



Analyst Conference
Cologne, 6 March 2017

THE DIGITISER OF THE GERMAN SME SECTOR (“MITTELSTAND”)

SICHER.
INNOVATIV.
AN IHRER SEITE.

QSC_{AG}

Disclaimer

This presentation contains forward-looking statements based on management estimates and reflects the current views of QSC AG's ("QSC") management board with respect to future events. These forward-looking statements correspond to the situation at the time this presentation was prepared. Such statements are subject to risks and uncertainties, which often fall outside the sphere of influence of QSC. These risks and uncertainties are covered in detail within the Risk Report section in our financial statements.

Although the forward-looking statements are made with great care, their correctness cannot be guaranteed. Therefore the actual results may deviate from the expected results described herein. QSC does not intend to update or adjust any forward-looking statements after the publication of the presentation.



Jürgen Hermann, CEO

QSC in (digital) transformation

Market changes, target visions and milestones in 2016

Preliminary remarks: planned company targets for 2016

In 2016, QSC AG focused on ...

- ... expanding its Cloud business
- ... marketing its Pure Enterprise Cloud
- ... completing the implementation of its cost-cutting programme



For 2016, QSC AG planned ...

- ... revenues of € 380 million to € 390 million
- ... EBITDA of € 34 million to € 38 million
- ... a positive free cash flow





Market changes: opportunities & challenges

Market changes and disruptive trends

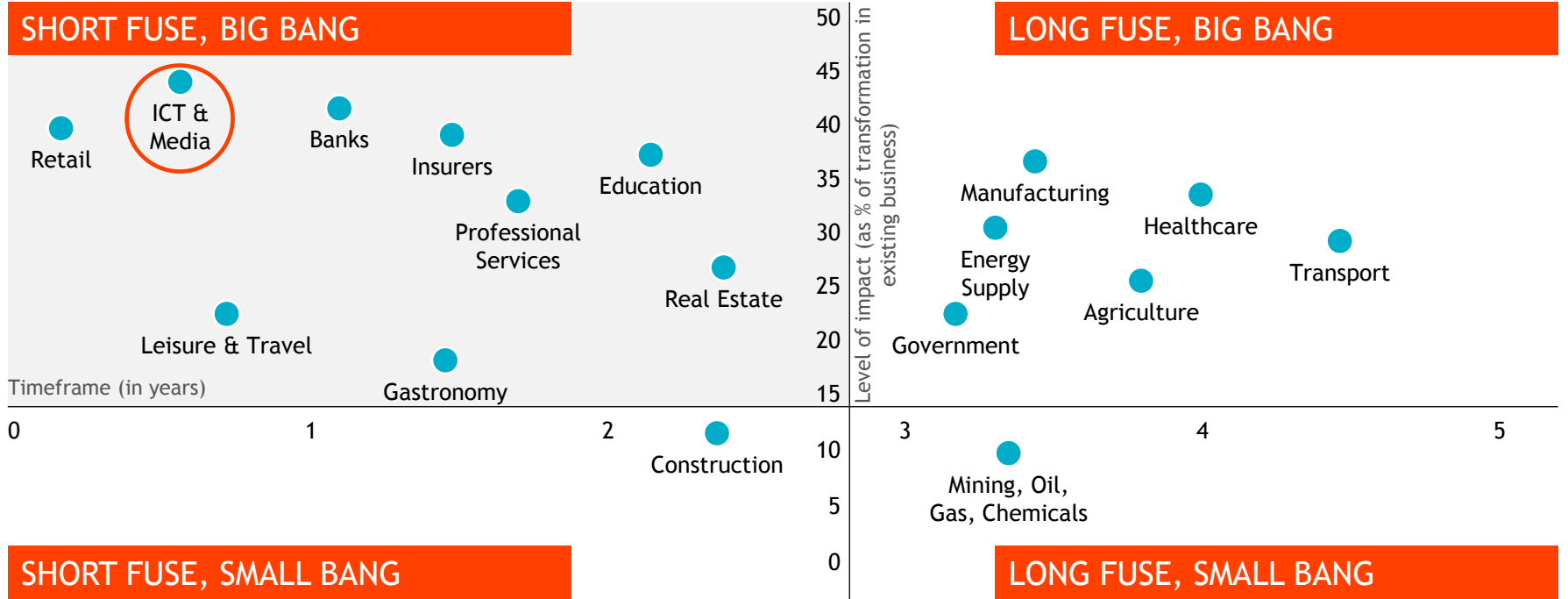
Cloud at epicentre of digital (r)evolution!

All traditional IT and TC business models under review!

Pressure to transform will completely reshape the market!

... and that at top speed!

Disruption map: digital transformation pressure



Source: "Survival Through Digital Leadership", Deloitte, 2015

ICT players in transformation: opportunities & challenges

- Entire ICT sector faces paradigm shift: “Everything is now a service!”
- New customer expectations, value chains, key technologies
- Great opportunity due to substantial growth in user market (Cloud first!)
- Tension: transition in traditional ICT business (licence/project) vs. cloud economy
- Also involves: huge standardisation and efficiency pressure (develop “IT factory”)
- Development of innovative market approach and sales strategies (digital visibility!)
- Also: accessing promising new business fields (IoT, big data etc.)



Well prepared: QSC's crucial strengths

Production



Own data centres



Managed public cloud



Highly scalable
IoT platform

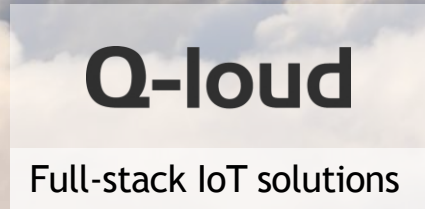
Services



Own cloud solutions

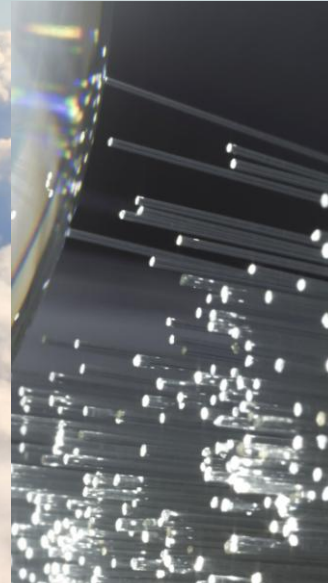


IaaS/SaaS solutions



Full-stack IoT solutions

Distribution



Own All-IP net

Customer view



Reliable
partnership

Customer view: consistent end-to-end responsibility

PURE ENTERPRISE CLOUD

CLOUD PLATFORM

Own data centres



Public cloud services



Own IoT services



CLOUD SERVICES

Virtual desktops



Collaboration



ERP software



Client software



IP telephony



Public SaaS/IaaS



Internet of Things



All-IP net
QSC AG

NETWORK AND CLIENT SERVICES

Corporate customers



LAN/WAN



Headquarters

LAN/WAN



Branch

WAN



Home office

Mobility



Mobile employee

Well prepared: all-round service offering



Application
management &
operation



Virtual
desktop



Client
management



Enterprise
mobility



Workplace
help desk



UCC and IP
telephony

PURE ENTERPRISE CLOUD

Multi-cloud
management



Internet
of Things



Compute &
storage
resources



SAP & cloud
consulting



VPN, MPLS &
network



Managed
security



QSC in transformation: expectations, perspectives, targets

Customer perspective:

“One-stop shop pursuing a digital transformation course!”

Market perspective:

“Leading (multi-)cloud player for German SME sector!”

Marketing perspective:

“Highly attractive service portfolio with great market acceptance!”

Operations perspective:

“Speed and stability thanks to standardised service performance!”

Employee perspective:

“Innovation and trend driver with strong development prospects!”

Investor perspective:

“Increasing profitability thanks to benefits of scale and new growth!”

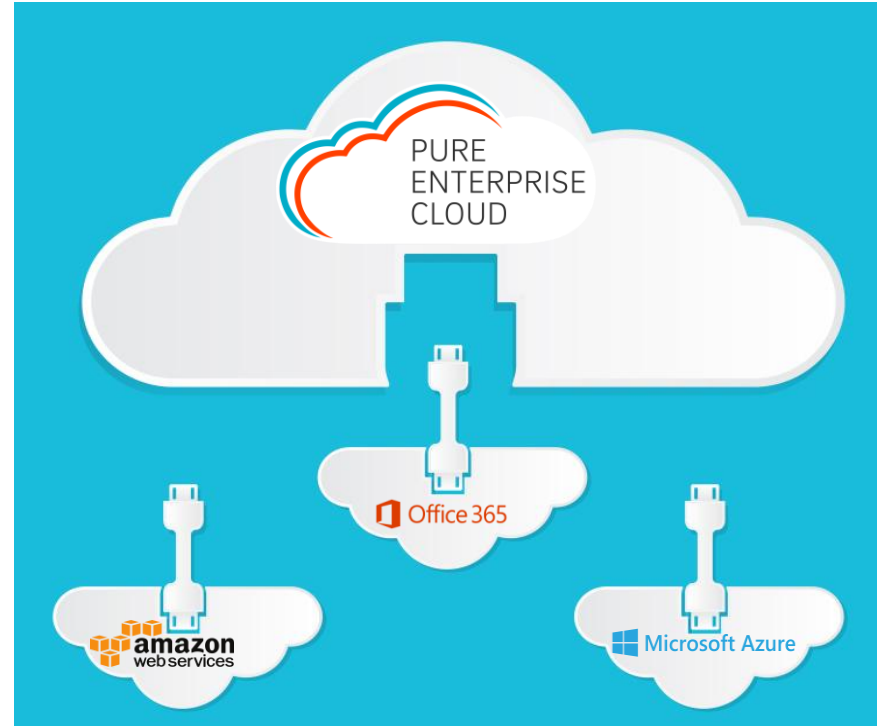
Management perspective: we are on the right track ...!



QSC in transformation: milestones in 2016

QSC in transformation: the PEC multi-cloud strategy

- The digital age requires **“breathing” platforms** and networked, service-oriented and **well-distributed cloud scenarios!**
- Customers will demand **absolute freedom to select** their cloud strategies ... and will also make use of this freedom!
- Multi-cloud as the **dominant “architecture” blueprint** for the next 10 years!
- Yet: **SME players are completely out of depth** when it comes to “cloud orchestration”!
- QSC with **end-to-end service responsibility** for customers’ entire cloud-based IT!



QSC in transformation: PEC as “Rising Star of 2016”

- First IT analyst assessment of entire Pure Enterprise Cloud portfolio
- Awards in several disciplines
- **In focus:** first evaluation of Enterprise Workplace Services (“Rising Star of 2016”)
- **Quote:** “QSC has rebooted itself with flying colours and now has to gradually gain fresh momentum - the prospects for a consistent upturn are very good.”
- **But:** “Awareness of QSC in its local market is still very limited.”

“Thanks to the breadth and depth of its portfolio, this solution has emerged overnight as what is from customers’ perspective one of the most attractive offerings in the German market.”

Heiko Henkes, Experton Group, July 2016

Experton Market Insight
Cloud Vendor Benchmark 2016 – Deutschland
SaaS – Cloud Workplaces (XaaS)

Cloud Vendor Benchmark
Rising Star Germany

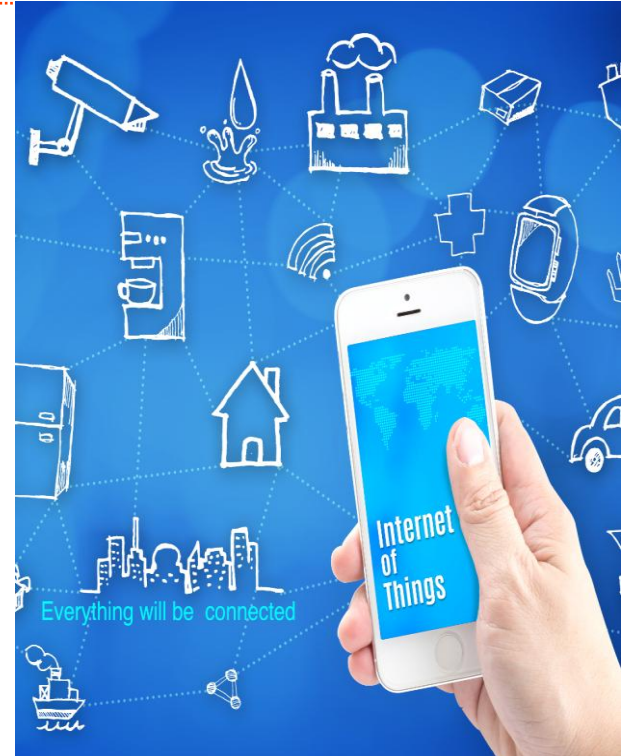
2016

EXPERTON
MARKET INSIGHT



QSC in transformation: milestones with IoT / Q-loud

- **Milestones in 2016**
 - Spin-off to standalone company
 - Management team boosted
 - Major new customers (such as Schüco) acquired and expansion in partner eco-system
- **Great market opportunities**
IoT not only optimises existing production and business models, but also creates new models
- **Q-loud's strengths**
 - Full-stack service offering (consulting, hardware, software, front end, high-performing back-end technologies)
 - Longstanding projects/solution experience
 - Compliance with high security/data protection standards



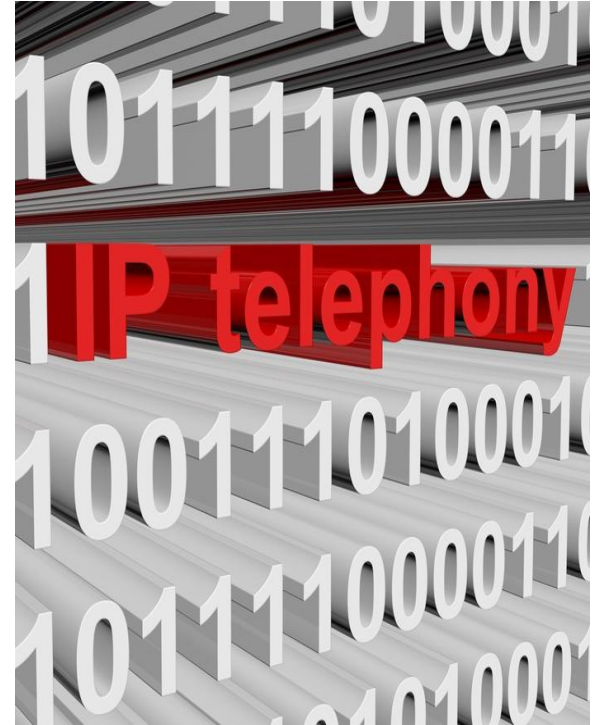
QSC in transformation: SAP milestones

- **Significant increase in visibility as SAP partner**
 - Designation as “Partner of Excellence“ by SAP SE
 - Experton: QSC’s SAP HANA portfolio stands out on account of its end-to-end approach
- **Consistent growth achieved**
 - QSC now has more than 210 in-house consultants
 - Revenue growth of 9.6% CAGR (2013-2016)
- **Greater competitiveness & expanded expertise**
 - More than 40 successful HANA projects (14 customers)
 - Proprietary HANA laboratory
 - First joint IoT projects with Q-loud subsidiary

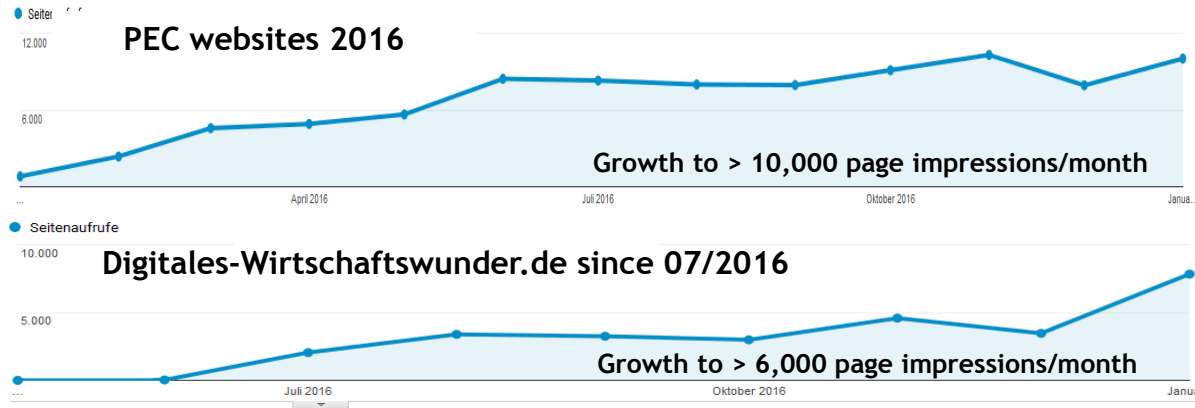


QSC in transformation: All-IP milestones

- **Greatest All-IP experience in market (>10 years)**
 - > 250,000 active SIP voiceover IP connections
 - > 4,000,000 active dial numbers
 - > 1,000,000,000 minutes mediated per month
- **“Boom” due to switching off of DTAG’s ISDN network by 2018**
 - Potential for 3 million corporate customer connections
 - All connections without exception have to be migrated
 - All-IP products already account for 30% of total new orders in Indirect Sales
- **Opportunities during overall market consolidation**
(→ “easybell migrates DSL connections to QSC”, 02.02.16)



QSC in transformation: visibility of growth topics



Digital visibility

- Image transfer: “Digitiser of the SME sector”
- Constant QSC presence throughout entire digital customer journey

Google search Top 3 (in position 1-3)

Cloud Mittelstand (Pos. 1 of 566,000)

Hybrid Cloud Mittelstand (1)

Mobile Enterprise Mittelstand (1)

Internet der Dinge Mittelstand (2)

IoT Mittelstand (2)

Google search Top 10 (on page 1)

Digitalisierung Mittelstand

Strategie Internet der Dinge

Multi Cloud

Cloud Anbieter Mittelstand

Private Cloud Mittelstand

Digitales-Wirtschaftswunder

- Online for 6 months now
- Very rapid readership growth
- > 200 expert contributions
- 1st class partner eco-system
- Top keyword rankings

Trusted advisor on path towards digital transformation

MIT QSC DURCH DEN TAG

Wie Cloud, Internet of Things, SAP und Telekommunikation das Arbeitsleben erleichtern.

| VIDEO ABSPIELEN |

QSC in digital transformation: outlook and targets for 2017

Further develop & migrate our existing customers to the PEC

Development & market launch of new multi-cloud portfolio

Actively exploit opportunities in the telecommunications market

Expand IoT business with further industrial customers

Consistently develop SAP HANA business



Stefan A. Baustert, CFO

Preliminary figures for 2016 & outlook for 2017

Financial performance in 2016

QSC reaches its targets in 2016

| | Goals 2016 | Results 2016 | |
|------------------------|----------------------|-----------------|---|
| Revenues | € 380 - 390 million | € 386.0 million | ✓ |
| EBITDA | € 34 - 38 million | € 37.1 million | ✓ |
| Free Cash Flow | > 0 / >€ 7.1 million | € 8.4 million | ✓ |
| Cost-cutting programme | € 20 million | € 24 million | ✓ |
| Employees | 1,350 | € 1,360 | ✓ |

Operating business performs as planned

| in € million | 2015 | 2016 | Δ | Δ in % |
|--|---------------|---------------|--------------|----------------|
| Revenues | 402.4 | 386.0 | -16.4 | -4.1 % |
| Cost of revenues | 292.3 | 282.9 | -9.4 | -3.2 % |
| Gross profit | 110.1 | 103.1 | -7.0 | -6.4 % |
| Sales and marketing expenses | 34.9 | 33.0 | -1.9 | -5.4 % |
| General and admin. expenses | 32.1 | 31.8 | -0.3 | -0.9 % |
| Other operating income | (1.0) | (1.2) | -0.2 | N/A |
| EBITDA | 42.2 | 37.1 | -5.1 | -12.1 % |
| Depreciation | 53.3 | 35.0 | -18.3 | -34.3 % |
| EBIT before one-off depreciations | (11.1) | 2.1 | 13.2 | N/A |
| One-off depreciations | - | 15.2 | 15.2 | N/A |
| EBIT | (11.1) | (13.1) | -2.0 | -18.0 % |
| Financial Result | (6.0) | (5.8) | 0.2 | +3.3 % |
| Income Taxes | 3.8 | (6.1) | -9.9 | N/A |
| Net Income | (13.2) | (25.1) | -11.9 | -90.2 % |

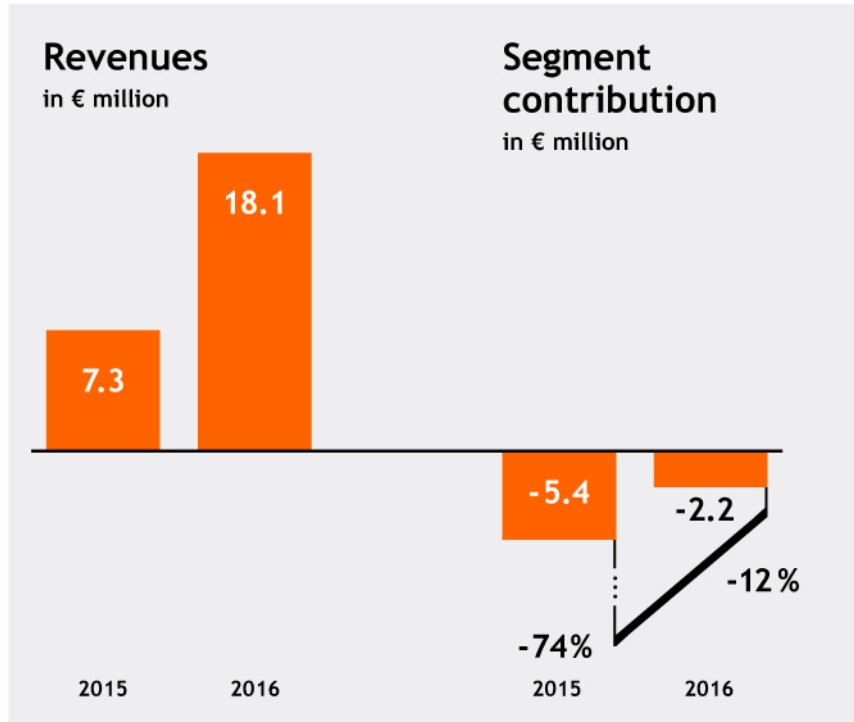
Revenues

- High growth in Cloud business; as planned, substantial decrease in TC reseller business and in Outsourcing

Earnings

- Positive impact of cost-cutting programme
- Charge on earnings due to one-off write-downs in Q4 2016

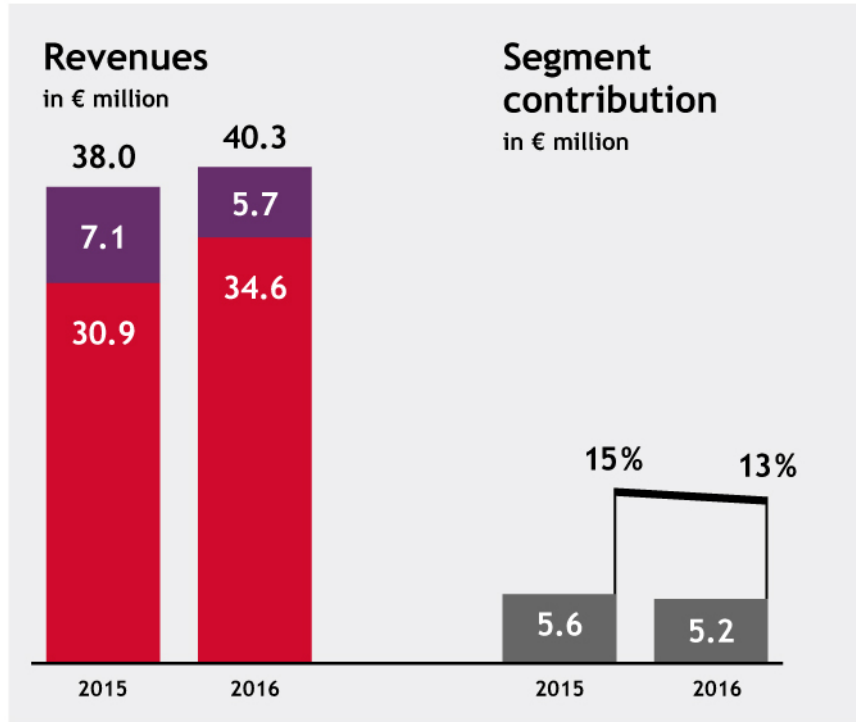
Cloud: revenues more than double



- Cloud business driven by Pure Enterprise Cloud and IoT
- 2016 revenues rise quarter by quarter - from € 2.4 million (Q1) to € 6.1 million (Q4)

■ Segment margin

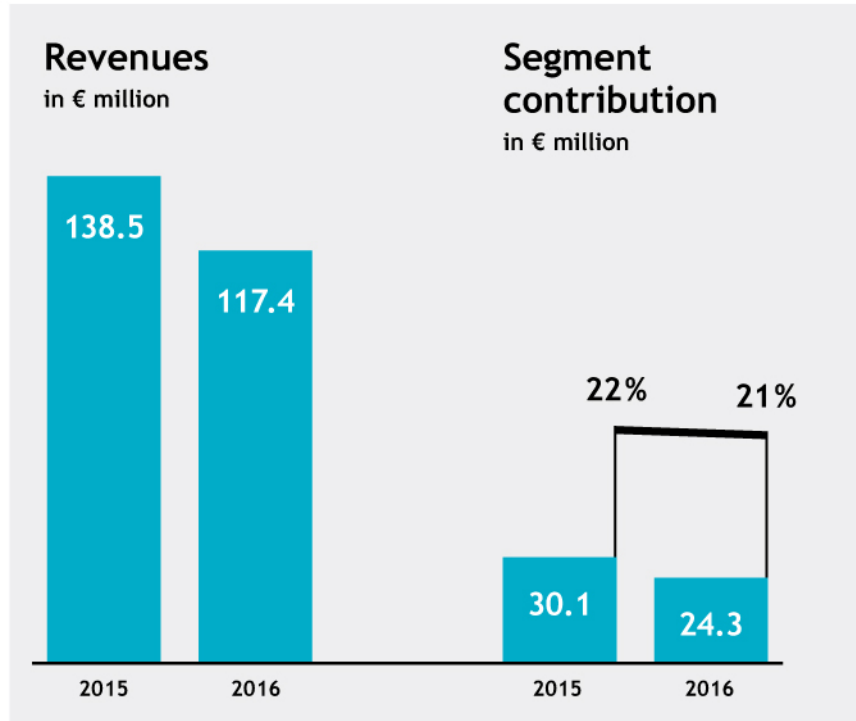
Consulting: continued growth with SAP consulting



- SAP-related revenues rise by 12% in 2016
- Growing share of cloud projects (SAP HANA)
- High demand necessitates deployment of external experts
- Segment margin in this personnel-intensive business remains in double-digit territory

- Microsoft
- SAP
- Microsoft & SAP
- Segment margin

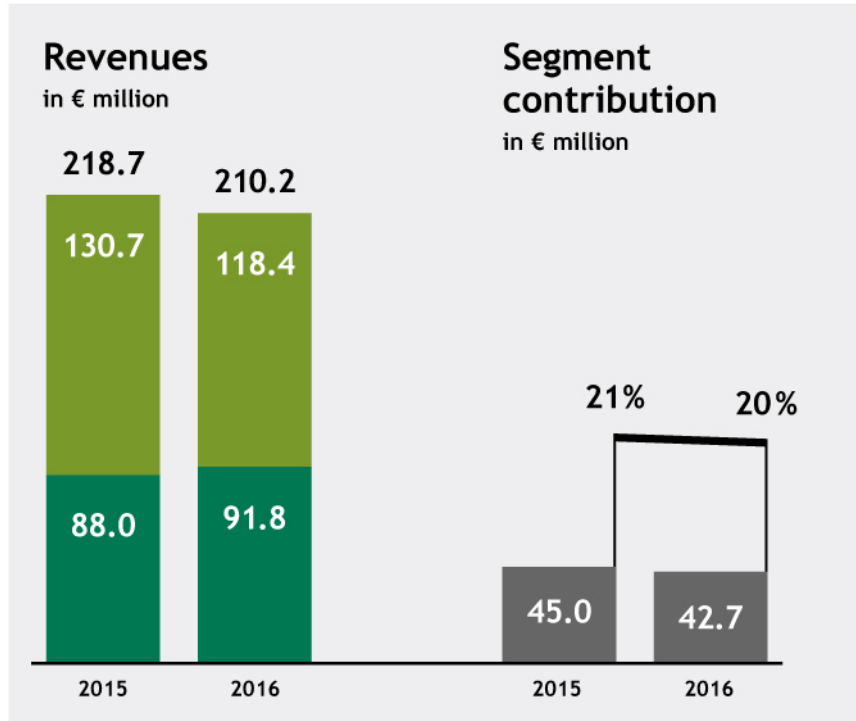
Outsourcing: migration to Cloud business begins



- Far-reaching change in traditional Outsourcing business:
 - Initial customers migrate to the Pure Enterprise Cloud
 - For new customers, QSC focuses on standardised cloud-based outsourcing
- Stable segment margin thanks to focus on high-margin revenues and substantial cost savings

■ Segment margin






TC: revenue growth with corporate customers



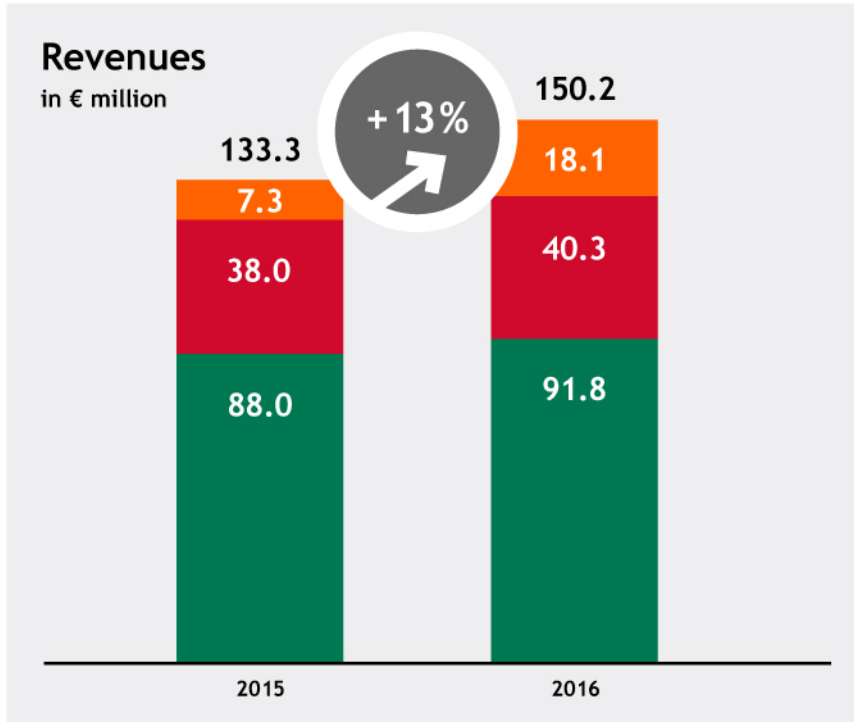
- Among corporate customers, QSC is benefiting from its All-IP expertise and is attracting additional customers
- Ongoing tough price competition among resellers
- Strong corporate customer business generates attractive segment margin

- TC revenues with resellers
- TC revenues with corporate customers
- TC revenues (total)
- Segment margin

Growth where QSC expects it

| Drivers in 2016 | | Revenue development in 2016 |
|-------------------|---|---|
| Cloud | Pure Enterprise Cloud and IoT |  |
| Consulting | SAP HANA projects |  |
| Outsourcing | Starting the migration to the Pure Enterprise Cloud / no new customers in 1:1 outsourcing |  |
| TC for corporates | Growing demand for All-IP solutions |  |
| TC for resellers | Fierce price competition |  |

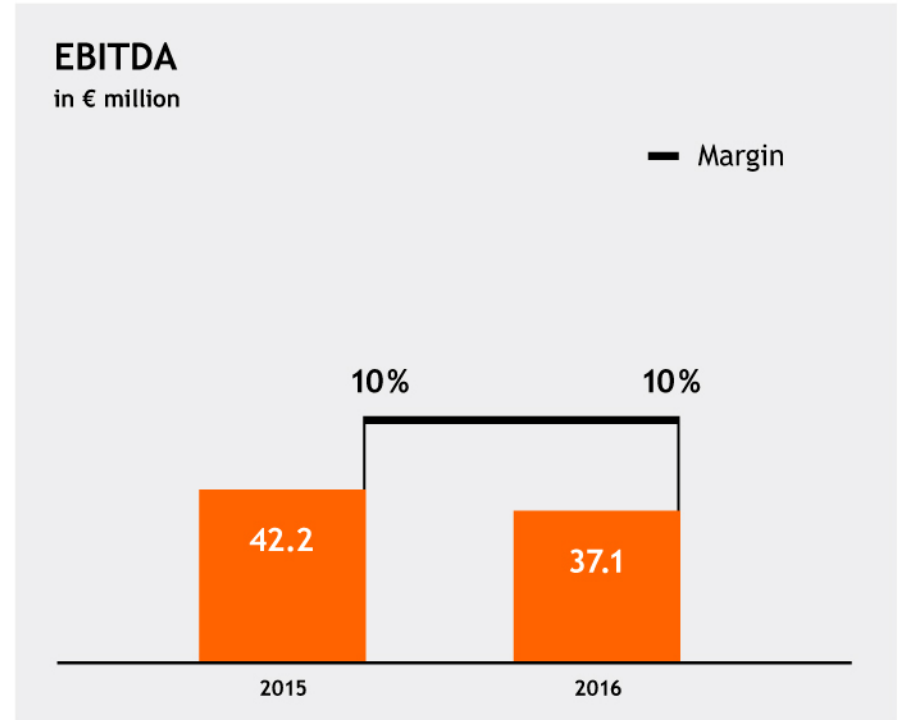
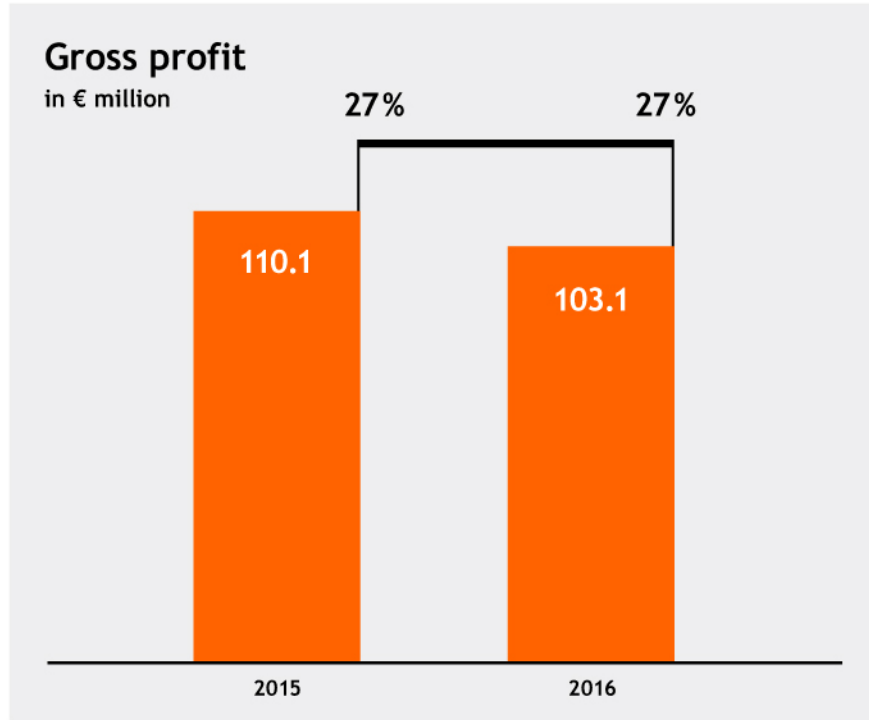
Marked growth in forward-looking business fields



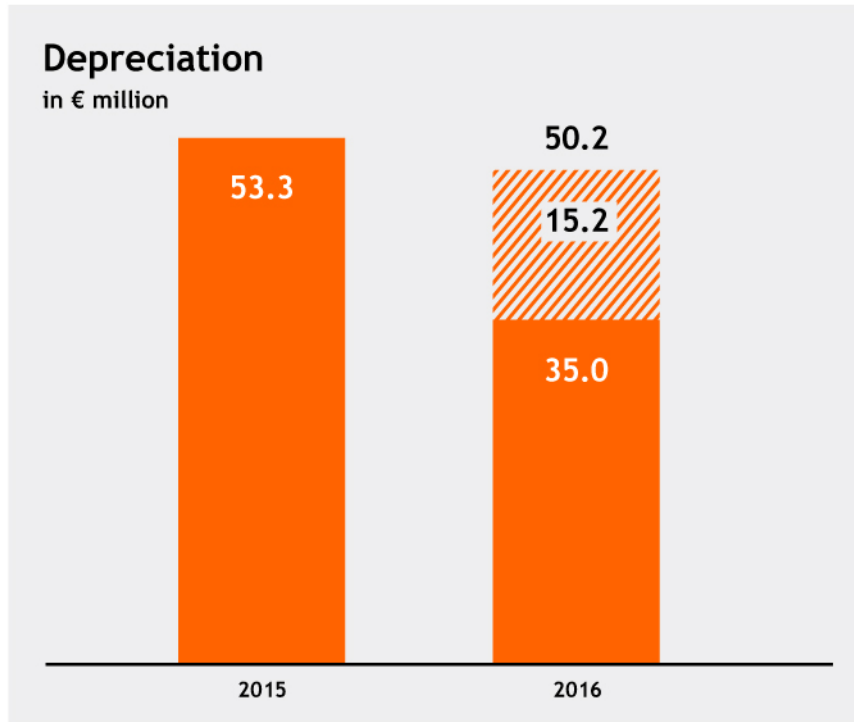
- Double-digit growth in those business fields in which QSC expects growth: organisational restructuring now bearing fruit
- Since 2014, the share of total revenues generated in the three major strategic business fields has risen by 10 percentage points
- Further increase expected in 2017 and beyond

-
- Cloud
 - Consulting
 - TC business with corporate customers

Operating margins unchanged despite lower revenues

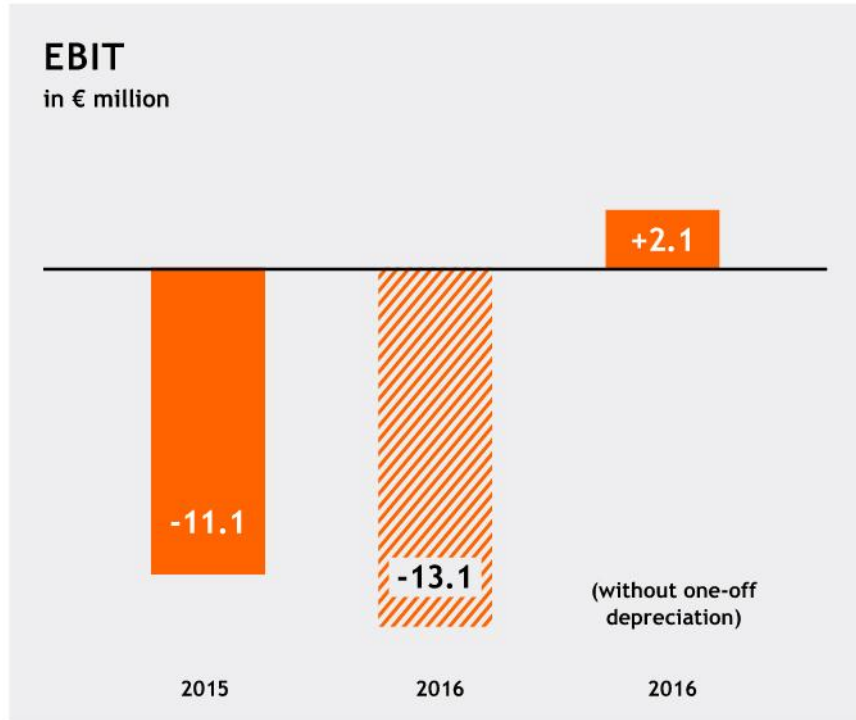


Substantial reduction in depreciation and amortisation



- Depreciation and amortisation in 2016 at just € 35.0 million (2015: € 53.3 million)
- One-off write-downs in Q4 2016 on:
 - Goodwill and intangible assets in Outsourcing business: € 13.9 million
 - Investment in FTAPI: € 1.3 million

EBIT affected by one-off write-downs



- One-off write-downs lead to lower EBIT in 2016
- Based on its operating business, QSC generated EBIT of € 2.1 million in 2016

Savings of more than € 20 million achieved

– QSC launched a cost-cutting programme in February 2015

– Core elements

– Cutting around 350 jobs _____



– Lowering number of external consultants _____



– Reducing number of locations _____



– Streamlining administration _____



– Optimising procurement _____



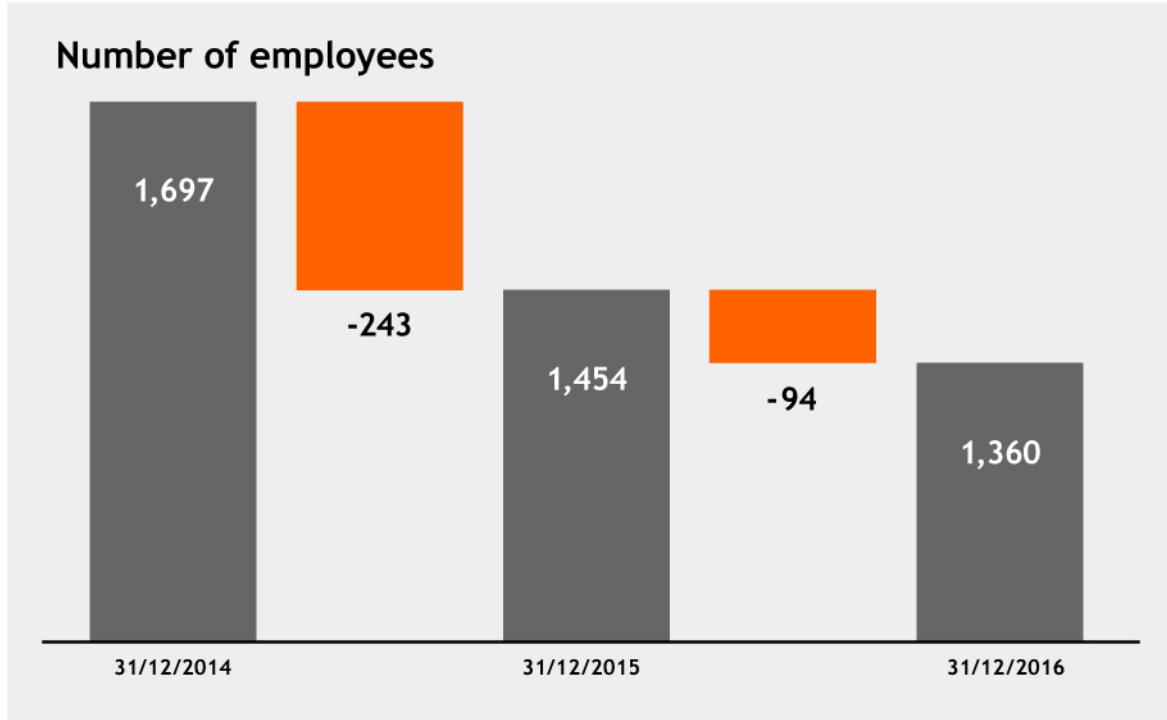
– Standardising/industrialising IT operations _____



– Target by end of 2016: total savings of around € 20 million

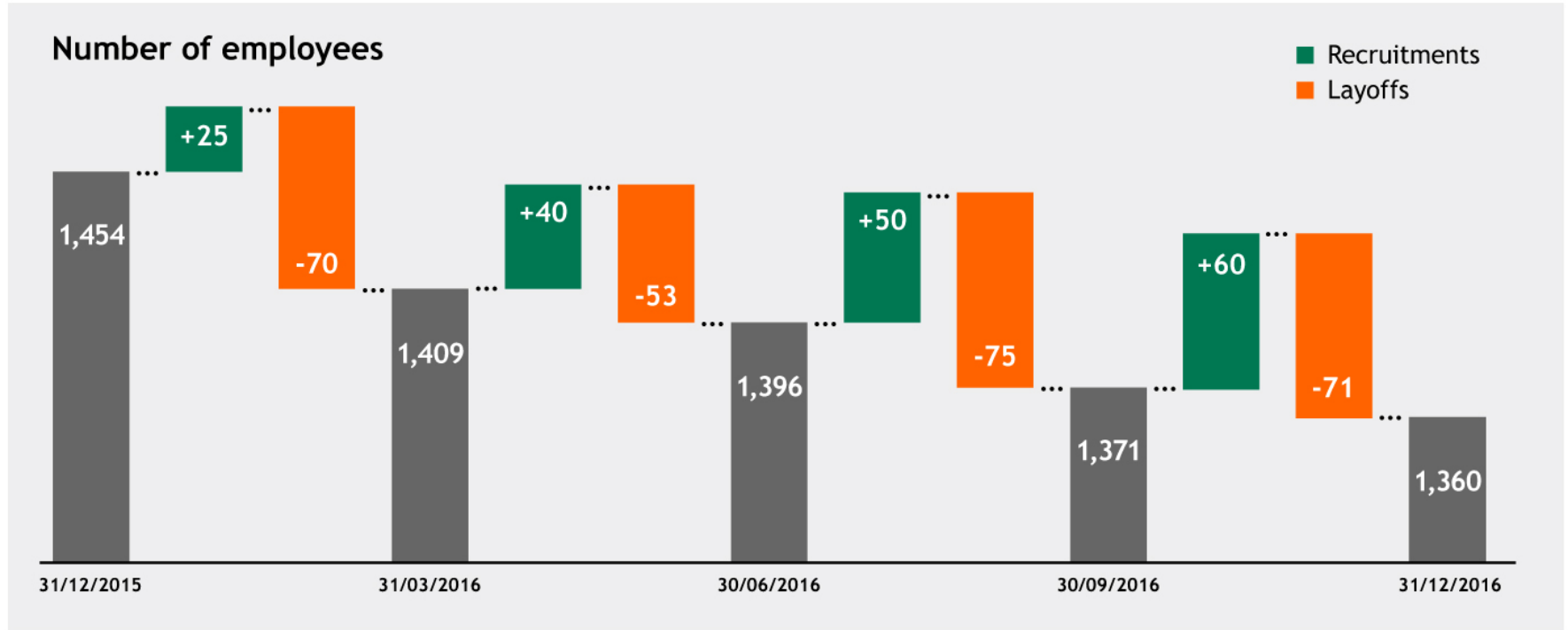
Result by end of 2016: savings of around € 24 million in total

Workforce reaches target size

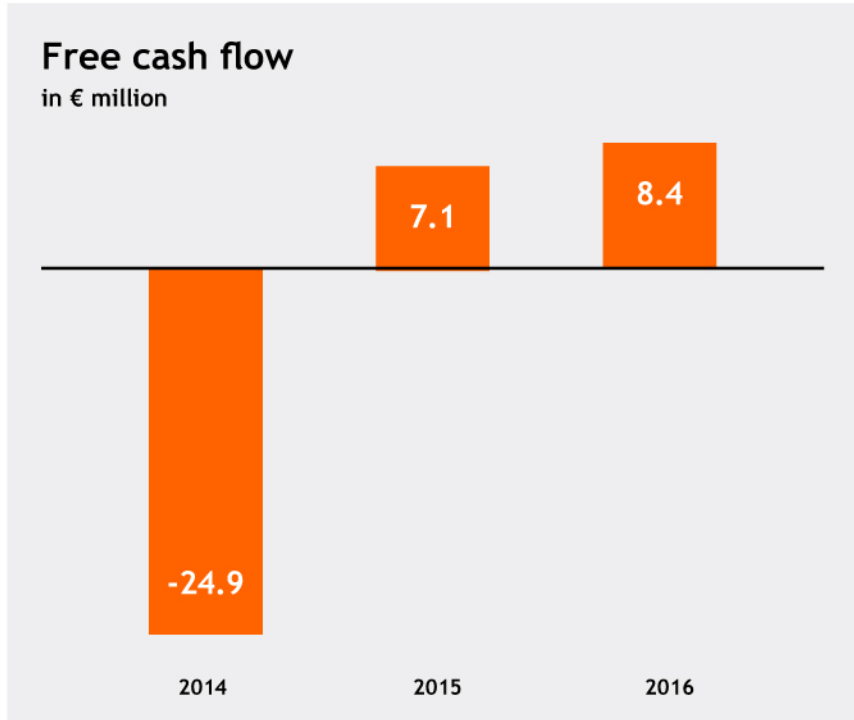


- QSC succeeds in adjusting number of employees to revenues within two years
 - => Rise in revenues per employee since 2015
- QSC manages to downsize workforce despite hiring numerous cloud experts for operations and sales
 - => Organisational restructuring progressing as planned

QSC presses ahead with organisational restructuring

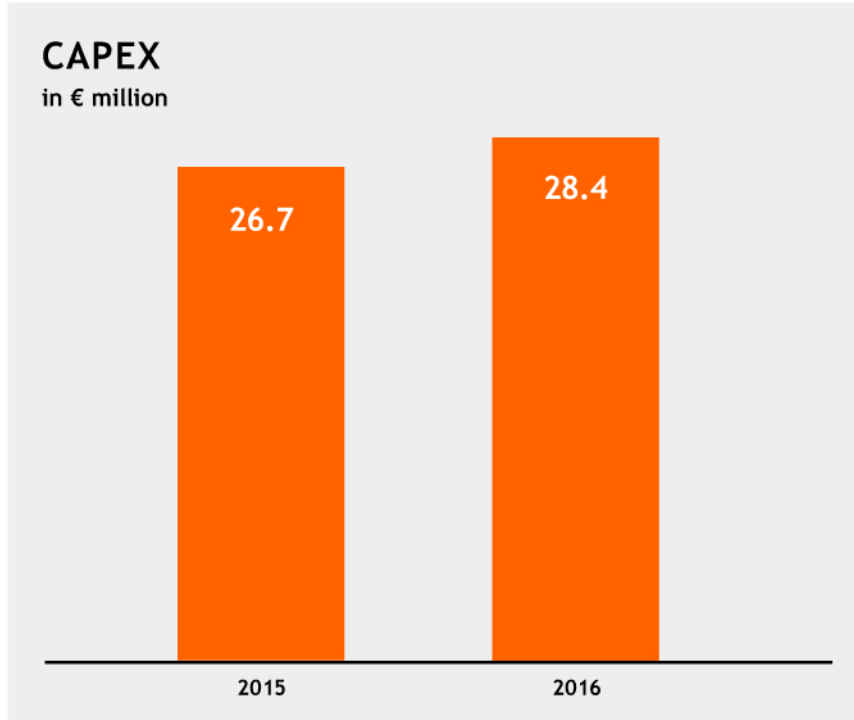


Free cash flow rises for second consecutive year



- FCF of € 8.4 million exceeds raised forecast of > € 7.1 million
- Positive FCF enables QSC to distribute a dividend for 2016
- As in the previous year, Management Board proposes a dividend of 3 cents per share

Capital expenditure remains moderate



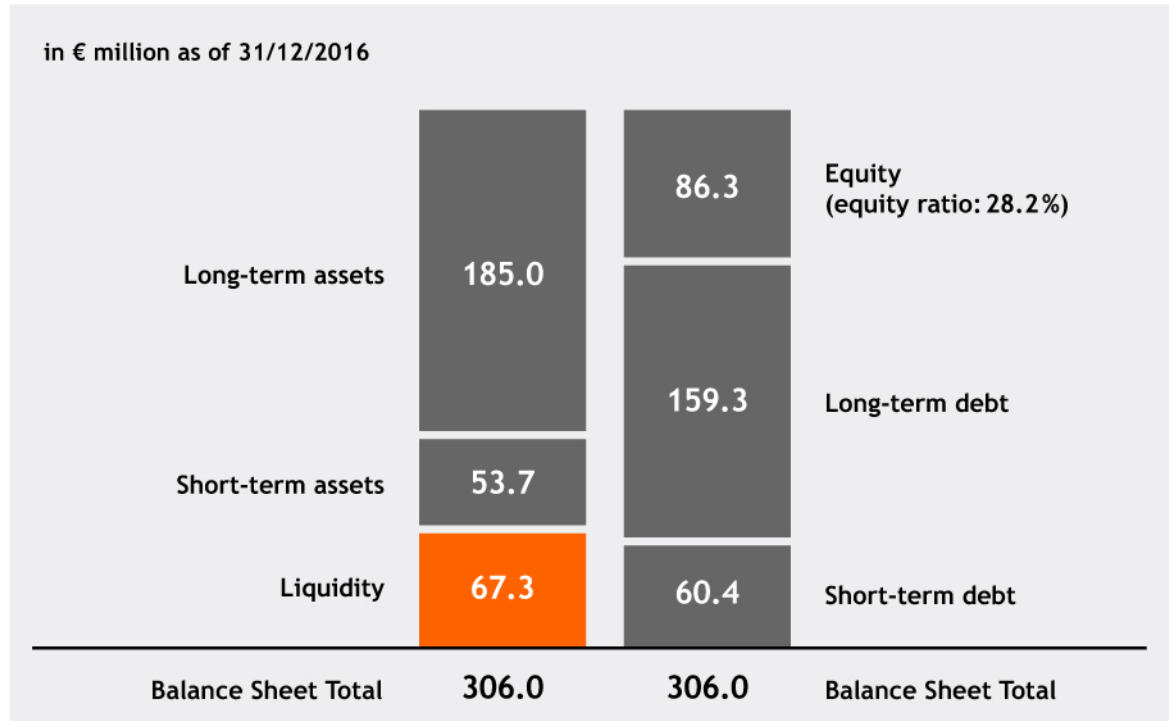
Two key focuses

- Infrastructure and technology (56%)
- Customer projects (36%)

Infrastructure expansion at data centres mainly focused on market launch of Pure Enterprise Cloud

Capital expenditure within planned framework of **up to € 30 million**

Solid balance sheet structure



- Equity and long-term debt still offer congruent cover for more than 100% of long-term assets
- Equity accounts for error identified in DPR audit of deferred taxes for 2014 financial year (€ 11.6 million)

2016 at a glance: Cloud meets expectations

1. QSC is growing in those fields in which it expects to generate growth
2. Cloud and IoT business are the key growth drivers
3. Cost-cutting programme generates savings of more than € 20 million
4. QSC posts an ongoing rise in its free cash flow

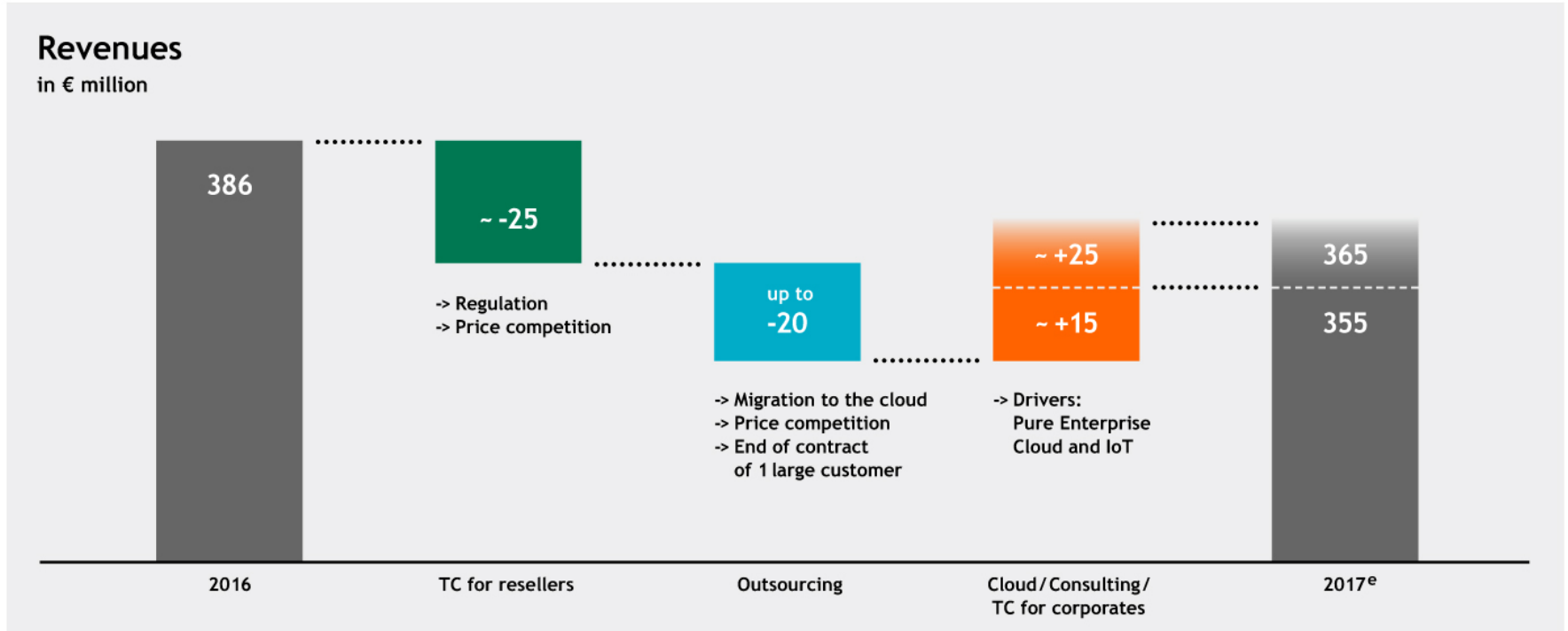
Financial outlook for 2017

2017 at a glance: Cloud business remains in focus






For the current year, QSC has budgeted:

- Revenues of € 355 – 365 million
- EBITDA of € 36 – 40 million
- Free cash flow ahead of the previous year's figure (€ 8.4 million)

Cloud to achieve substantial revenues growth in 2017 too



2017: growth where QSC expects it

| Drivers in 2017 | | Revenue development in 2017 |
|-------------------|---|---|
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| Outsourcing | Starting the migration to the Pure Enterprise Cloud / no new customers in 1:1 outsourcing |  |
| TC for corporates | Growing demand for All-IP solutions |  |
| TC for resellers | Fierce price competition; tighter regulation |  |

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