC revenues because of stiff price competition in the ADSL2+ and OCBC market and tightened regulation

TC BUSINESS HAS A SIGNIFICANT IMPACT ON REVENUES

REVENUE DEVELOPMENT (in € million)



EBITDA: NO POSITIVE DEFERRED COST EFFECT IN 2014



IN 2014, QSC WILL FOCUS ON DEVELOPING AND MARKETING INNOVATIONS

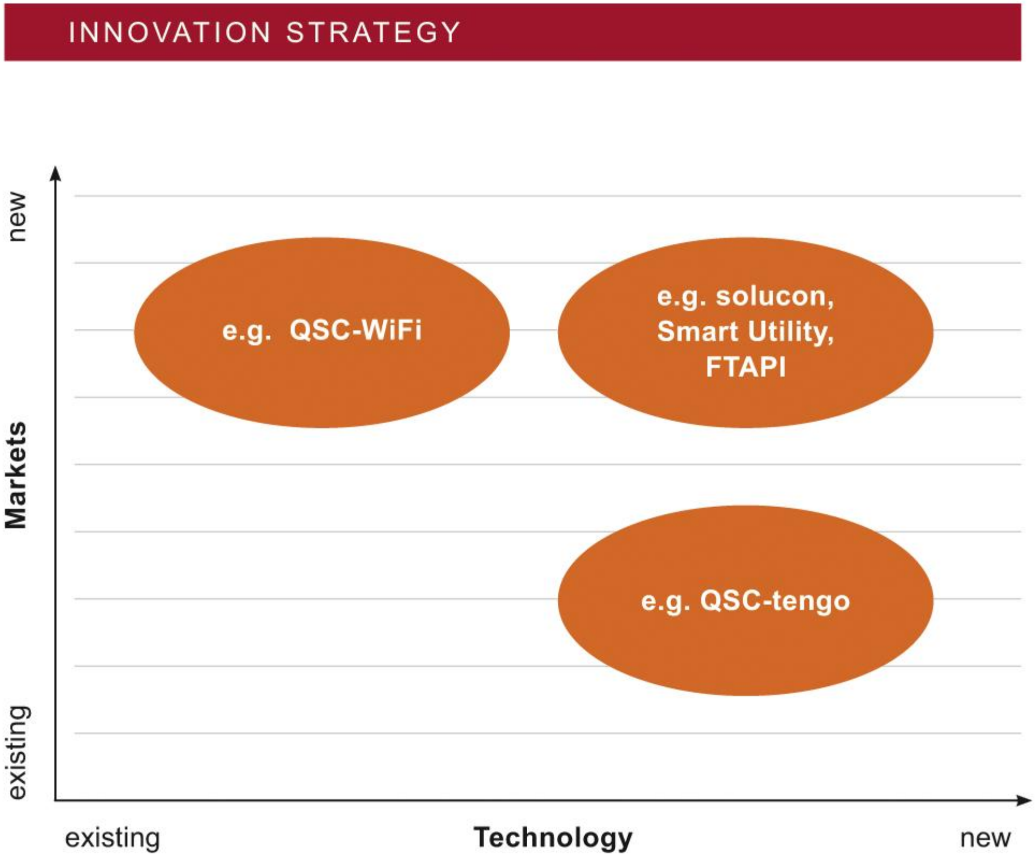
- Recruiting further ICT experts in Development
- Launching and marketing new products
- Acquiring smaller ICT / Cloud companies
- Introducing further innovative business concepts
- Strengthening relations with selected ICT partners to market new products like QSC-tengo and QSC-WiFi
- Deepening partnerships with universities, research centers and industry partners
- Upgrading consulting business with its huge expertise in promising fields such as SAP-Hana

M&A ACCELERATE PROGRESS IN INNOVATION – FTAPI FITS PERFECTLY INTO QSC'S STRATEGY

- On Feb 24, 2014, QSC **acquired 51% of FTAPI Software** GmbH, Munich
- **The encryption specialist's founders will stay on board** as managers and co-owners and will drive further growth
- Founded in 2010, FTAPI has developed a range of **innovative and scalable products** in high-security transfer and storage
- **First customers**: Hochland Group, MAN Roland, SSI Schaefer, etc.
- **Benefits for FTAPI**: Access to Sales Channels, 30,000 existing customers, operations and administration competence
- **Benefits for QSC**: Access to innovations in a fast-growing market, self-developed IP and B2B online sales know-how

⇒ Prototype for M&A strategy – QSC is a good home for entrepreneurs

HOW QSC WILL FOSTER INNOVATIONS IN 2014 AND BEYOND



- Developing in-house
- Acquiring leading-edge technology companies
- Winning leading-edge entrepreneurial talent

GROWTH IN 2014 AND BEYOND WILL DEPEND ON THE INNOVATIONS' PROGRESS

- QSC is building an attractive innovation pipeline
- Launch of innovations will open up the opportunity to earn fast-growing revenues
- Higher share of self-developed products along with ongoing automation will boost profitability of existing business
- In 2013, QSC completed its transformation process and built a new organization
- In 2014, QSC will invest strongly in future growth and innovations
- In 2015, QSC will start to reap the fruits of having become the innovation driver in the German ICT and Cloud market

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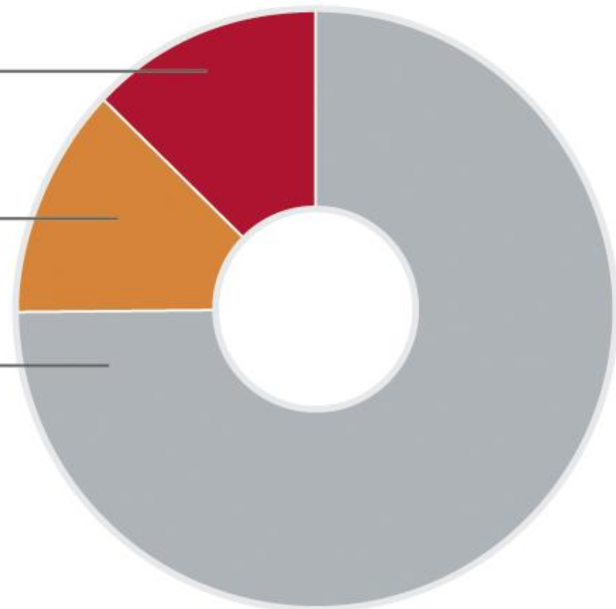
SHAREHOLDER STRUCTURE AFTER THE BUYING OF ADDITIONAL SHARES BY THE TWO FOUNDERS

SHAREHOLDER STRUCTURE

12.53 % Gerd Eickers [1]

12.48 % Dr. Bernd Schlobohm [2]

74.99 % Free float



[1] Founder and Member of the Supervisory Board

[2] Founder and Chairman of the Supervisory Board

As of January 31, 2014

FINANCIAL CALENDAR

March 31, 2014	Publication of Annual Report 2013
May 12, 2014	Publication of Quarterly Report I/2014
May 28, 2014	Annual Shareholders Meeting
August 11, 2014	Publication of Quarterly Report II/2014
November 10, 2014	Publication of Quarterly Report III/2014

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paulrobertlloyd.com/2009/06/social_media_icons

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A complete list of the risks, uncertainties and other factors facing us can be found in our public reports and filings with the U.S. Securities and Exchange Commission.

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