Cologne, 8 August 2016 – Results Q2 2016

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QSC AG

1. Strategic Update

Q2 2016: Positive developments 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
- High interest in PEC among existing and new customers
- Reorganisation ahead of schedule
- 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	↗
Consulting	High demand for SAP projects	↗
Outsourcing	Starting the migration to the PEC; no new customers in 1:1 outsourcing	↘
TC for corporate customers	Growing demand for All-IP solutions	→
TC for resellers	Fierce price competition	↘

The PEC 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

Focus on All-IP is paying off

- In B2B TC business, QSC is focussing on All-IP solutions
- Unique opportunity: ongoing migration of approx. 3 million ISDN lines
- QSC’s proven track record: some 250,000 accounts / 4 million lines
- All-IP sales push: most successful partner tour so far with more than 350 partners on site

⇒ **Solid increase in revenues**

H2 2016: Well on track to fulfilling the guidance

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

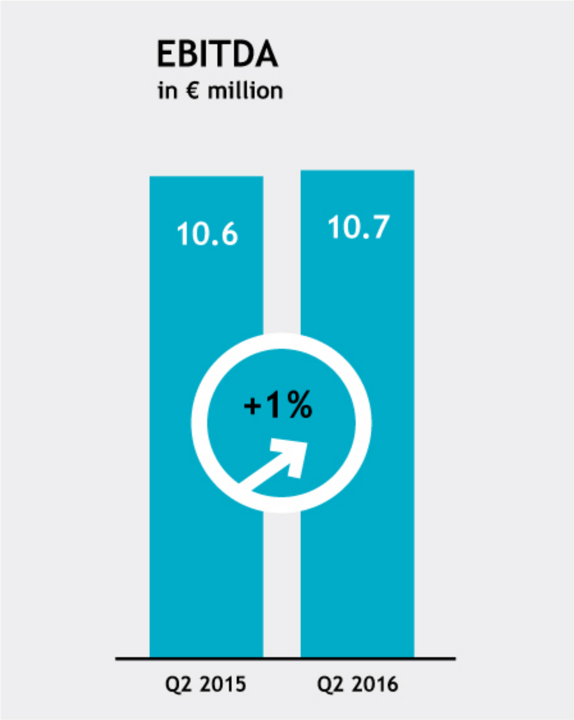
- QSC is confident about the current guidance
  - Revenues: € 380-390 million
  - EBITDA: € 34-38 million
  - Positive FCF

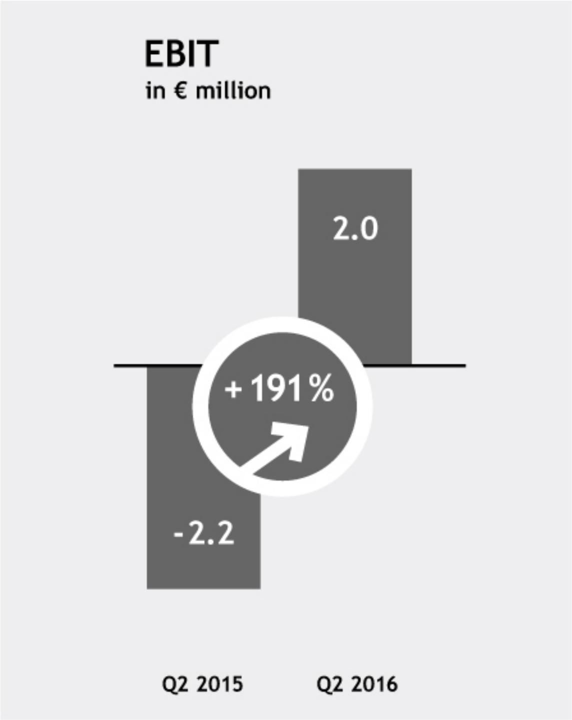
2. Financial Update

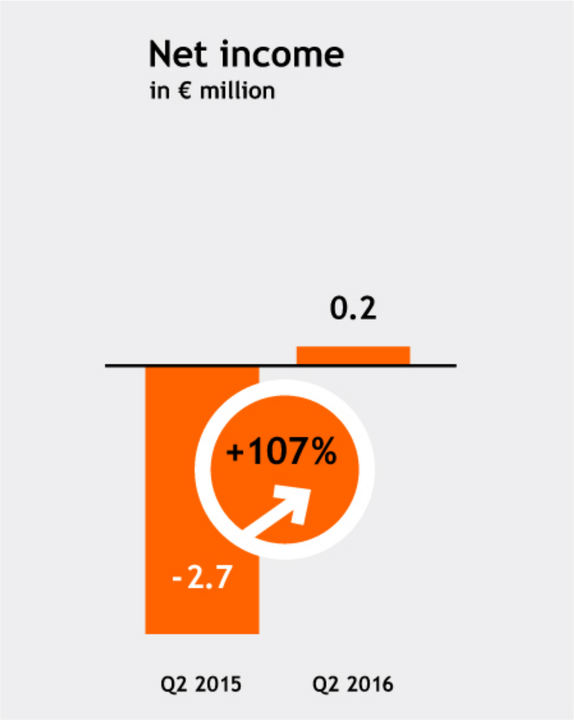
Q2 2016: Rising profitability in a good quarter

- Faster-than-expected progress in the cost-cutting programme in Q2 2016
- Staff-reduction programme getting closer to its target of reducing headcount by some 350 employees
- Further improvement in EBITDA, EBIT and net income
- Strong improvement in FCF
- Further improvement in revenue mix

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

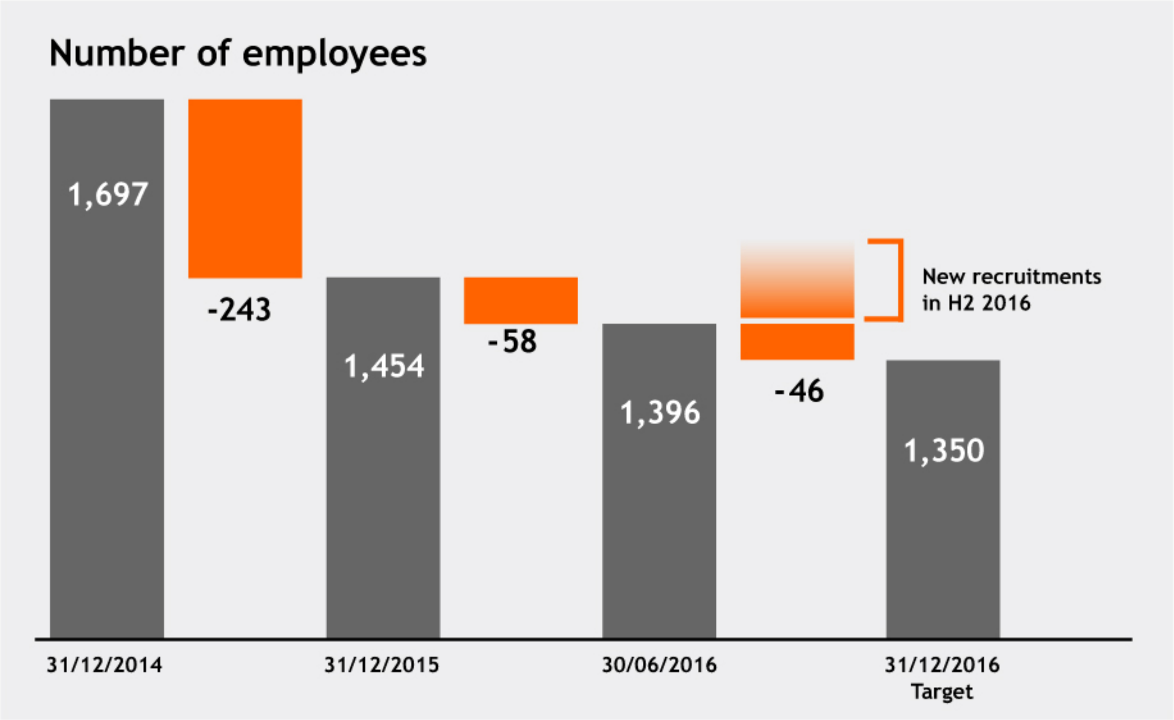
Earnings

– 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

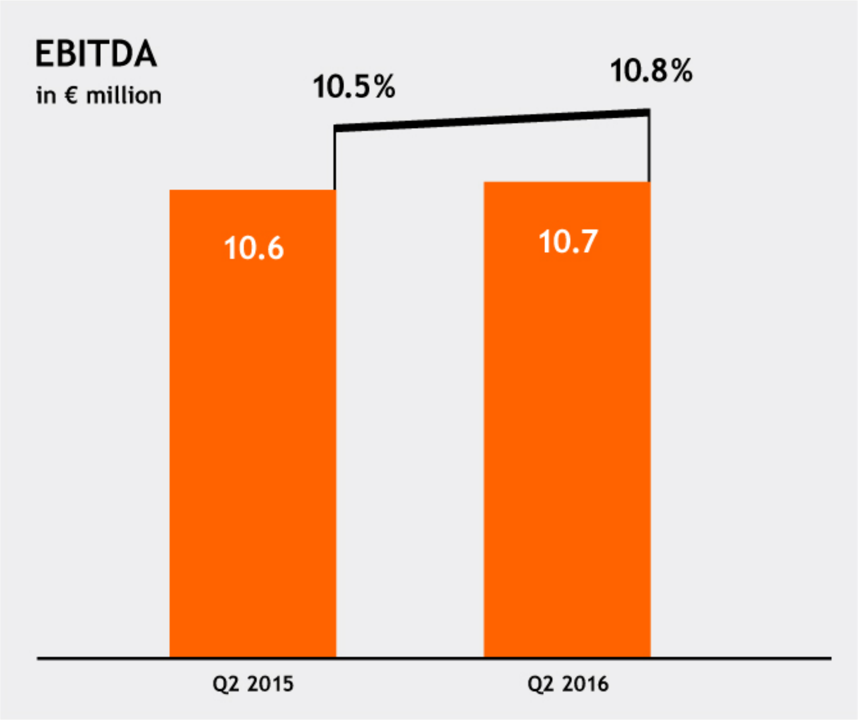
QSC is nearing its target of 1,350 employees



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

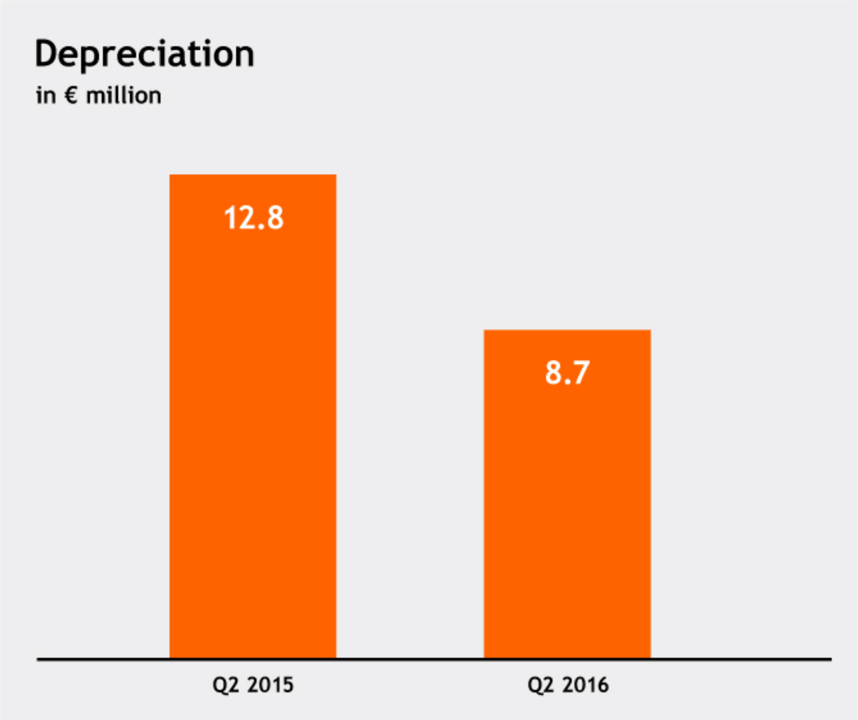
Progress in cost-cutting contributes to higher EBITDA



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

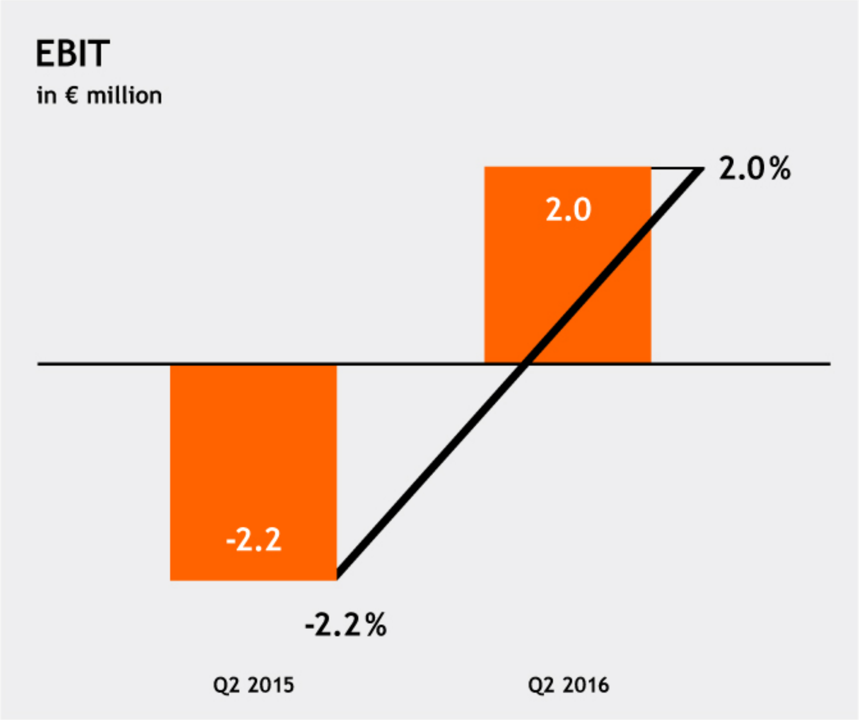
▬ EBITDA margin

Significant decrease in depreciation



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

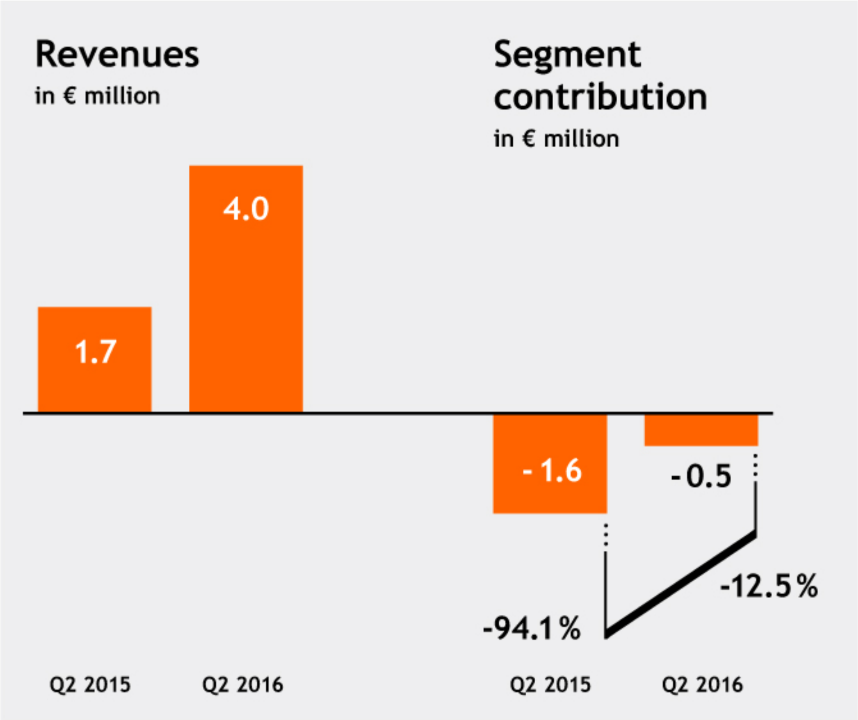
Significant improvement in EBIT



- 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

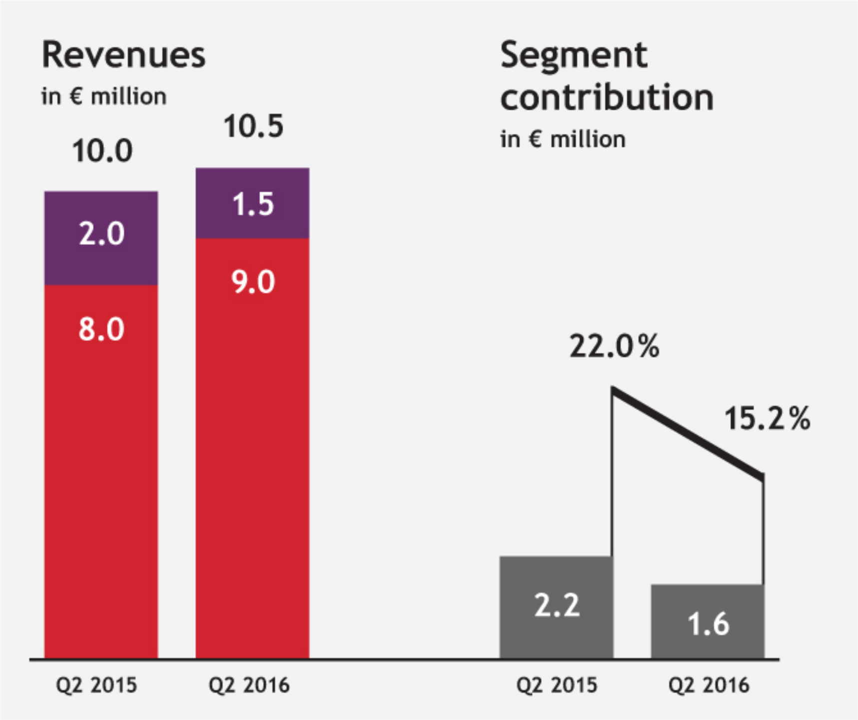
Cloud: Revenues more than doubled



- 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

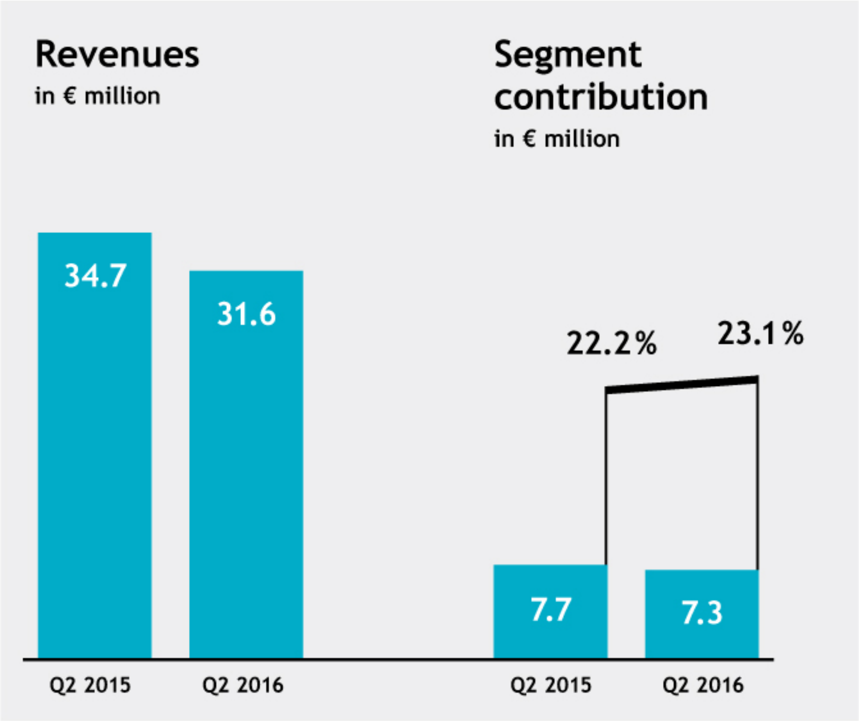
Consulting: Ongoing revenue growth



- 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

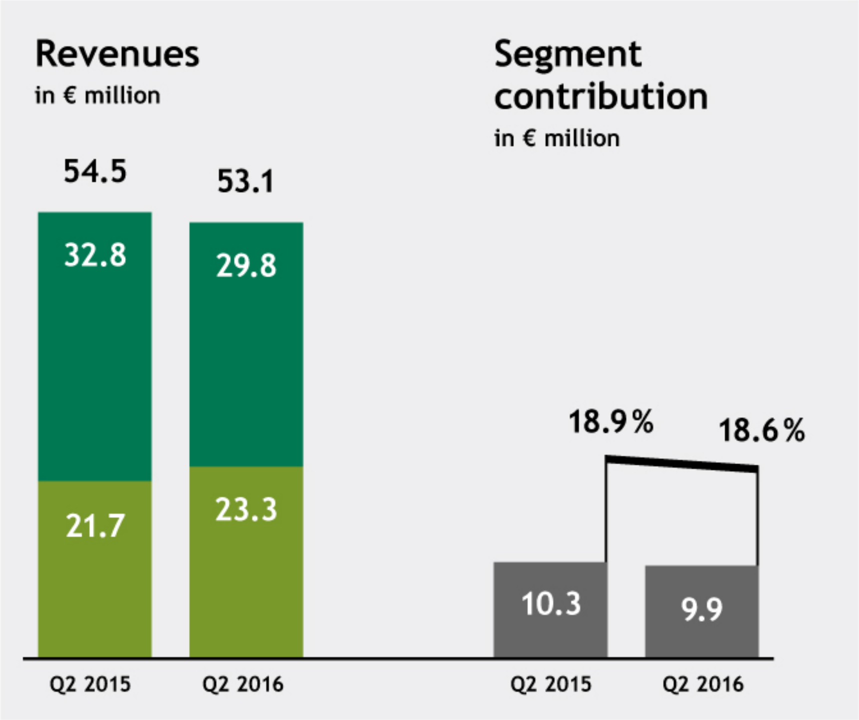
Outsourcing: Cost-cutting programme is paying off



- 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

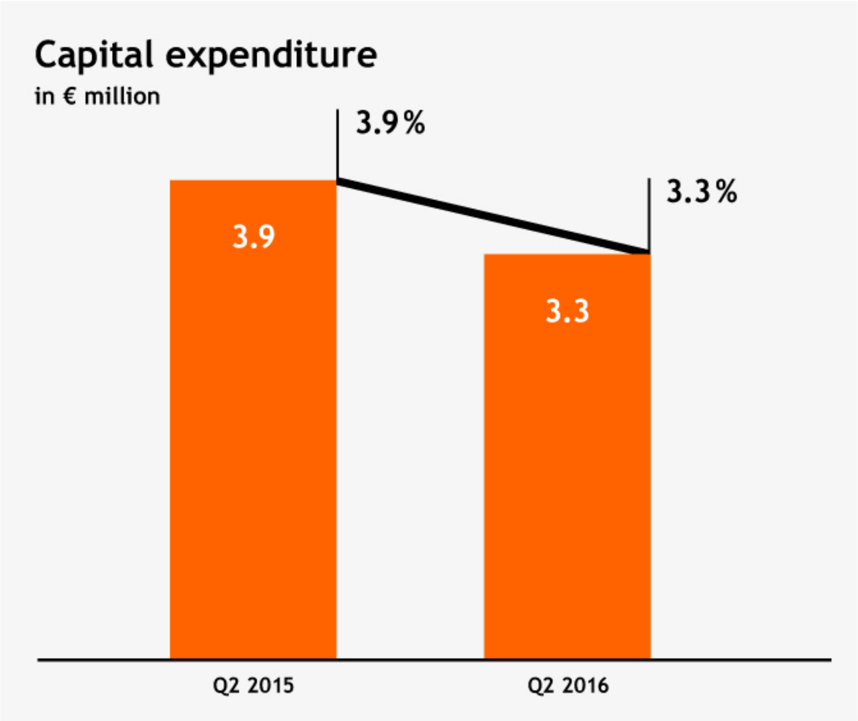
Telecoms: Growing All-IP revenues



- 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 business customers
TC revenues (total)
Segment margin

CAPEX at a moderate level



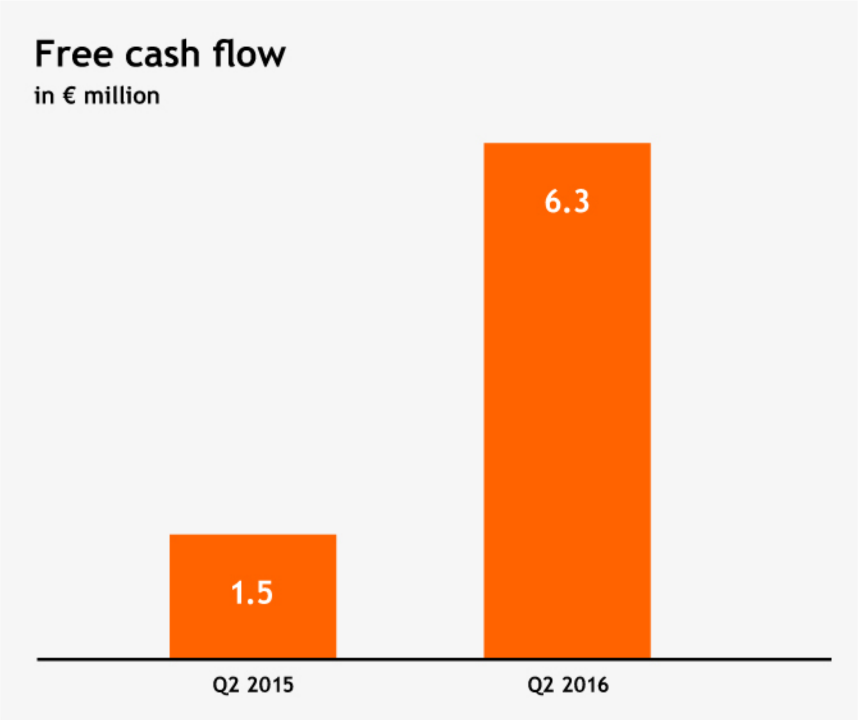
Focus

– Infrastructure
– Developing the Pure Enterprise Cloud
– Customer projects

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

▬ Share of CAPEX in revenues as a percentage

Rapid increase in FCF in a good quarter



– 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

4. Questions & Answers

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