



Bankhaus Lampe - German Technology Seminar
Zurich, 8 September 2016

THE DIGITISER OF THE GERMAN SME SECTOR

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's") 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.

1. Business overview

On the way to digitizing the German SME Sector

2000: IPO as an alternative TC provider

2003: Focus on TC for corporate customers (B2B2B)

2006: Set-up of an All-IP network

2011: Acquisitions with the aim of entering the Consulting and IT outsourcing market

2014: First steps into the IoT market with a proprietary platform

2015: Organisational restructuring / Cost-cutting programme

2015: Set-up of the Pure Enterprise Cloud

2016: QSC is growing in areas where the future is
=> TC for corporate customers, Consulting, Cloud and IoT

Key figures at a glance

QSC_{AG}

> 30,000
SME customers

Revenues of
> €400m
in 2015

30 years
of experience

Proprietary
TÜV and
ISO-certified
data centres on
20,000 m²

Proprietary
nationwide
**All-IP-based
network**

~ 1,400 employees
in 12 locations

Awards

- Experton Security Leader 2016
- Experton Cloud Leader 2016

Our mission

QSC AG is the digitiser of the German SME sector.

With decades of experience and expertise in the areas of **Cloud, Internet of Things, Consulting and Telecommunications**, QSC accompanies its customers securely into the digital age.

Secure.
Innovative.
At your side.

Cloud solutions are driving digitalisation

Cloud solutions offer an agile and flexible reference model for IT services which satisfies current and future requirements of the SME sector.

- Availability on every terminal device
- Pay-per-use billing
- 24/7 availability
- Simple provision



Users

QSC is a full-service provider for the digital age



Internet of Things



Corporate Applications



SAP Operations



User Help Desk



Virtual Desktop Services



Mobile Device Management



VPN and Network Operation

PURE ENTERPRISE CLOUD

Client Management



Application Management



Compute Resources



Security Services



Cloud Storage



SAP Consulting Services



IP Telephony UCC Services



Portfolio covers the key digital technologies

Key digital technologies*



CLOUD



BIG DATA



IOT



SECURITY



ALL-IP

Digital QSC portfolio

- Workplace Services
- Application Services
- Communication as a Service

- SAP HANA Platform
- SAP S/4HANA

- Proprietary IoT Cloud platform for a large number of IoT and Industry 4.0 scenarios

- Managed Security Services
- Certified German Data Centres

- All-IP Voice and Data Services
- Corporate Network Services

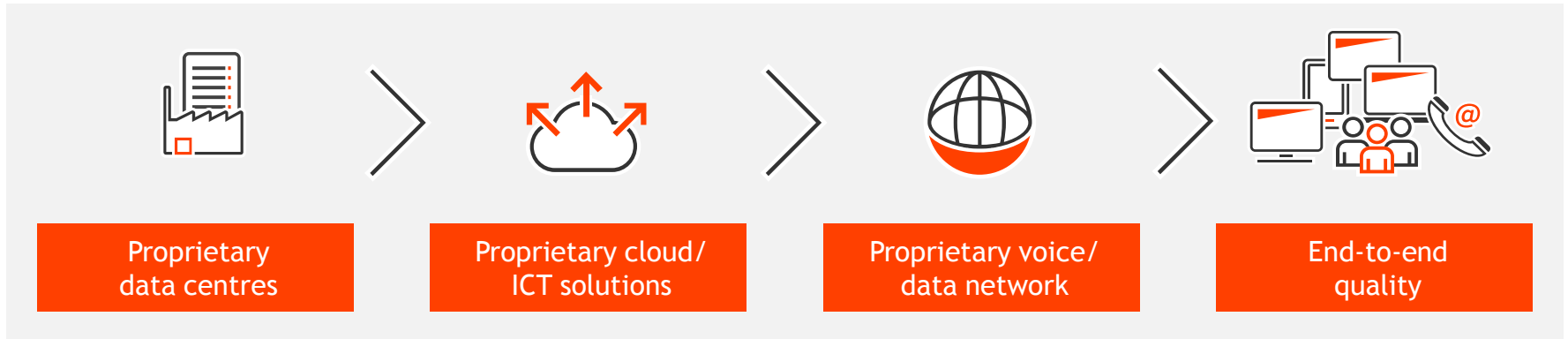
* Sources: Bitkom, Crisp Research, IDC, own research

Excellent position in the competitive environment

Competitor comparison German SME sector	CLOUD	BIG DATA	IOT	SECURITY	ALL-IP
QSC AG	✓ ✓	✓	✓	✓ ✓	✓ ✓
DTAG/T-Systems	✓ ✓	✓	✓	✓ ✓	✓
Cancom	✓ ✓	✓	—	✓	—
Bechtle	✓	✓	—	✓	—
All for One Steeb	✓	✓ ✓	—	—	—

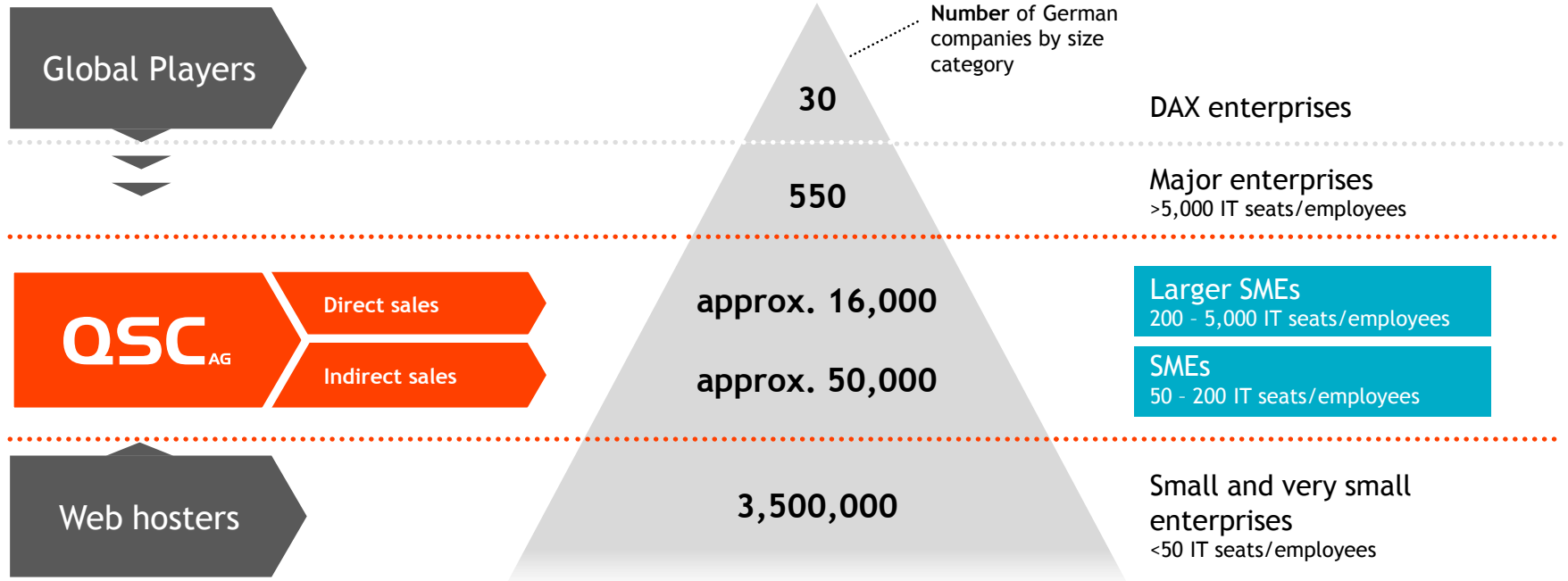
Our competitive advantages

1. Full-service ICT portfolio including proprietary infrastructure and software development
2. Respected partner at eye-level with the SME sector
3. Real end-to-end quality

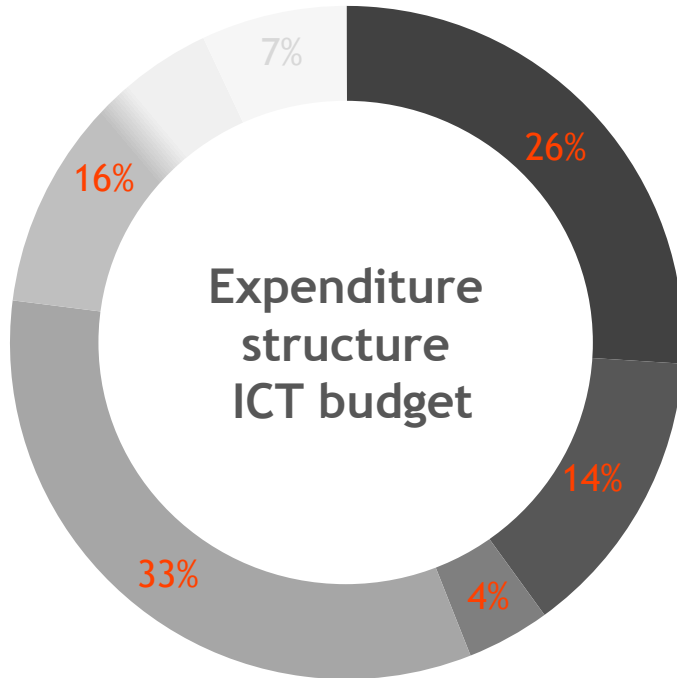


Focus on the German SME Sector

Providers



Huge share of wallet in the “Larger SMEs” target market



approx. 16,000 target enterprises

- IT services
- Software
- TC infrastructure
- TC services
- IT hardware
- TC terminal devices






QSC
AG

2. Key financials and outlook

Q2 2016: Positive development across the board

- High revenue growth in Cloud business (y-o-y: +135%) thanks to
 - initial Pure Enterprise Cloud (PEC) projects
 - considerable project revenues from IoT business
- Faster-than-expected progress in the cost-cutting programme in Q2 2016
- Staff-reduction programme nearing its target of reducing headcount by some 350 employees
- Return to profitability
 - Positive EBIT for two quarters in a row
 - First net profit since Q1 2014
- Positive FCF of € 6.3 million

QSC is growing in areas where the future is

Drivers in Q2 2016		Revenue development in 2016
Cloud	Launch of PEC / considerable IoT project	
Outsourcing	Starting the migration to the PEC; no new customers in 1:1 outsourcing	
Consulting	High demand for SAP projects	
TC for corporate customers	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition	

The Pure Enterprise Cloud is picking up speed

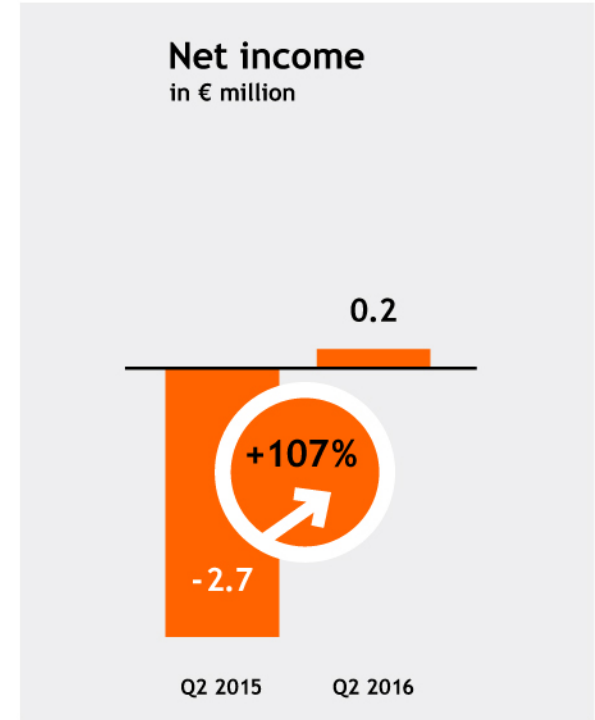
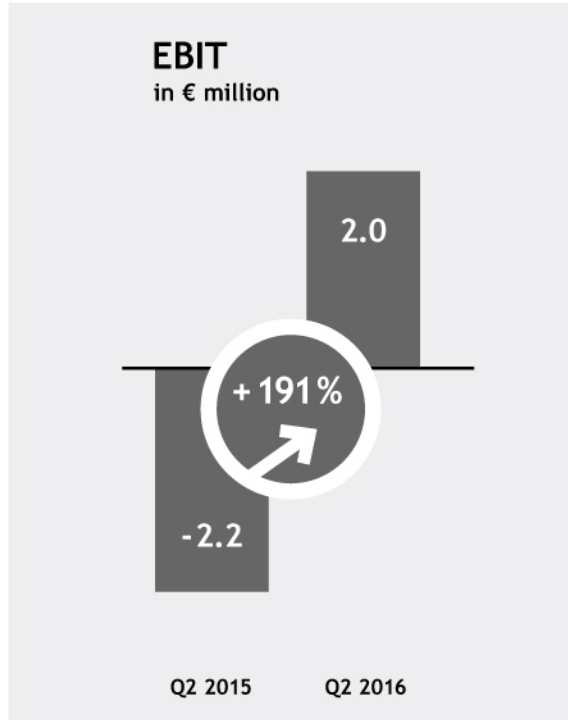
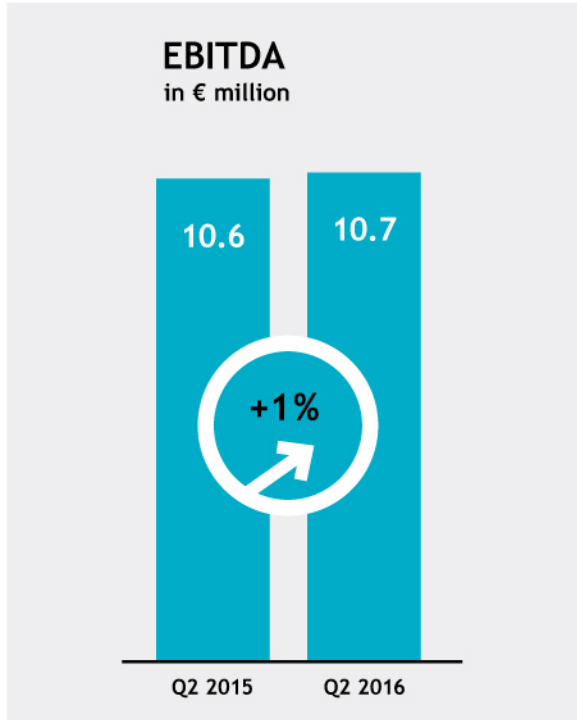
- Sales push started in February 2016
- First projects with existing and new customers
- First significant order from apt Hiller Group in July 2016 (400 workplaces)
- According to Experton’s Cloud Vendor Benchmark 2016, QSC is a “Rising Star” in the “Cloud Workplaces” category
- QSC is a “Cloud Leader” in three other categories
- H2 2016 will see more PEC projects going live



IoT is generating considerable revenues

- Commercialisation of IoT solutions is gaining speed
- Pilot projects in several industries: utilities, real estate, heating systems
- According to Crisp Research, QSC is now an IoT “Innovator” like Google and Oracle
- Since May 2016, QSC’s IoT management has been strengthened by a seasoned IoT manager with an excellent track record
- Since July 2016, QSC has been part of Scheer’s Industry 4.0 expert network
- Focus in H2 2016: further commercialisation and partnerships

Q2 2016: First net income since Q1 2014



Higher profitability despite revenue decline

in € million	Q2 2015	Q2 2016	Δ	Δ in %
Revenues	100.9	99.2	-1.7	-1.7%
Cost of revenues	73.7	72.9	-0.8	-1.1%
Gross profit	27.2	26.3	-0.9	-3.3%
Sales and marketing expenses	8.5	7.9	-0.6	-7.1%
General and admin expenses	8.3	8.0	-0.3	-3.6%
Other operating income	0.3	0.3	-	-
EBITDA	10.6	10.7	+0.1	+0.9%
Depreciation	12.8	8.7	-4.1	-32.0%
EBIT	(2.2)	2.0	+4.2	+190.9%
Financial result	(1.5)	(1.2)	+0.3	+20.0%
Income taxes	1.0	(0.6)	-1.6	nm
Net income	(2.7)	0.2	+2.9	+107.4%







Revenues

- Two-track development as expected:
Growth in Cloud, Consulting and in TC for corporate customers vs. decrease in TC for resellers and in traditional Outsourcing

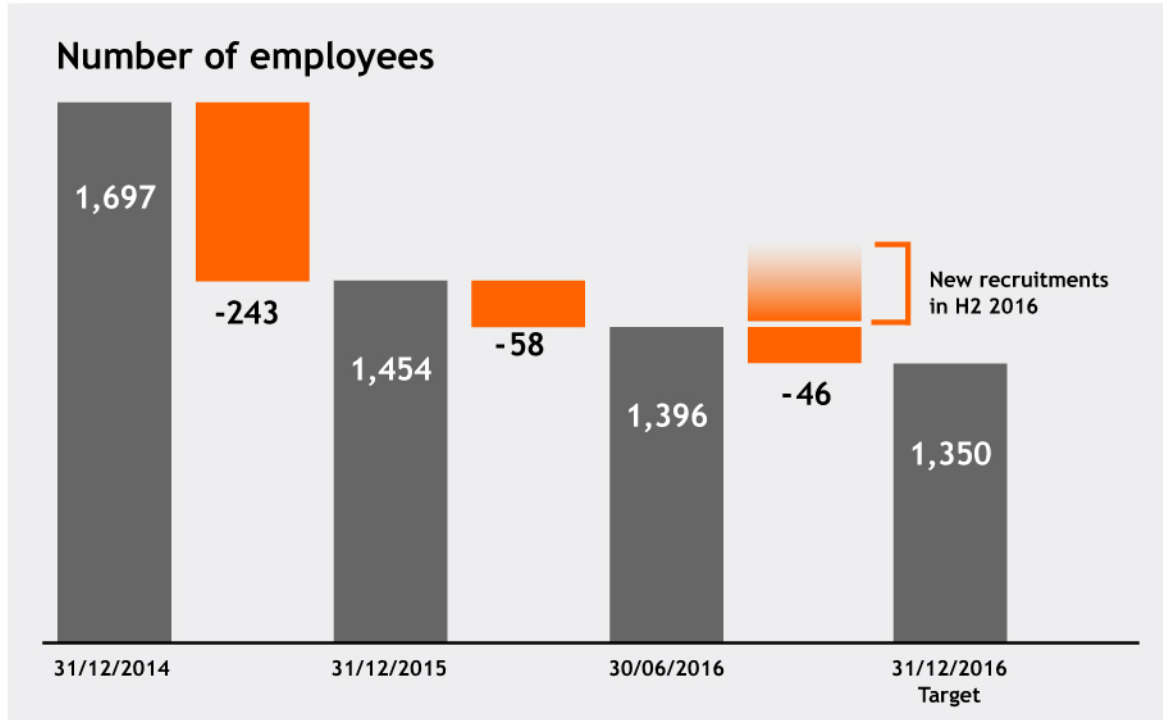
Earnings

- Cost-cutting programme impacting positively

Cost-cutting programme ahead of schedule

- Since February 2015, a company-wide cost-cutting programme has been in place
- Key aspects of the programme
 - Reduction in headcount by some 350 employees 
 - Reduction in number of external consultants 
 - Reduction in number of locations 
 - Streamlining administration 
 - Optimisation of purchasing processes 
 - Standardisation/Industrialisation of IT operations 
- Savings achieved by 30 June 2016: approx. € 20 million

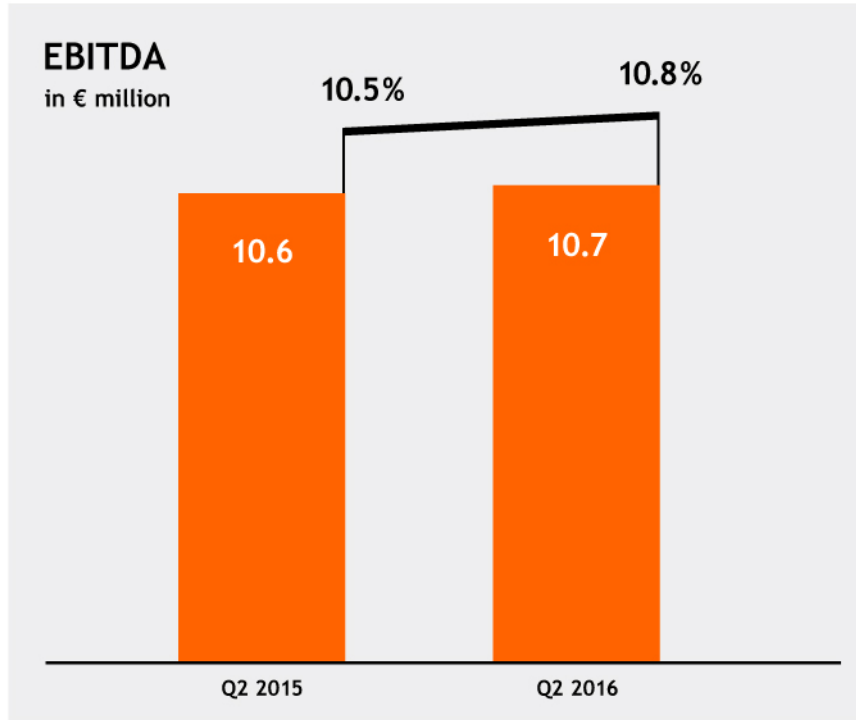
QSC is nearing its target of 1,350 employees



Two-track development in H2 2016

- Recruitment of Cloud experts for sales and operation of the Pure Enterprise Cloud
- Staff cuts necessary in order to achieve the target of 1,350 employees by the end of 2016
- Staff reorganisation leads to further one-off costs in the mid-single-digit million euro range

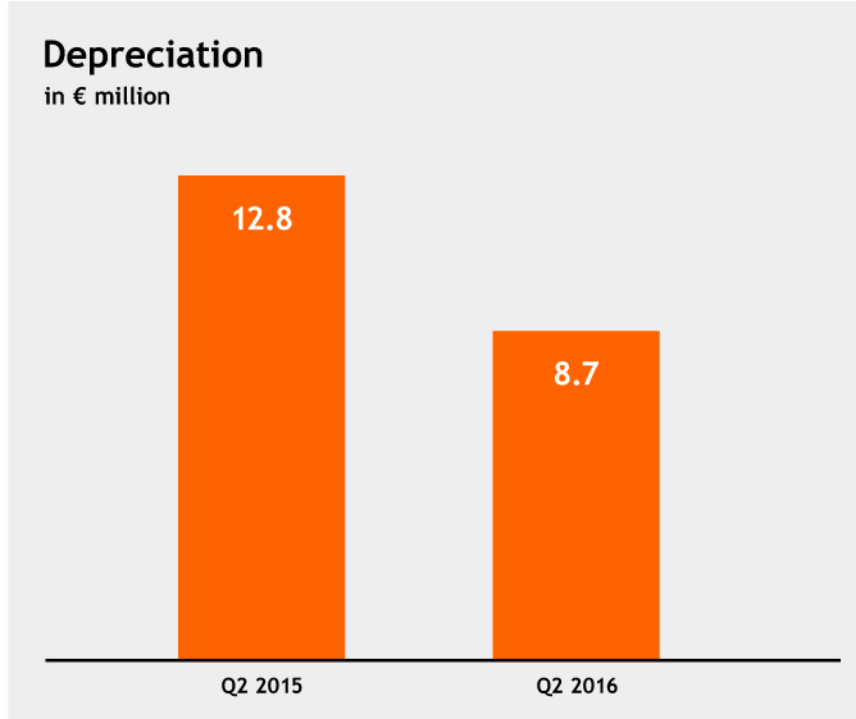
Progress in cost-cutting contributes to higher EBITDA



- EBITDA continues to rise despite lower revenues
- H2 2016 will be impacted by the completion of the reorganisation

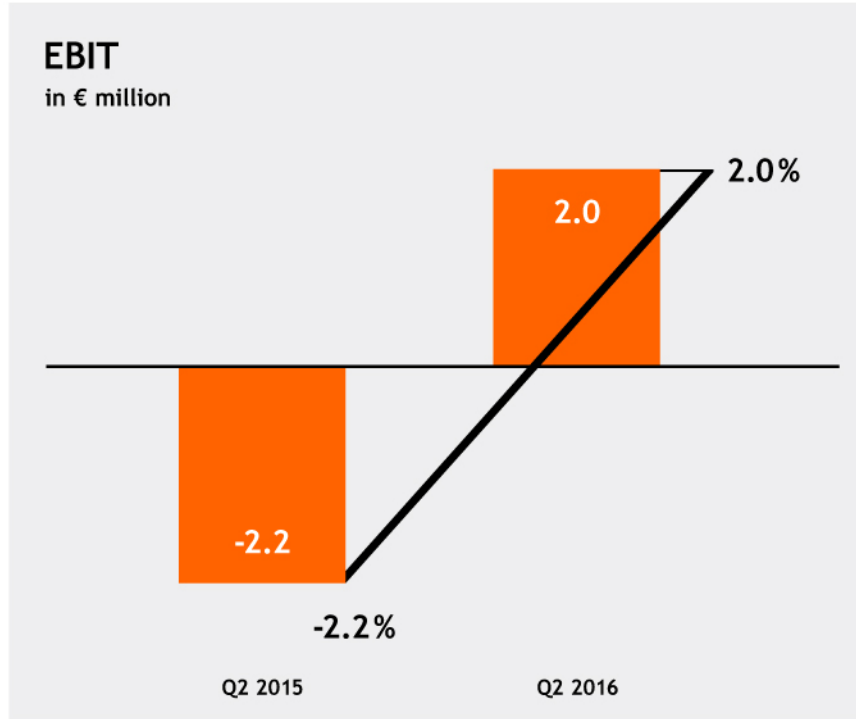
– EBITDA margin

Significant decrease in depreciation



- QSC is benefitting from a significant decrease in depreciation on the TC infrastructure
- For FY 2016, QSC expects depreciation of approx. € 36 million

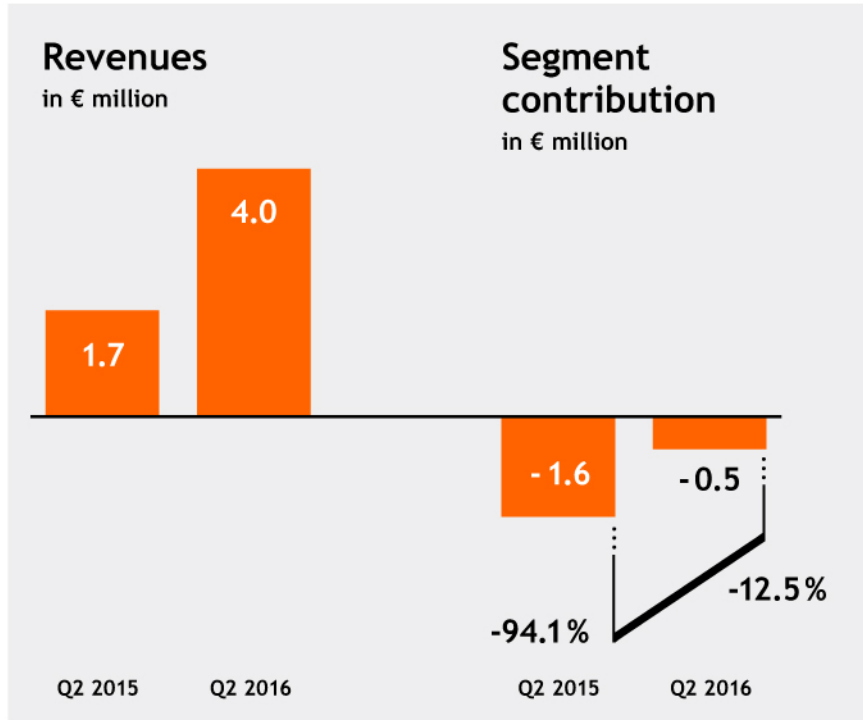
Significant improvement in EBIT



- Positive EBIT for two quarters in a row
- Successful cost cutting and lower depreciation helped to improve EBIT significantly
- H2 2016 will also be impacted by the completion of the reorganisation

■ EBIT margin

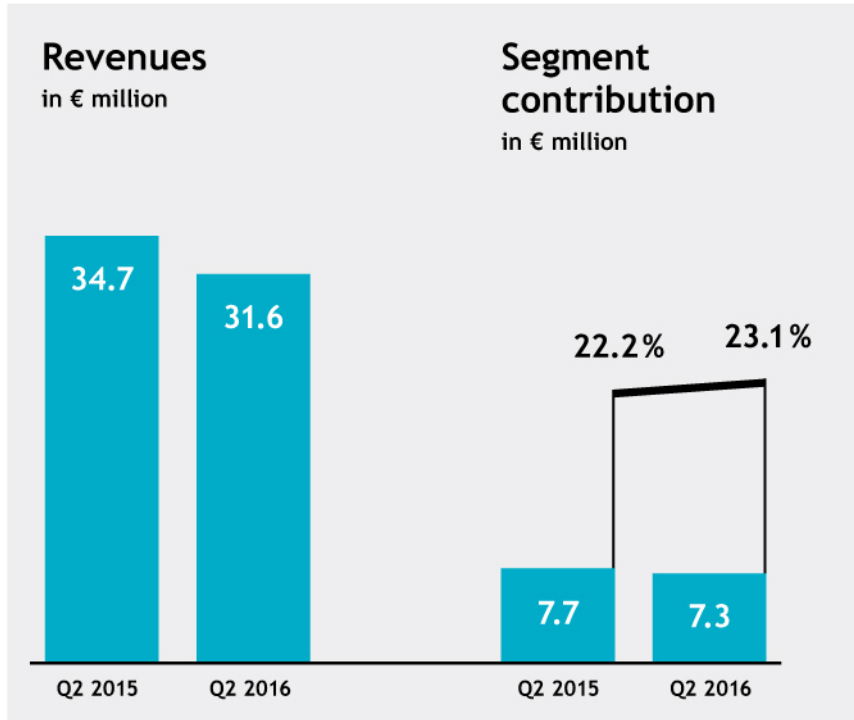
Cloud: Revenues more than doubled



- Cloud business still in its early stages
- Considerable IoT project revenues in Q2 2016
- Positive effects of the PEC will be felt in H2 2016
- Significantly improved segment contributions thanks to the business model's scalability

■ Segment margin

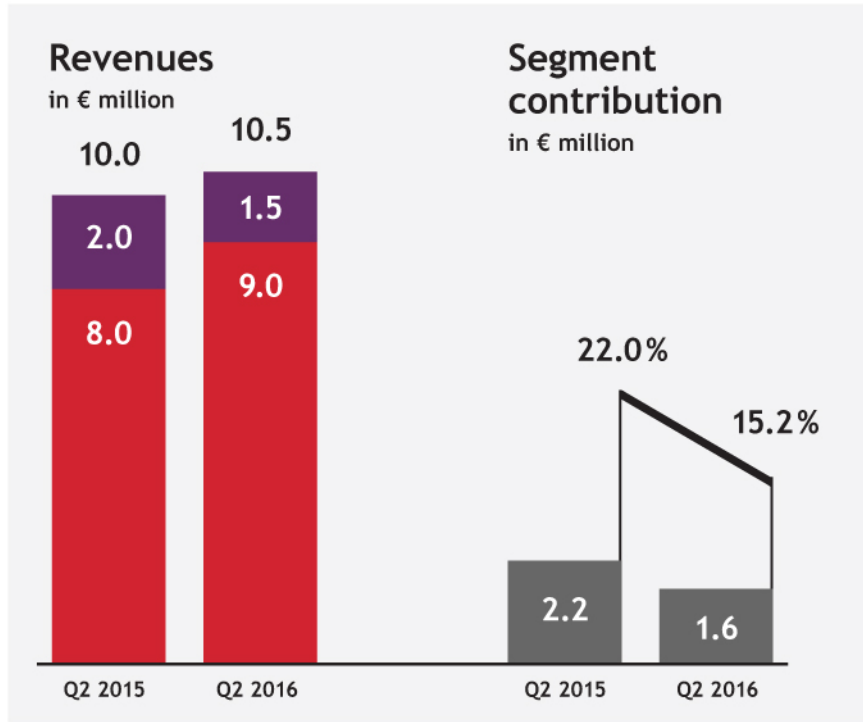
Outsourcing: Cost-cutting programme is paying off



- No new customers in 1:1 outsourcing
- Start of migration to the PEC and focus on high-margin revenues will lead to a further revenue decline in H2 2016
- Increase in segment margin thanks to success of the ongoing reorganisation and the cost-cutting programme

■ Segment margin

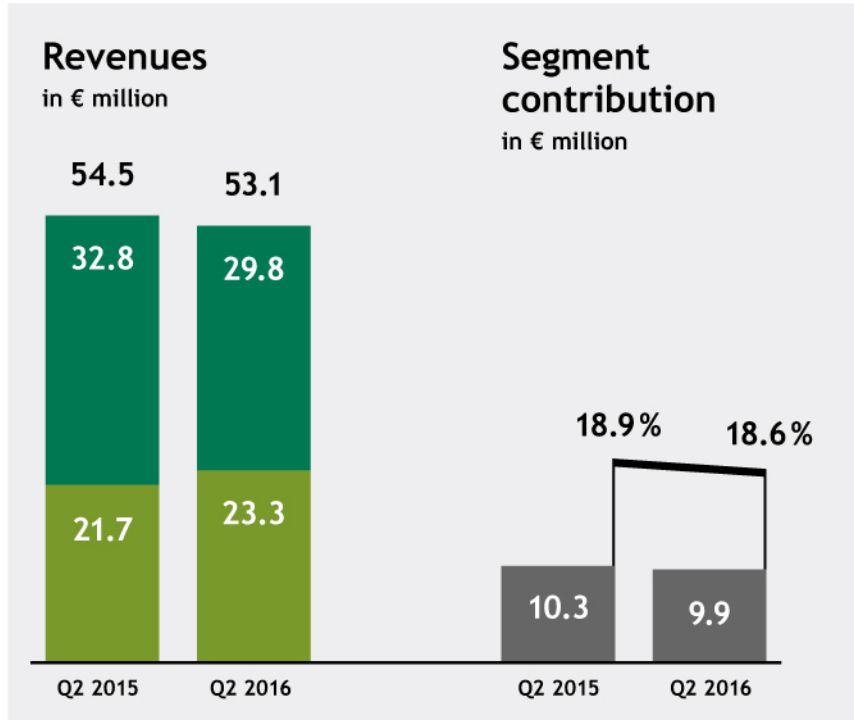
Consulting: Continued revenue growth



- High demand for SAP consulting
- Growing demand for Cloud expertise (SAP HANA)
- Lower segment contribution due to one-off effect in Q2 2015
- Attractive segment margin of 15% in personnel-intensive consulting

-
- Microsoft
 - SAP
 - Microsoft and SAP
 - Segment margin

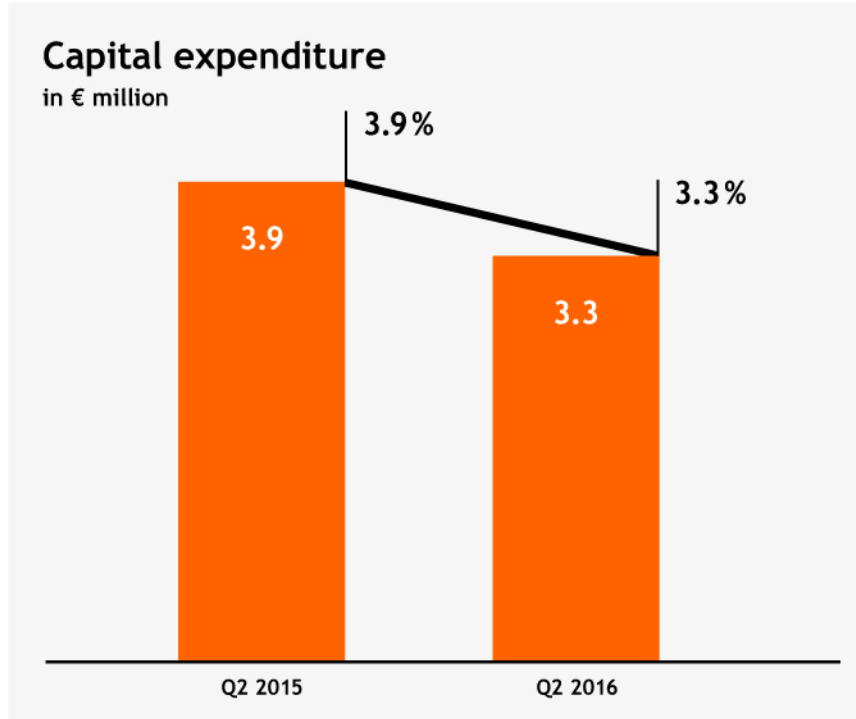
Telecoms: Growing All-IP revenues



- Despite a stagnating market, QSC managed to increase its B2B2B revenues by 7%
- Positive impact of migration to All-IP solutions
- Business with resellers impacted by fierce price competition

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

CAPEX at a moderate level



Focus

- Infrastructure
- Developing the Pure Enterprise Cloud
- Customer projects

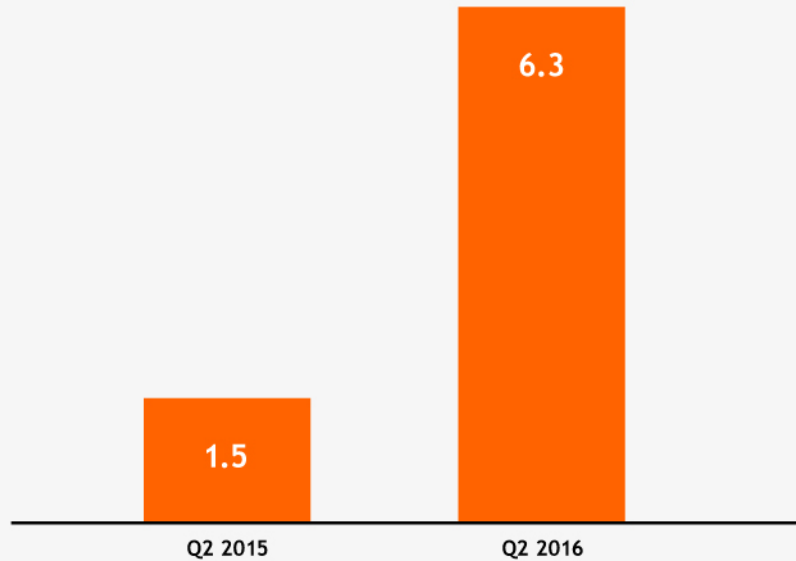
Higher CAPEX in H2 2016 due to further investments in infrastructure and the PEC

-
- Share of CAPEX in revenues as a percentage

Rapid increase in FCF

Free cash flow

in € million



- Higher earnings and moderate CAPEX enabled QSC to increase FCF significantly
- FCF in H2 2016 will be impacted by higher CAPEX and one-off costs for the completion of the reorganisation

QSC is well on track to fulfilling the guidance

Highlights H2 2016

- Growing revenues, especially in Cloud business
- Further IoT projects
- More investments in infrastructure and the PEC
- Completion of reorganisation
- Recruitment of a growing number of Cloud experts

QSC is confident about the current guidance for FY 2016

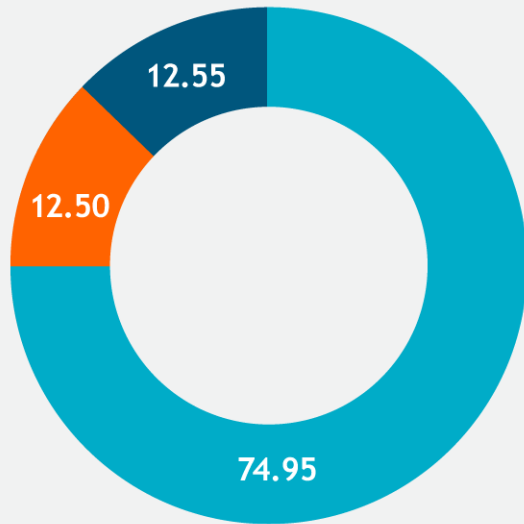
- Revenues: € 380-390 million
- EBITDA: € 34-38 million
- Positive FCF

4. Appendix

Stable shareholder structure

Shareholders structure

in %



Founders never sold a single share since the IPO in 2000

12.55% Gerd Eickers¹

12.50% Dr. Bernd Schlobohm²

74.95% Free float

¹ Founder and Member of the Supervisory Board

² Founder and Chairman of the Supervisory Board

As of 31 August 2016

Financial calendar

15 September 2016

Small/Mid Cap Conference
J.P. Morgan Cazenove, London

20 September 2016

5th German Corporate Conference
Berenberg/Goldman Sachs, Munich

14 November 2016

Publication of Quarterly Statement III/2016

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