



Cologne, 9 May 2016 - Results Q1 2016

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QSC AG

1. Strategic Update

Q1 2016: Progress as expected

- Revenues grew where growth was (and still is) expected
 - Cloud: +85%
 - SAP Consulting: +10%
 - TC for business customers: +3%
- Profitability grew as planned
 - First positive EBIT since Q1 2014
- Reorganisation on schedule
- Smooth launch of the Pure Enterprise Cloud (PEC); Sales push according to plan

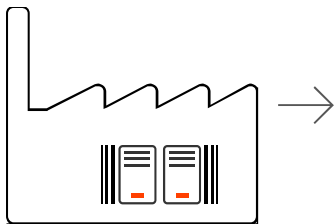
Growth in Cloud: PEC successfully launched

PURE ENTERPRISE CLOUD

SECURITY SERVICES

CLOUD PLATFORM

QSC data centres



Public Cloud Services



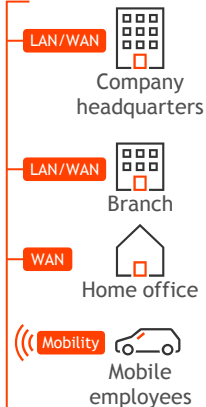
CLOUD SERVICES

- Virtual desktops
- Collaboration
- Sector software
- ERP software
- Legacy software
- IP telephony
- Internet of Things
- Public SaaS/IaaS



NETWORK AND CLIENT SERVICES

Customer's company



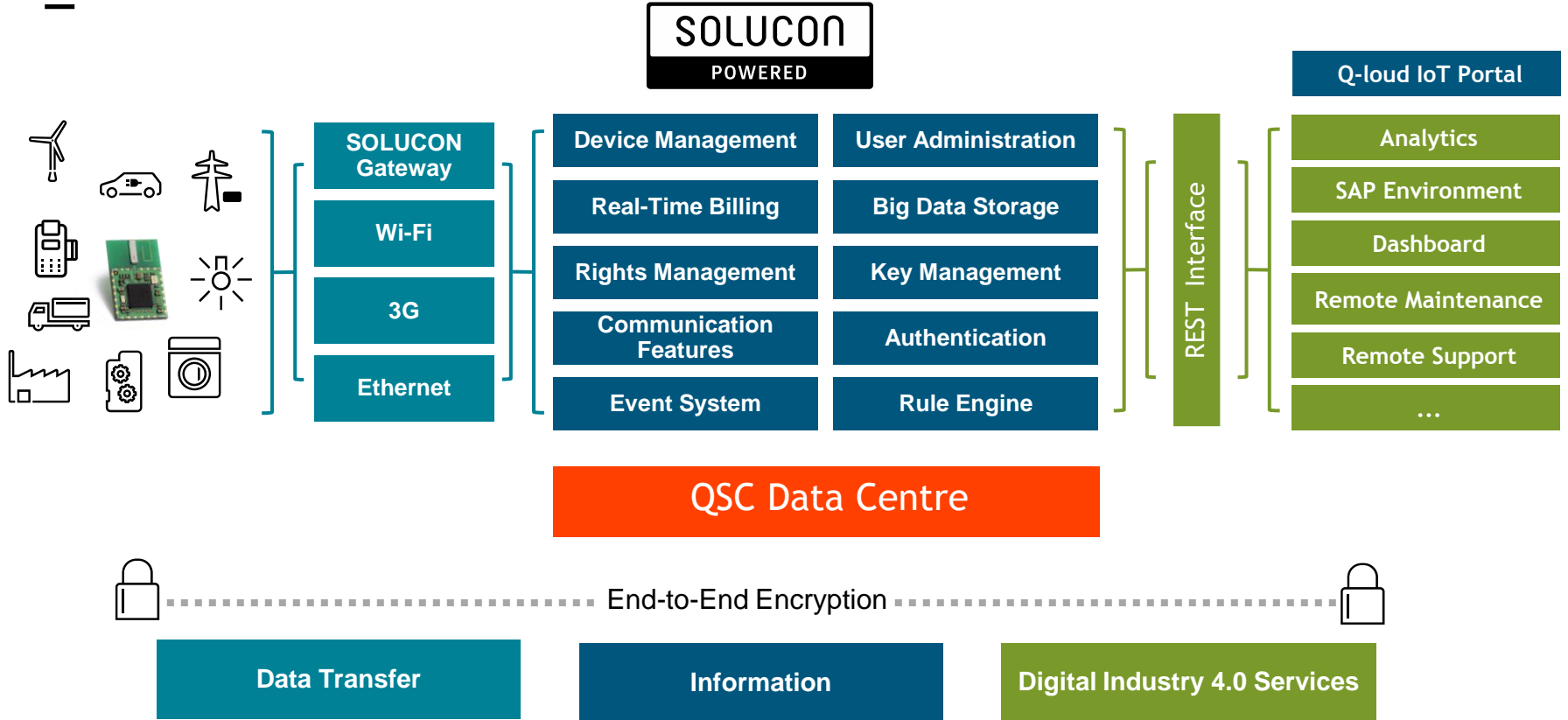
END-TO-END RESPONSIBILITY

High interest in PEC from new and existing customers

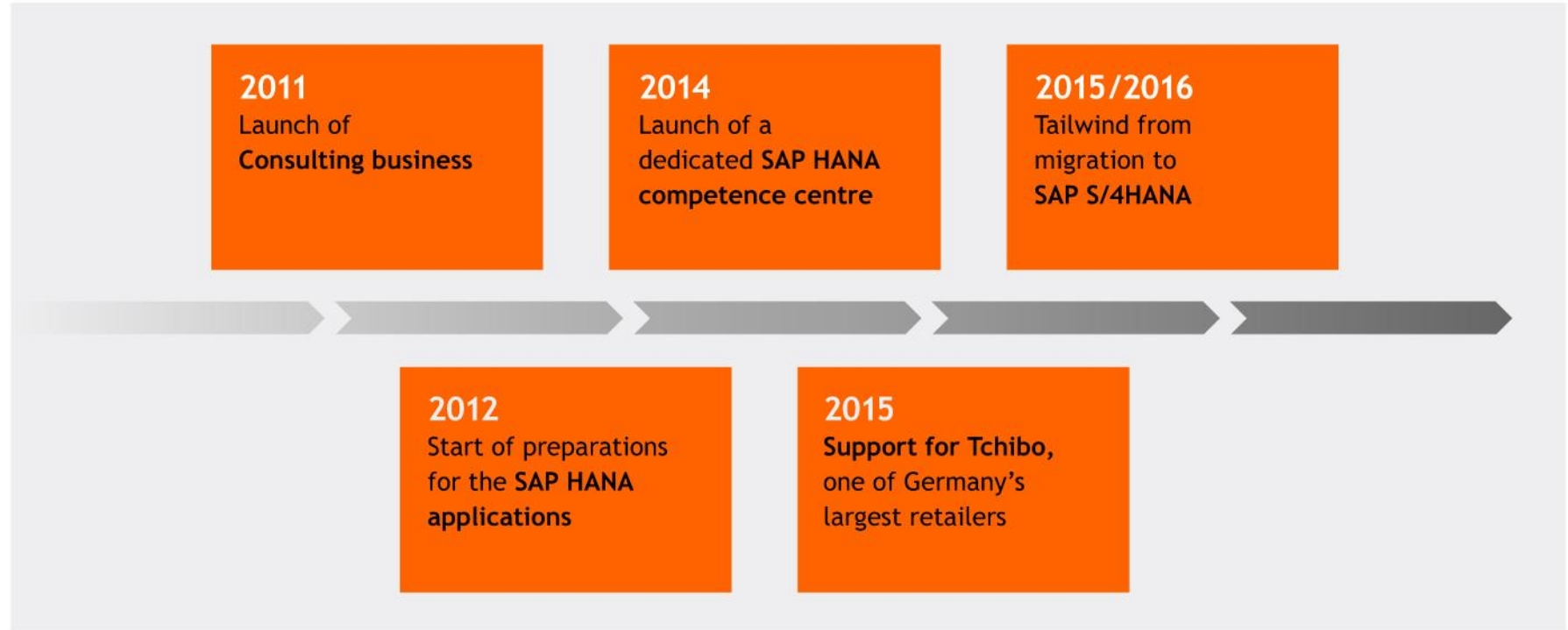
- Sales push started in February 2016
- Already very positive feedback from existing and new customers
- First customers are already using the PEC portfolio of services (e.g. cloud storage)
- PEC makes QSC, according to Experton, a “Cloud Leader” in the categories of “Managed Digital Workspace Services” and “Digital Workspace Consulting”
- Experton singled out the quality of the extensive portfolio



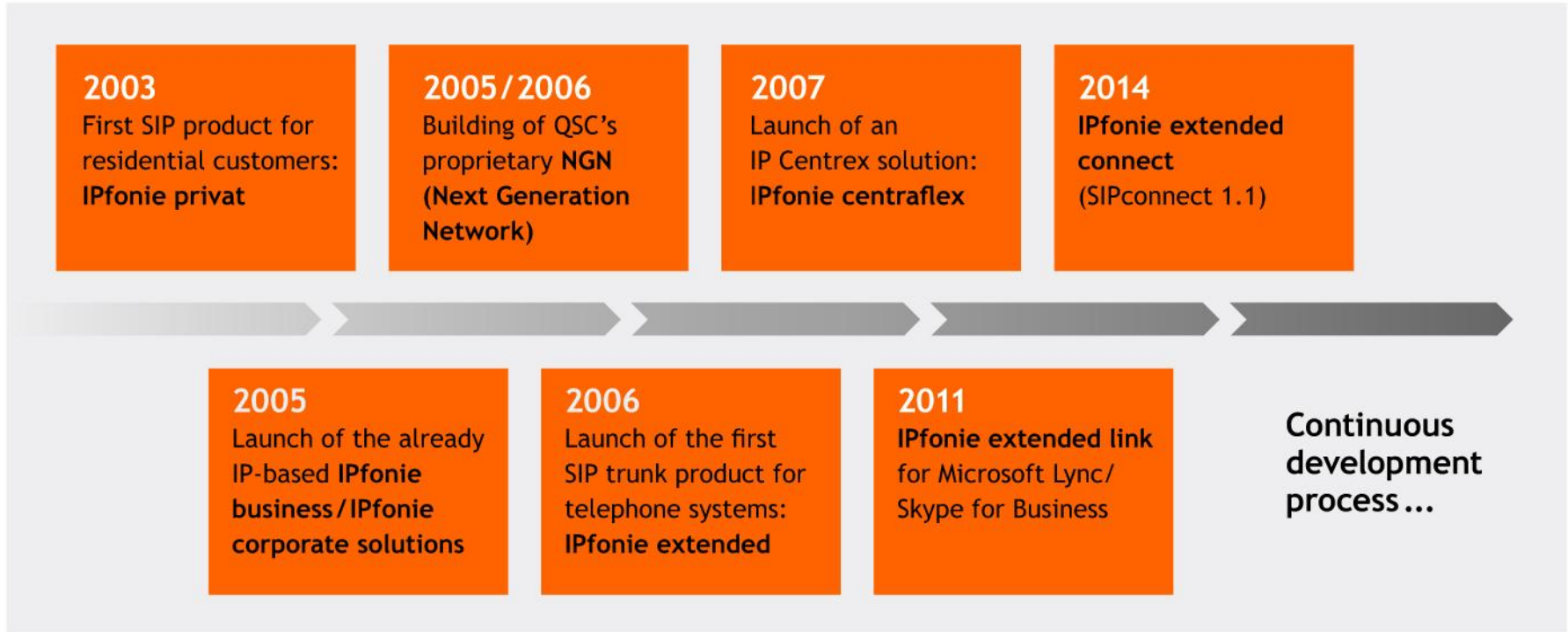
Growth in Cloud: Increase in IoT revenues



Growth in Consulting: SAP HANA expertise is paying off



Growth in All-IP business: Early migration is paying off



2016: Focus on growth opportunities

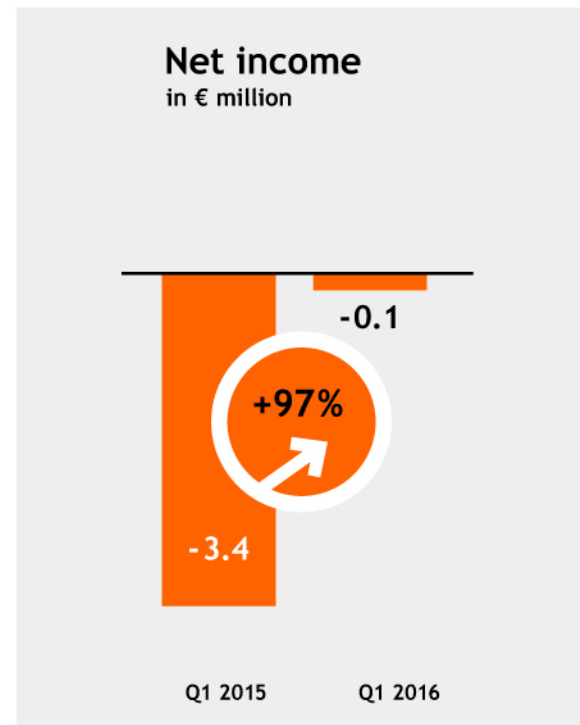
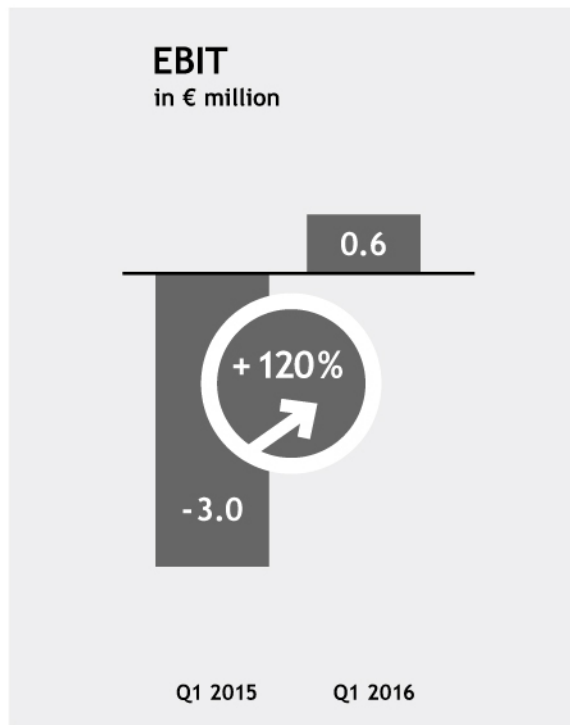
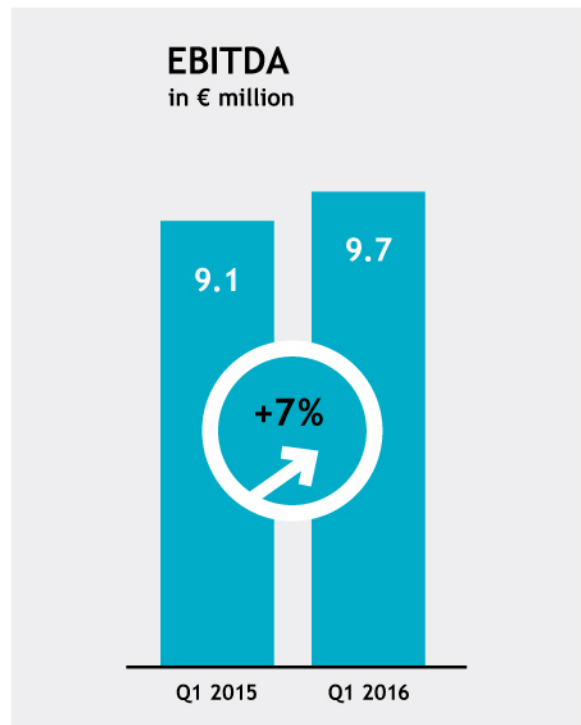
- Pure Enterprise Cloud at the heart
 - Portfolio extension
 - Marketing roll-out
 - Start of customer portfolio migration
- Sales push for the SOLUCON IoT platform – presentation at HANNOVER MESSE 2016
- Intensified migration to SAP S/4HANA in Consulting
- Seizing opportunities in All-IP business (there are still some 3 million ISDN business lines):
 - >50% of companies have yet to decide on how to migrate
 - >60% of companies are looking for support in the migration to IP technology

2. Financial Update

Q1 2016: EBIT improved to € 0.6 million

- A good start to 2016, as expected
- Improvement in EBITDA, EBIT and net income
- EBITDA margin was up to 10%
- Cost-cutting programme ongoing
- Staff-reduction programme ahead of schedule
- Cloud expertise was strengthened
- Further increase in free cash flow

First positive EBIT since Q1 2014



Significant rise in earnings despite revenue decline

in € million	Q1 2015	Q1 2016	Δ	Δin %
Revenues	104.7	98.9	-5.8	-5.5%
Cost of revenues	77.6	72.9	-4.7	-6.1%
Gross profit	27.1	26.0	-1.1	-4.1%
Sales and marketing expenses	9.3	7.9	-1.4	-15.1%
General and admin expenses	8.4	8.4	-	-
Other operating income	(0.3)	0.1	+0.4	nm
EBITDA	9.1	9.7	+0.6	+6.6%
Depreciation	12.1	9.1	-3.0	-24.8%
EBIT	(3.0)	0.6	+3.6	+120.0%
Financial result	(1.4)	(1.5)	-0.1	-7.1%
Income tax	1.1	0.8	-0.3	-27.3%
Net income	(3.4)	(0.1)	+3.3	+97.1%

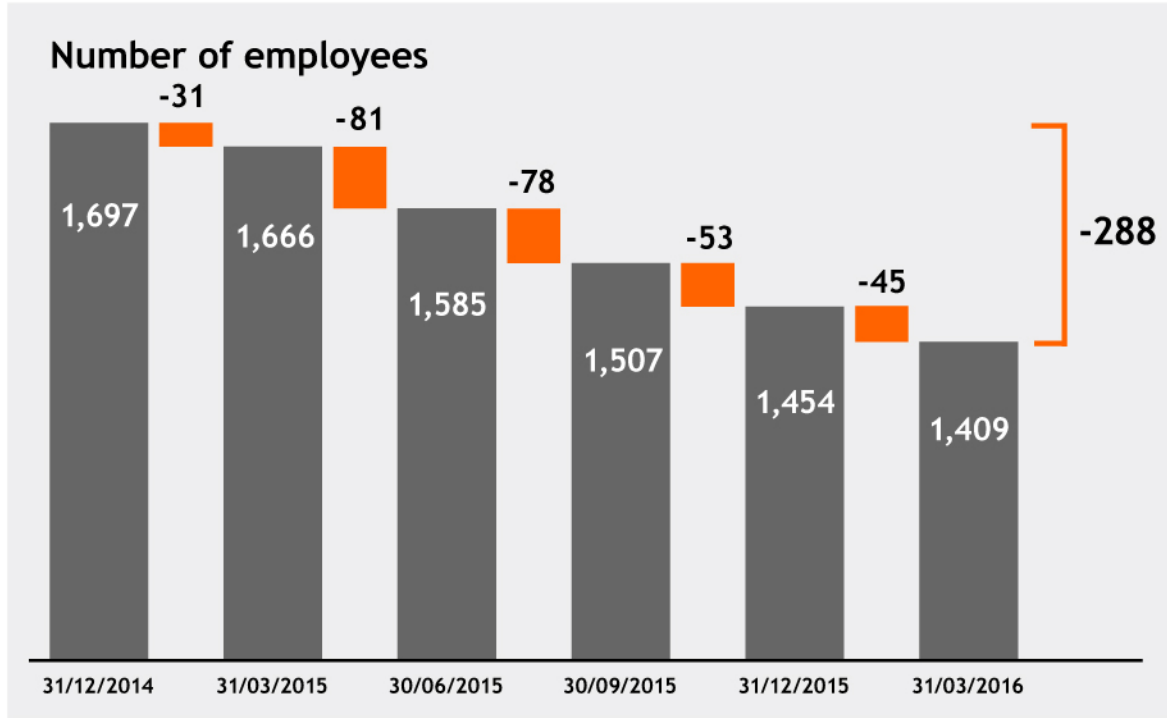
Revenues

- Two-track development: Growth in Cloud, Consulting and in TC for business customers; decrease in TC for resellers and in Outsourcing

Earnings

- Cost-cutting programme impacting positively

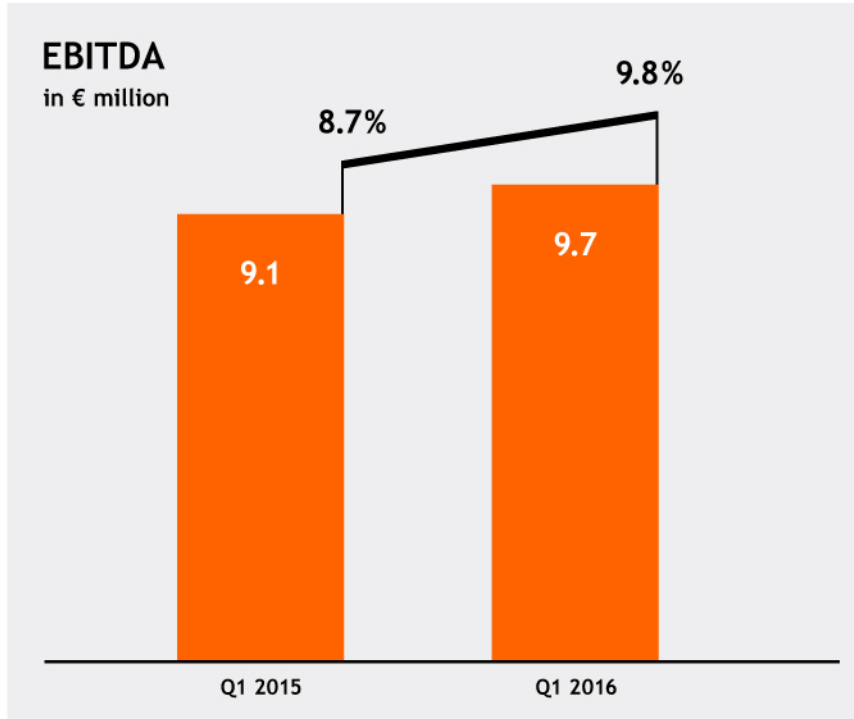
Ongoing staff reduction despite targeted recruitment



Two-track development in 2016

- Socially responsible staff reduction
- Targeted recruitment of cloud experts

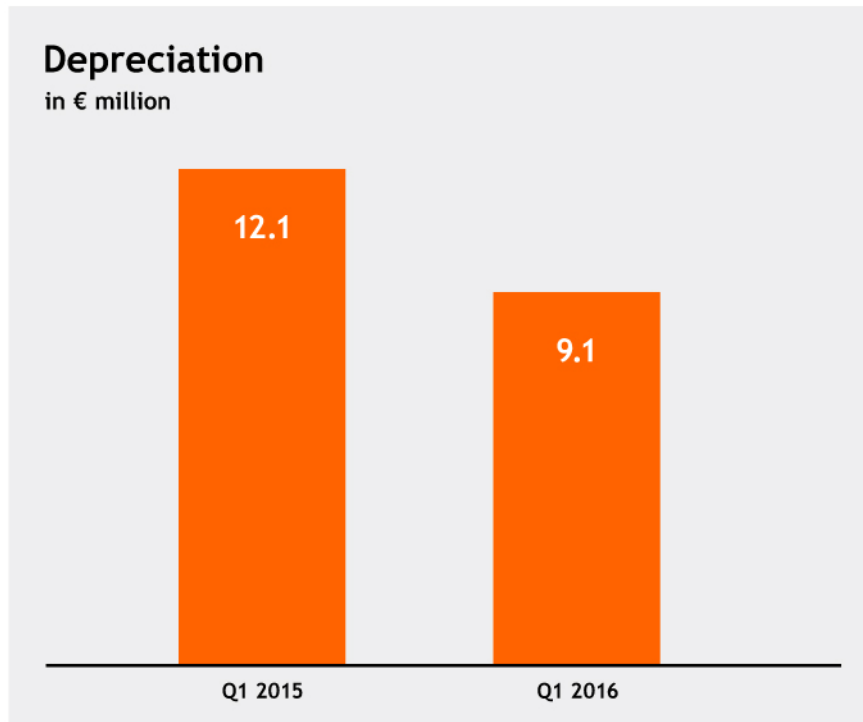
EBITDA margin was up to 10%



- Successes in cost-cutting contributed to the increase in EBITDA
- H2 2016 will be impacted by the completion of the reorganisation

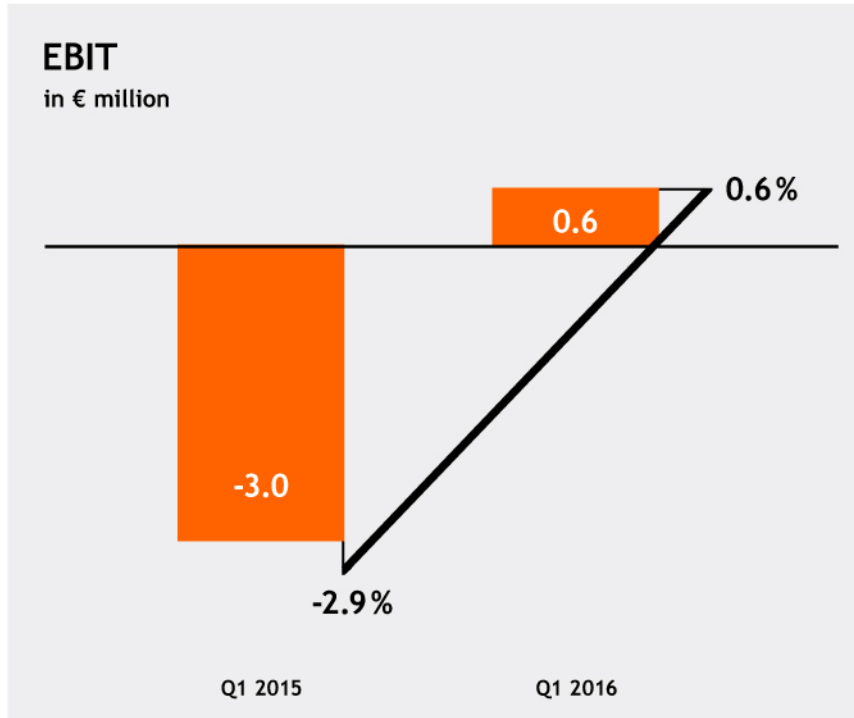
■ EBITDA margin

Depreciation decreased as expected



- 2016 will see a significant decrease in depreciation for the TC infrastructure
- For FY 2016, QSC expects depreciation of approx. € 36 million

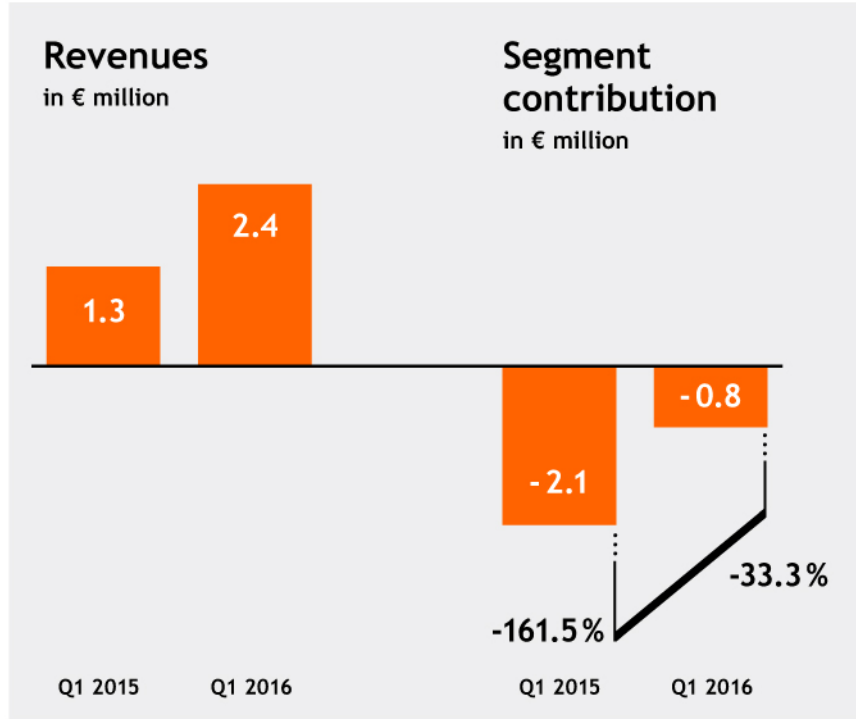
Significant improvement in EBIT



- Successful cost cutting and lower depreciation helped to improve EBIT significantly
- EBIT positive again for the first time in seven quarters

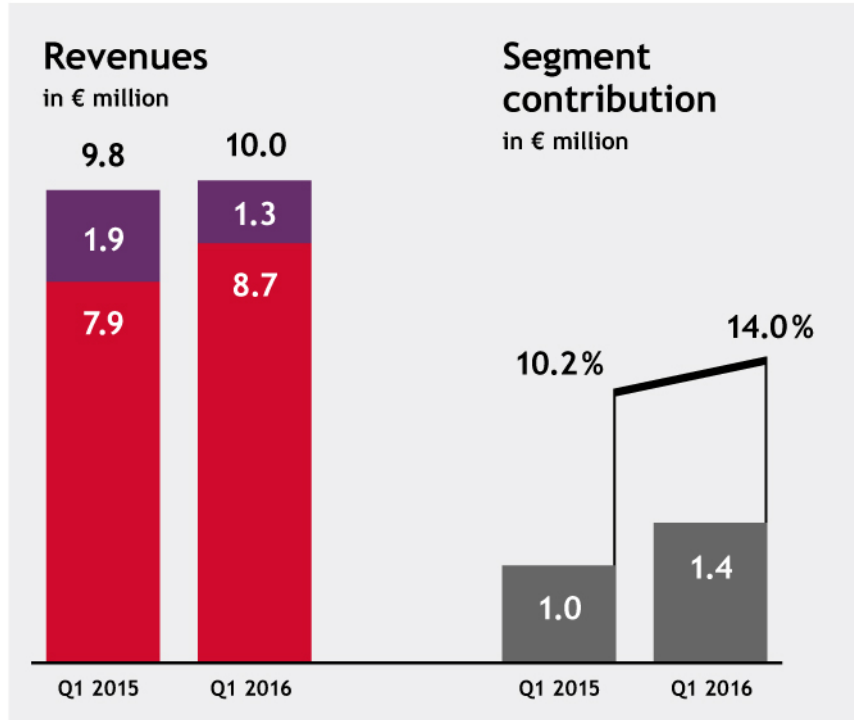
■ EBIT margin

Cloud: Revenues virtually doubled



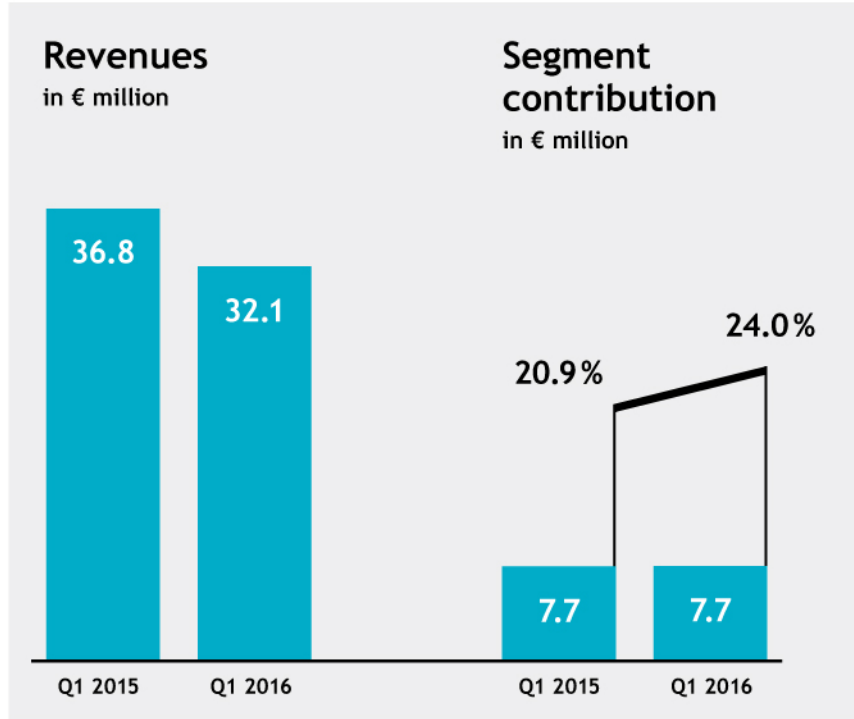
- Cloud business still in its early stages
- First Pure Enterprise Cloud revenues
- Growing demand for IoT solutions
- Significantly improved segment contributions thanks to the business model's scalability

Consulting: Growth in revenues and earnings



- High demand for SAP consulting
- Growing demand for Cloud expertise (SAP HANA)
- High degree of capacity utilisation led to higher margin

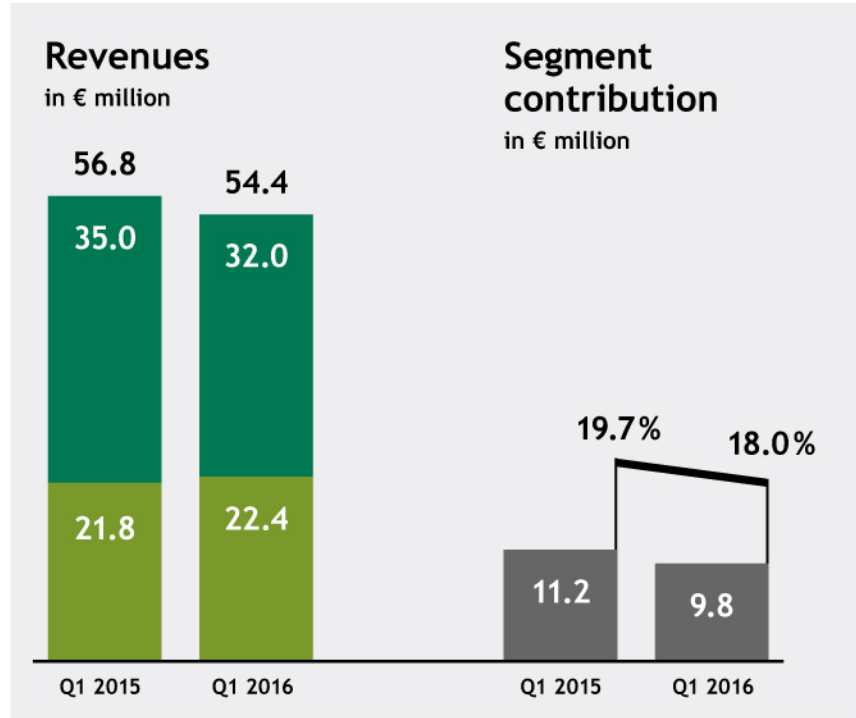
Outsourcing: Focus on existing customer base



- No new customers in 1:1 outsourcing
- Start of migration to PEC and focus on high-margin revenues will lead to a further revenue decline in the course of the year
- Increase in profitability was based on the reorganisation and the cost-cutting programme

■ Segment margin

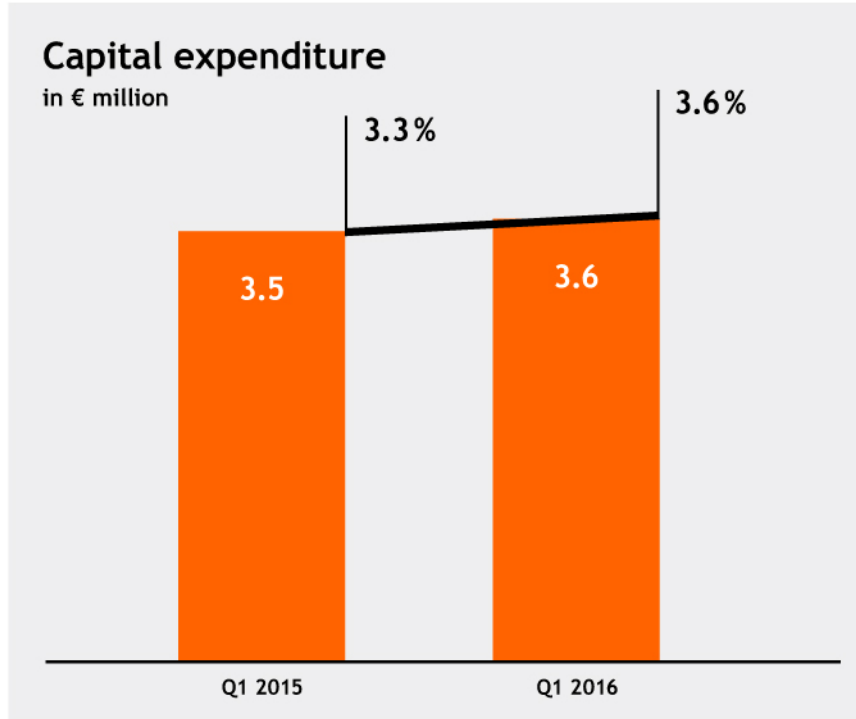
Telecoms: Growing All-IP revenues



- Despite a stagnating market, QSC managed to increase its B2B2B revenues in Q1 2016
- Positive impact of migration to All-IP solutions
- Business with resellers impacted by fierce price competition

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

CAPEX at a moderate level

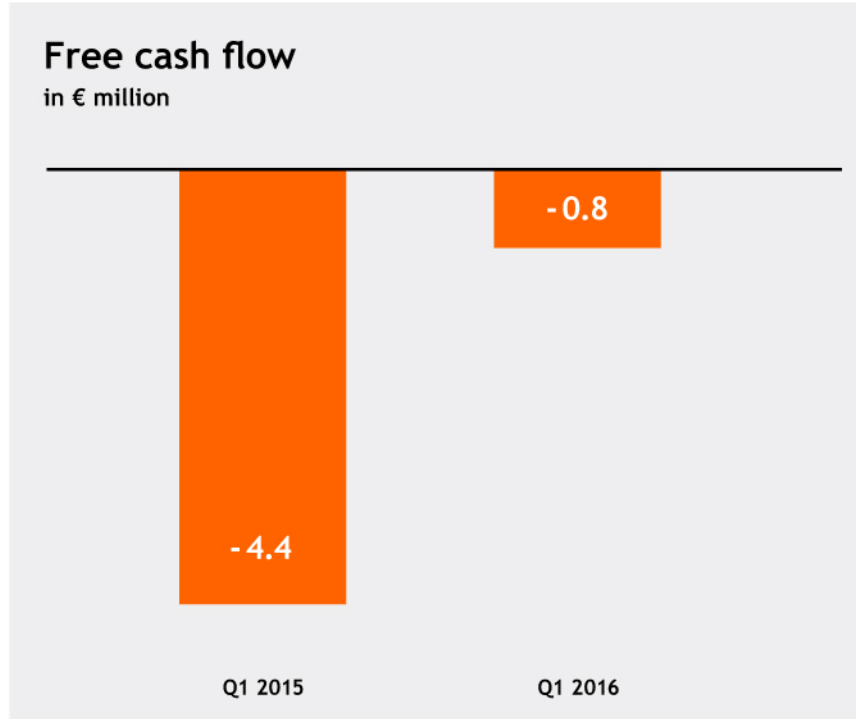


Focus

- Infrastructure
- Development of Pure Enterprise Cloud
- Customer projects

■ Share of CAPEX in revenues as a percentage

Significantly improved free cash flow



- Higher earnings, moderate CAPEX and improved working capital enabled QSC to increase FCF as expected

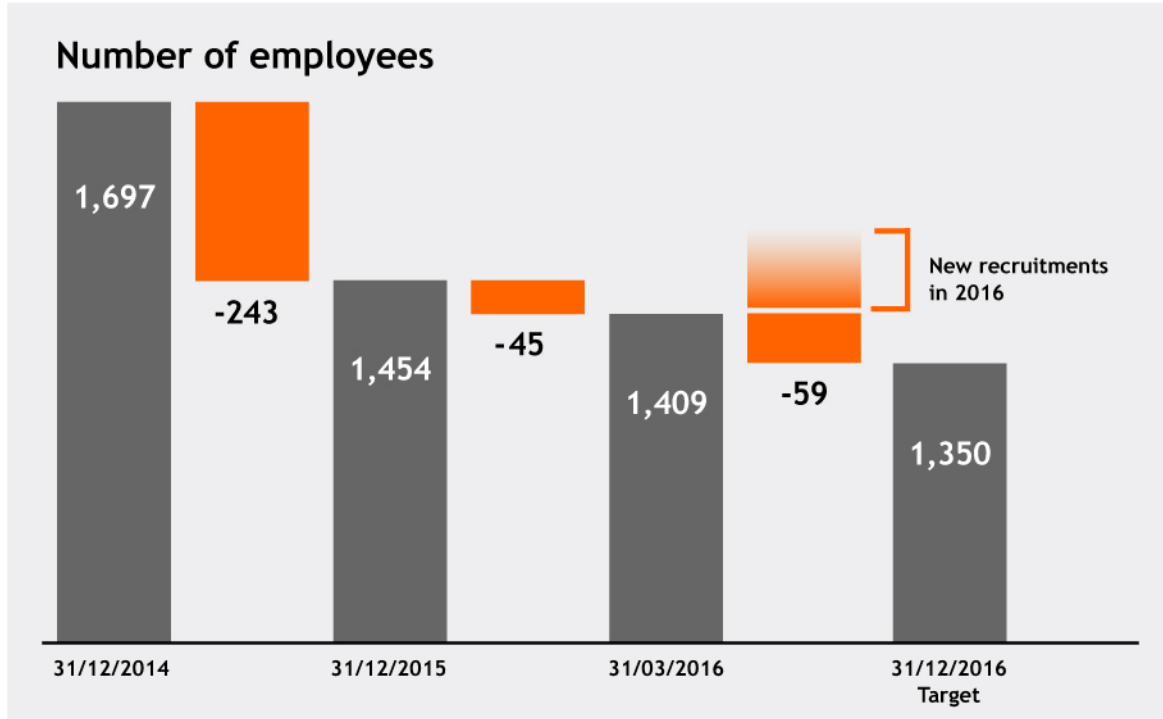
3. Financial outlook 2016

QSC reinforces its guidance

- In the current year, QSC is focusing on
 - Developing its Cloud business
 - Marketing the Pure Enterprise Cloud
 - Completing the cost-cutting programme

- For the current year QSC is planning on
 - Revenues of € 380 – 390 million
 - EBITDA of € 34 – 38 million
 - A positive free cash flow






QSC is recruiting further Cloud experts



Two-track development in 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 one-off costs in the mid-single-digit million euro range

Rising Cloud and Consulting revenues in 2016

Drivers in 2016		Revenue development in 2016
Cloud	Launching the Pure Enterprise Cloud	
Consulting	SAP HANA project	
Outsourcing	Starting the migration to the Pure Enterprise Cloud; no new customers in 1:1 outsourcing	
TC for business customers	Growing demand for All-IP solutions	
TC for resellers	Fierce price competition	

4. Questions & Answers

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