



QSC AG

Company Presentation

Results Q2 2015

Cologne, 10 August 2015

AGENDA




- 1. Strategic Update**
2. Financial Update and Outlook 2015
3. Questions & Answers

TURNAROUND IN Q2 2015

- **Sequential increase in all key earning figures**
(EBITDA: +16%, EBIT: +27%, Net income: +21%)
- **Cost-cutting programme has positive impact** not only on costs:
leaner organisation accelerates decision-making; clear responsibilities in all areas
- **Huge increase in order income:** TCV more than doubled
- **Reorganisation of Outsourcing business progressed:**
First successful projects of Pure Enterprise Cloud
- **Considerable progress in the Cloud area**
- **Udo Faulhaber** started as the **new Chief Sales Officer (CSO)** on 1 August

QSC'S STRATEGY FOR THE DIGITAL AGE

QSC supports people, things and companies in being successful in the new digital world

- People  e.g. Workplace from the cloud, e-mail encryption, collaboration
- Things  e.g. Internet of Things (gate automation, heating systems, energy solutions, sensors)
- Companies  Pure Enterprise Cloud (PEC) as an integration platform for standardised services

LEADING PEOPLE INTO THE DIGITAL AGE

– CASE STUDY: VODAFONE

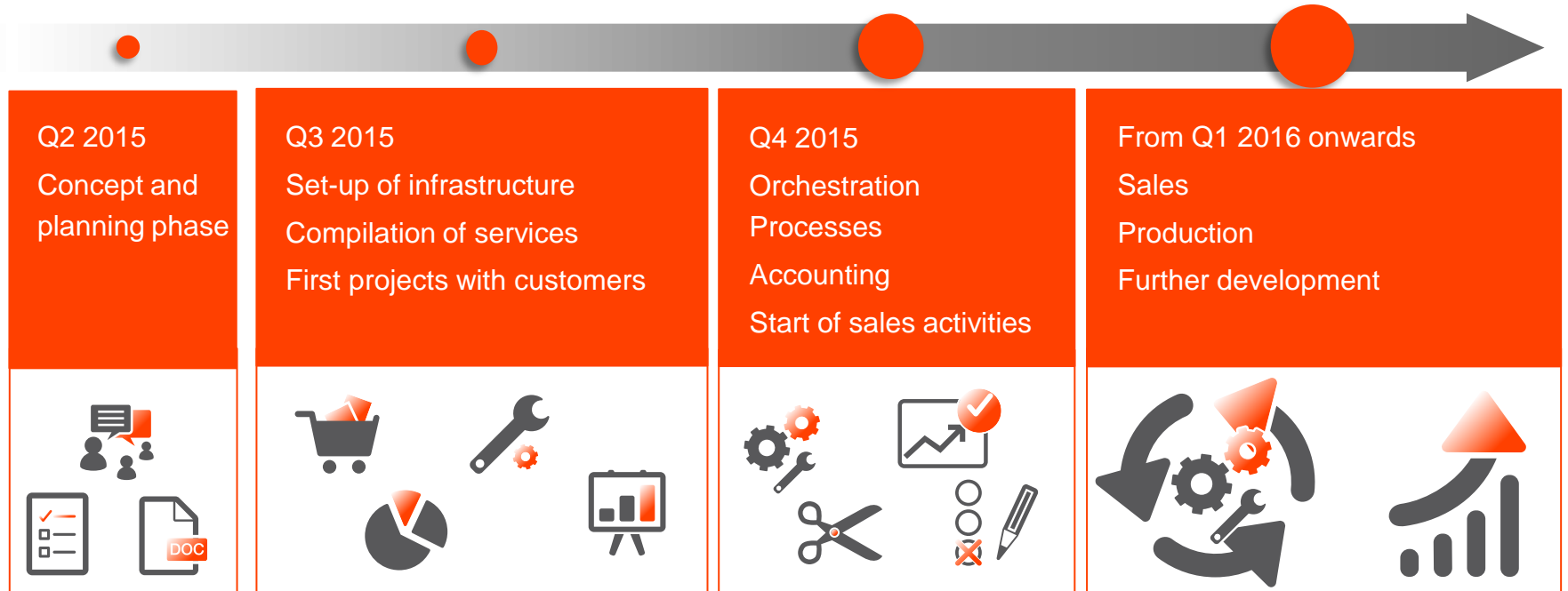
- At CeBIT 2015, Vodafone presented **Secure E-Mail**
- This innovation is **based on FTAPI technology**, which enables the convenient and secure transmission of encrypted e-mails and documents
- **Preparations are running at full speed**
- **Huge market potential**, as only a minority of SMEs are already using e-mail encryption tools
- QSC will benefit because of a **revenue sharing scheme**

LEADING THINGS INTO THE DIGITAL AGE

– CASE STUDY: NOVOFERM TORMATIC

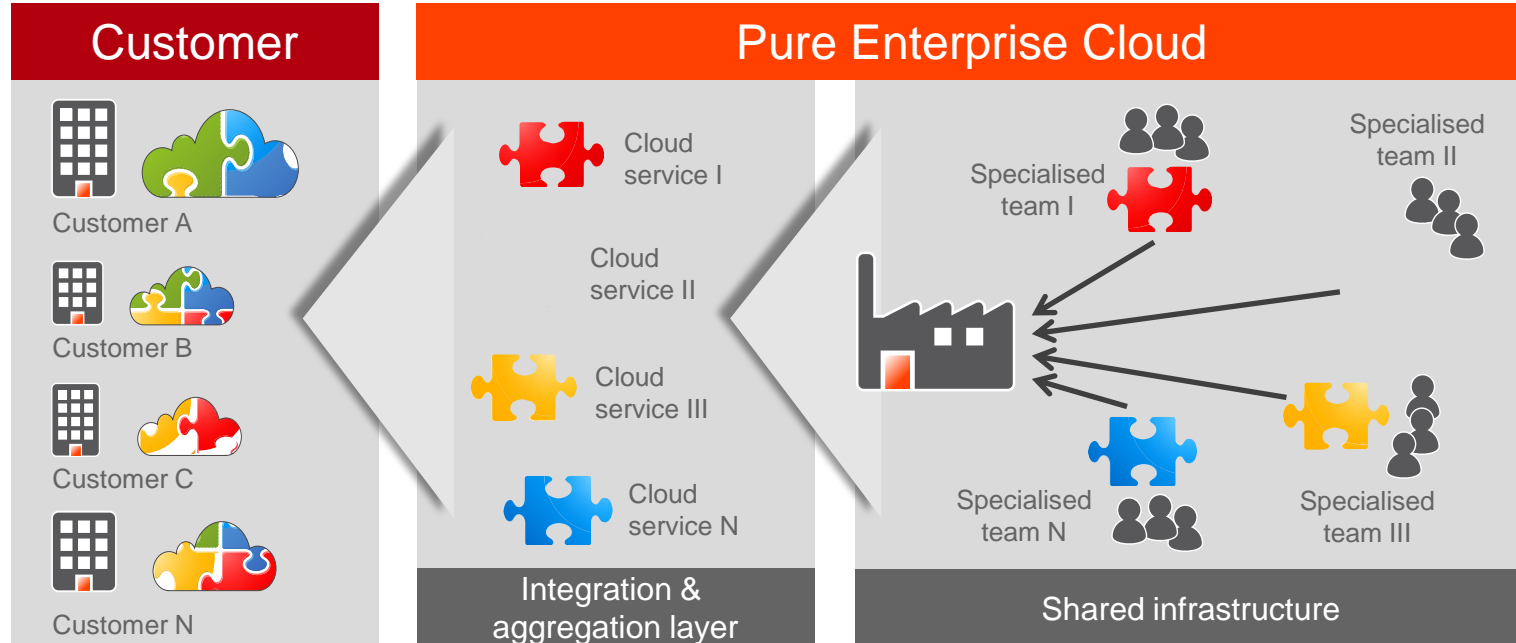
- Hidden champion Novoferm tormatic and QSC are implementing a **cloud-based control system for automatic gates**
- QSC's SOLUCON gateway will allow an **encrypted transfer of data between warehouses and trucks** to optimise workflow and maintenance
- **SOLUCON'S zero downtime architecture guarantees protection against system failure** (cloud platform is operated simultaneously at three QSC data centers in Germany)

LEADING COMPANIES INTO THE DIGITAL AGE – THE PURE ENTERPRISE CLOUD




THE TECHNOLOGY BEYOND PURE ENTERPRISE CLOUD

Modular architecture is focused on products instead of projects



THE MIGRATION IS UP AND RUNNING

	Telecoms	Outsourcing	Consulting	Cloud
Real Cloud				X
Cloud-like	X	X	X	
No Cloud	X	X	X	



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Q2 2015 – QSC AT A GLANCE

- Turnaround in all relevant earnings figures versus Q1 2015
- Cost-cutting programme performing well
- Staff reduction programme ahead of schedule
- Outsourcing revenue reduction due to a shift in business focus (towards SMEs)
- Telecommunications revenue reduction only in B-B-C business (B-B-B business stable)
- Strong improvement in Consulting business
- Forecast for fiscal year 2015 confirmed

QSC IMPROVED EARNINGS IN ALL RELEVANT AREAS

GROSS PROFIT (in € million)



EBITDA (in € million)



EBIT (in € million)



NET INCOME (in € million)



- Gross profit: +1%
- EBITDA: +16%
- EBIT: +27%
- Net income: +21%

HIGHER EARNINGS VERSUS Q1 2015

(in € million)	Q1 2015	Q2 2015	Δ in € mio.	Δ in %
Revenues	104.7	100.9	-3.8	-3.6%
Cost of revenues	77.6	73.7	-3.9	-5.0%
Gross profit	27.1	27.2	+0.1	+0.4%
Sales and marketing expenses	9.3	8.5	-0.8	-8.6%
General and administrative expenses	8.4	8.3	-0.1	-1.2%
Other operating income	(0.3)	0.3	+0.6	nm
EBITDA	9.1	10.6	+1.5	+16.5%
Depreciation	12.1	12.8	+0.7	+5.8%
EBIT	(3.0)	(2.2)	+0.8	+26.7%
Financial result	(1.4)	(1.5)	-0.1	nm
Income tax	1.1	1.0	-0.1	nm
Net income	(3.4)	(2.7)	+0.7	+20.6%

Revenues

- Growth in Consulting and Cloud business
- Reorganisation of Outsourcing
- TC revenues: stable B-B-B and declining B-B-C business

Earnings

- Positive impact of the cost-cutting programme

HIGHER EBITDA VERSUS Q2 2014

(in € million)	Q2 2014	Q2 2015	Δ in € mio.	Δ in %
Revenues	109.4	100.9	-8.5	-7.8%
Cost of revenues	81.6	73.7	-7.9	-9.7%
Gross profit	27.8	27.2	-0.6	-2.2%
Sales and marketing expenses	9.1	8.5	-0.6	-6.6%
General and administrative expenses	8.5	8.3	-0.2	-2.4%
Other operating income	0.3	0.3	-	-
EBITDA	10.5	10.6	+0.1	+1.0%
Depreciation	12.5	12.8	+0.3	+2.4%
EBIT	(2.0)	(2.2)	-0.2	-10.0%
Financial result	(1.6)	(1.5)	+0.1	nm
Income tax	(0.3)	1.0	+1.3	nm
Net income	(3.9)	(2.7)	+1.2	+30.8%

Costs

- Effects of revenue decline reduced by noticeable decline in cost of revenues
- SG&A reduction leads to positive EBITDA effect

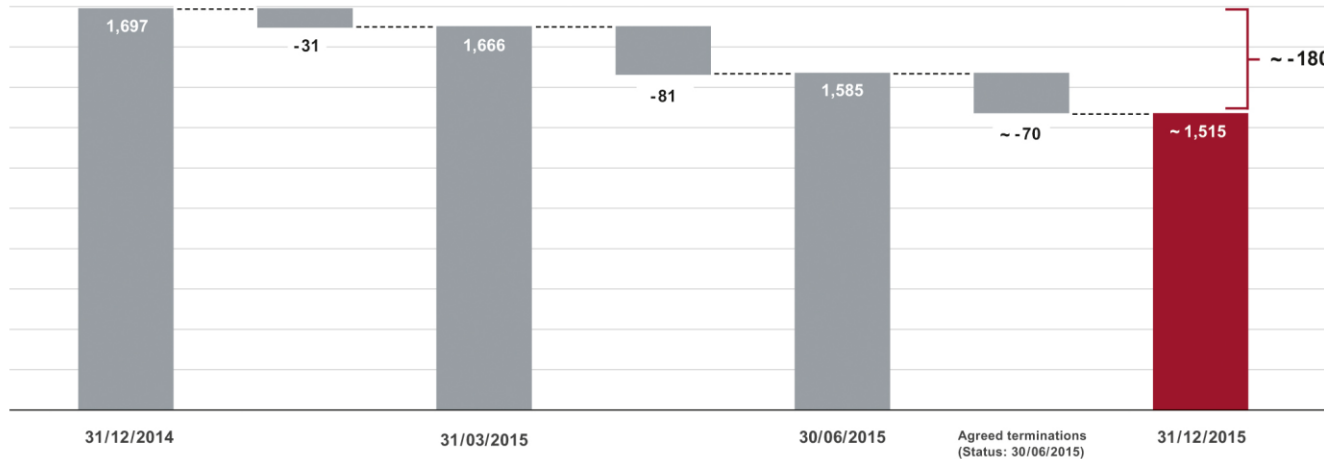
EBITDA

- Margin rose from 9.6% to 10.5%

POSITIVE IMPACT OF COST-CUTTING PROGRAMME

- In February 2015, QSC began implementing a comprehensive cost-cutting programme
- As of 30 June 2015, QSC had already achieved savings of more than € 4 million
 - ~ 60% personnel expenses
 - ~ 40% other costs (external consulting, rental, infrastructure and other costs)
- Announced savings of at least € 10 million in 2015 will be achieved
- Savings in 2016: another € 10 million to € 15 million
- Savings from 2017 onwards: more than € 25 million per year

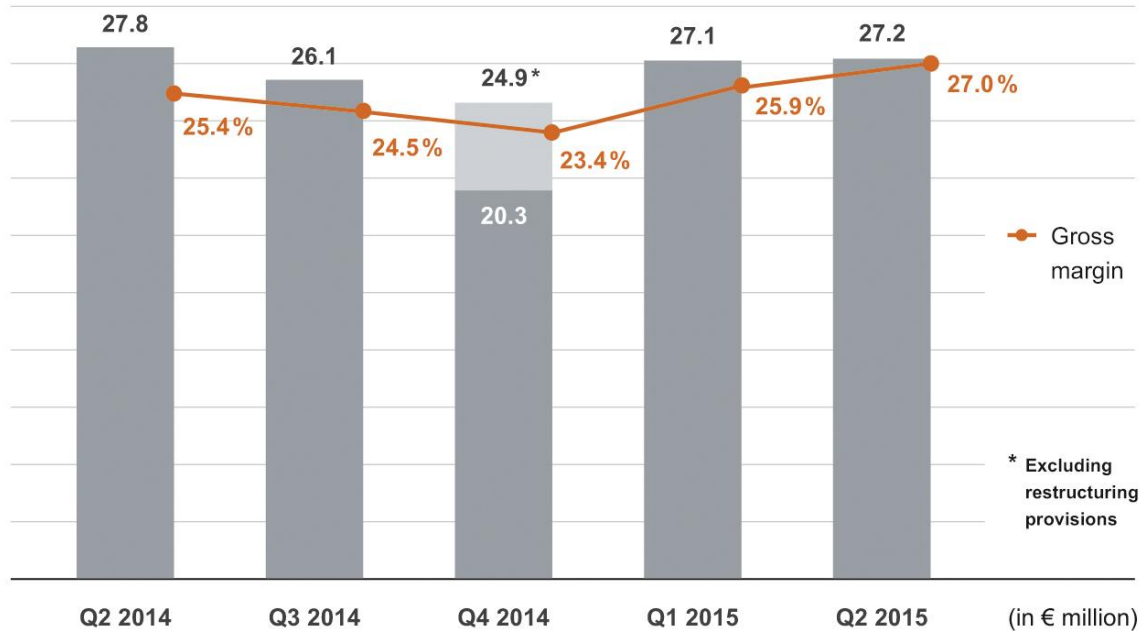
DOWNSIZING PROGRAMME INCLUDES 350 JOB CUTS – MORE THAN 50% ALREADY AGREED



Major actions

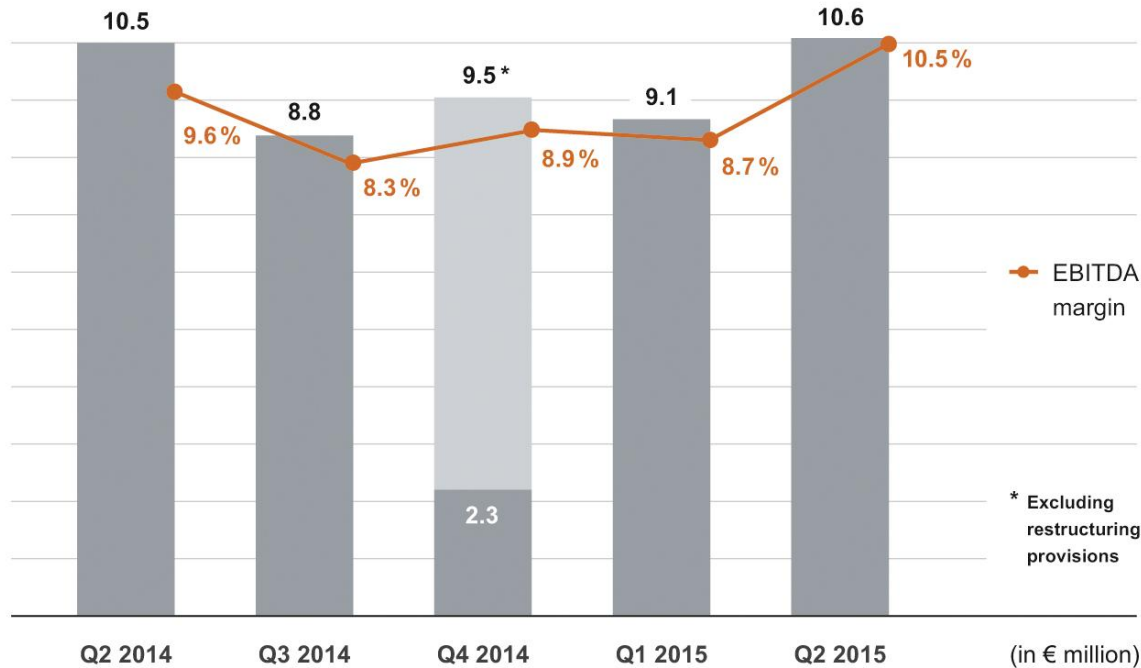
- Termination of fixed-term contracts
- Natural staff attrition
- Socially responsible staff reduction

HIGHEST GROSS MARGIN SINCE Q1 2014



- In Q2 2015, QSC earned a gross margin of 27.0%
- QSC expects a further increase in Q3 2015

HIGHEST EBITDA MARGIN SINCE Q1 2014

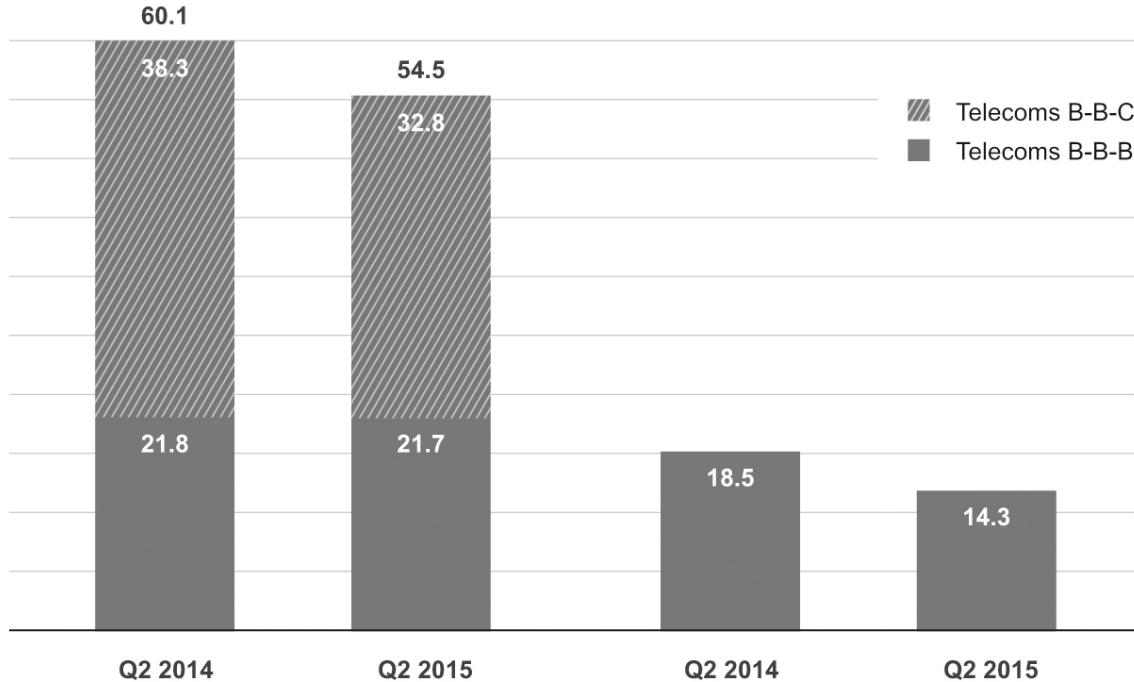


- In Q2 2015, QSC earned an EBITDA margin of 10.5%
- QSC expects a further increase in Q3 2015

TELECOMS: STABLE B-B-B BUSINESS

REVENUES (in € million)

GROSS PROFIT (in € million)

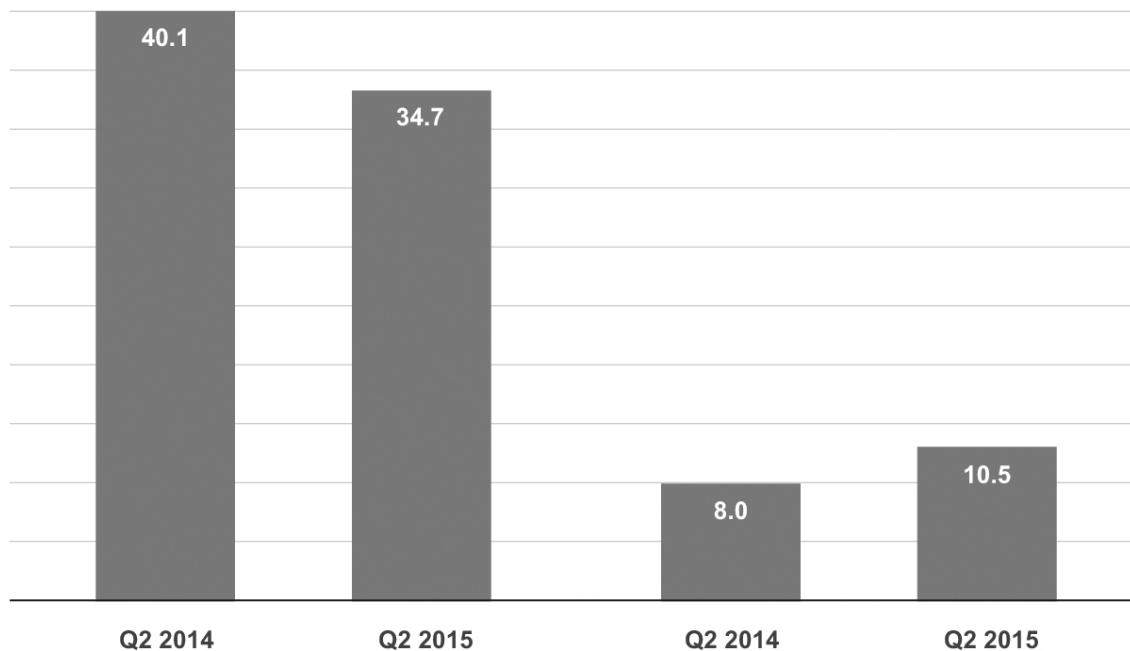


- TC business impacted by regulatory effect of € 2.5 million
- Stable B-B-B revenues despite stricter regulation
- B-B-C additionally burdened by fierce price competition
- Fierce price competition and lower revenues impact negatively on gross profit

OUTSOURCING: FOCUS ON PROFIT

REVENUES (in € million)

GROSS PROFIT (in € million)

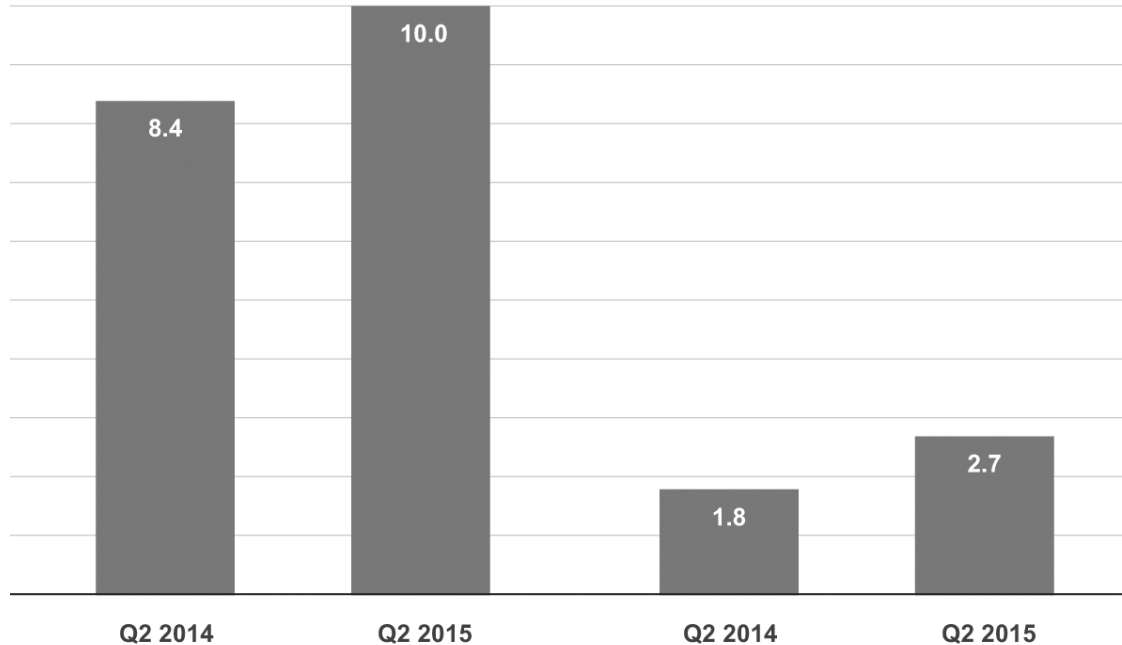


- Focus on SME customers
- High commitment of existing customers: TCV of € 55.6 million (Q2 2014: € 23.6 million)
- Ongoing industrialisation and virtualisation
- Reorganisation and cost-cutting programme supported increase in gross profit

CONSULTING: STRONG GROWTH

REVENUES (in € million)

GROSS PROFIT (in € million)

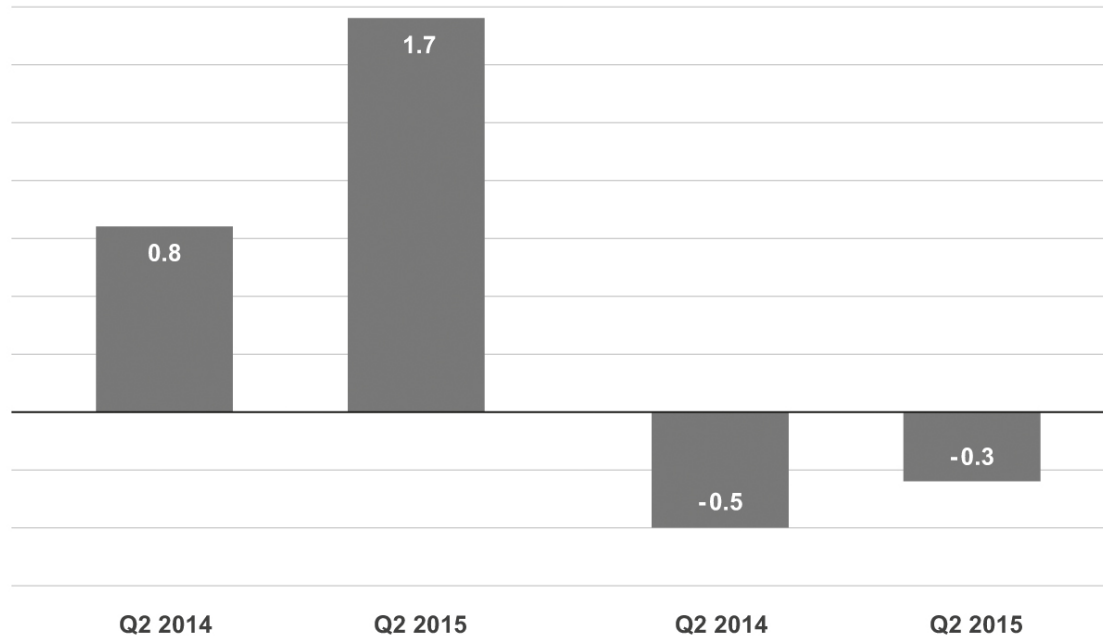


- Strong demand for SAP services increases efficiency per employee
- Growing demand for cloud expertise (SAP HANA)

CLOUD: PROMISING DEVELOPMENT

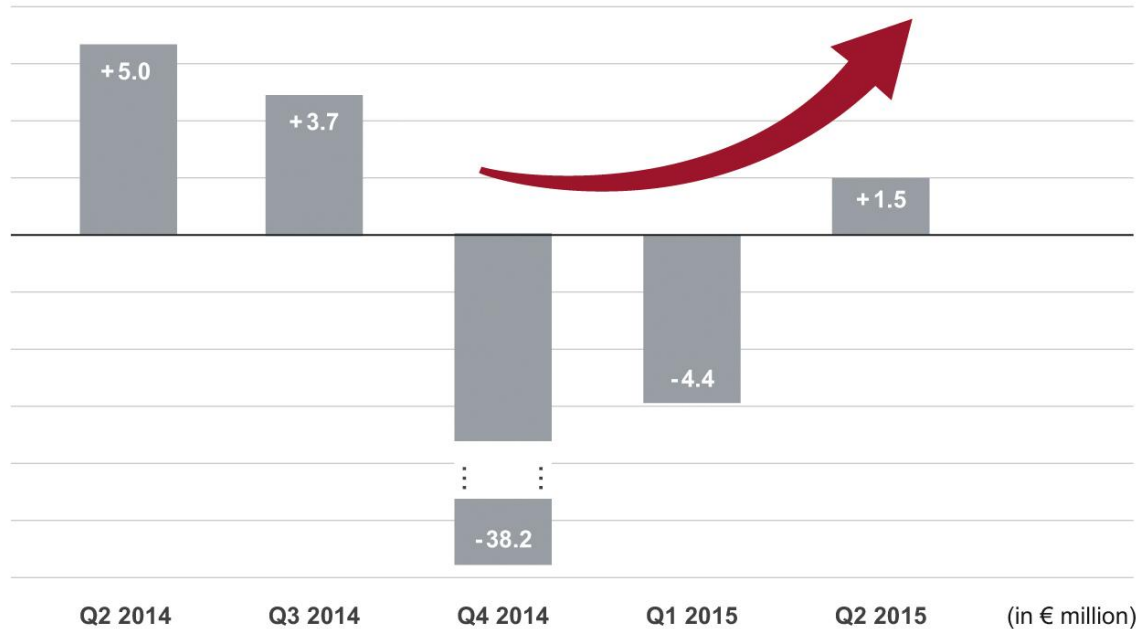
REVENUES (in € million)

GROSS PROFIT (in € million)



- Increased demand for cloud-based services, i.e. cloud-based telephony
- FTAPI-secured email services ready to go mobile
- Cloud business still in the early stages

TURNAROUND IN FREE CASH FLOW



- After two negative quarters, QSC is back to positive free cash flow
- Continued improvement until year-end expected

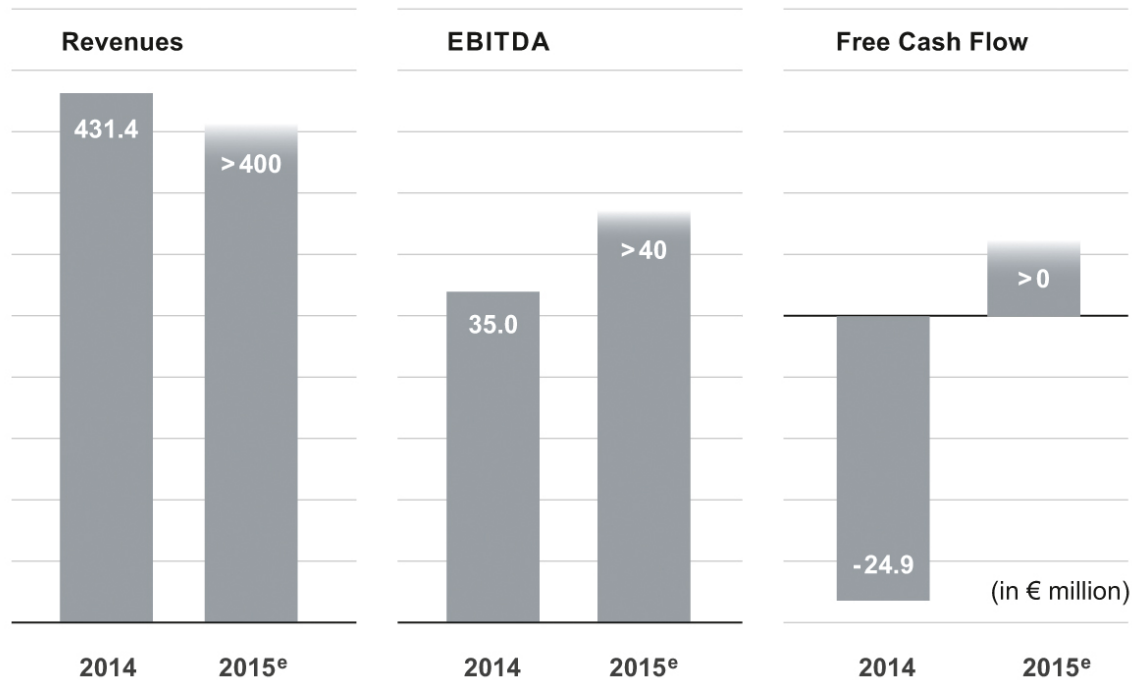
TURNAROUND SUPPORTED BY SOLID BALANCE SHEET

(in € million) as of 30 June 2015



- Financing matches maturity: Long-term liabilities and equity cover 129% of long-term assets
- Strong cash position of € 66 million

TURNAROUND IN 2015: QSC AIMS TO INCREASE EBITDA AND FREE CASH FLOW



- Cost-cutting programme with growing impact in H2 2015
- Financial strength will be supported by CAPEX of € 25 million

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