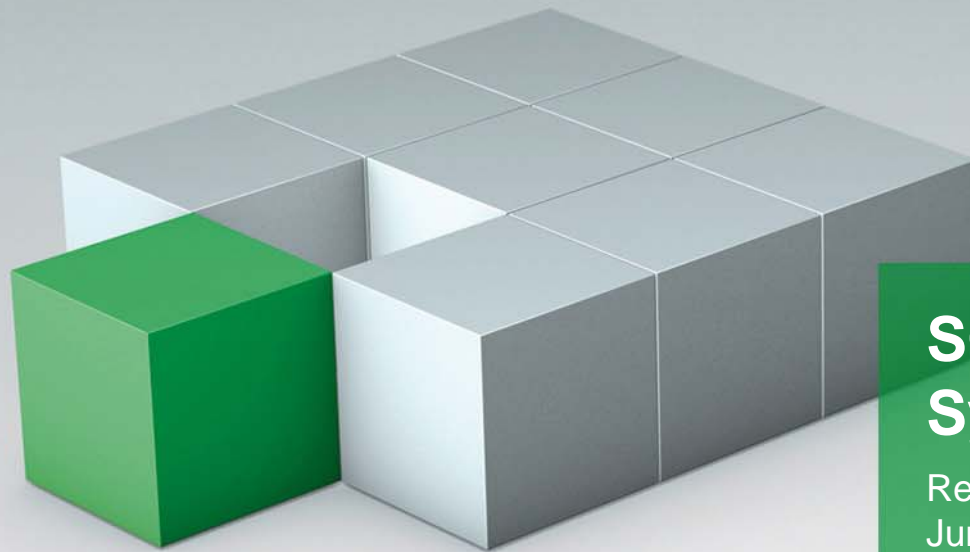


SQS. Excellence through Independence



SQS Software Quality Systems AG

Results for the six months ended
June 30th, 2009

Rudolf van Megen – Chief Executive Officer
René Gawron – Chief Financial Officer
David Cotterell – Chief Sales Officer

SQS Software Quality Systems AG

Agenda



SQS Group and HY1 Review

- SQS Group – an overview
- HY1 Operational review
- Actions taken

Financials

- Profit & Loss statement
- Balance sheet
- Cash flow statement
- Segments & EPS
- Dividend policy

Strategy and Market

- Business Strategy
- Market
- Competitors

Strategic summary and outlook

Appendices



SQS Group at a glance

SQS is the world largest supplier in independent software testing and quality management services.



Independence

Market Leader in Independent Software Testing & Quality Management services.

Experience

Over 27 years testing experience resulting in a database of more than 5,000 projects.

People

Team of over 1,400 trained quality professionals

Combined Onsite/Offsite

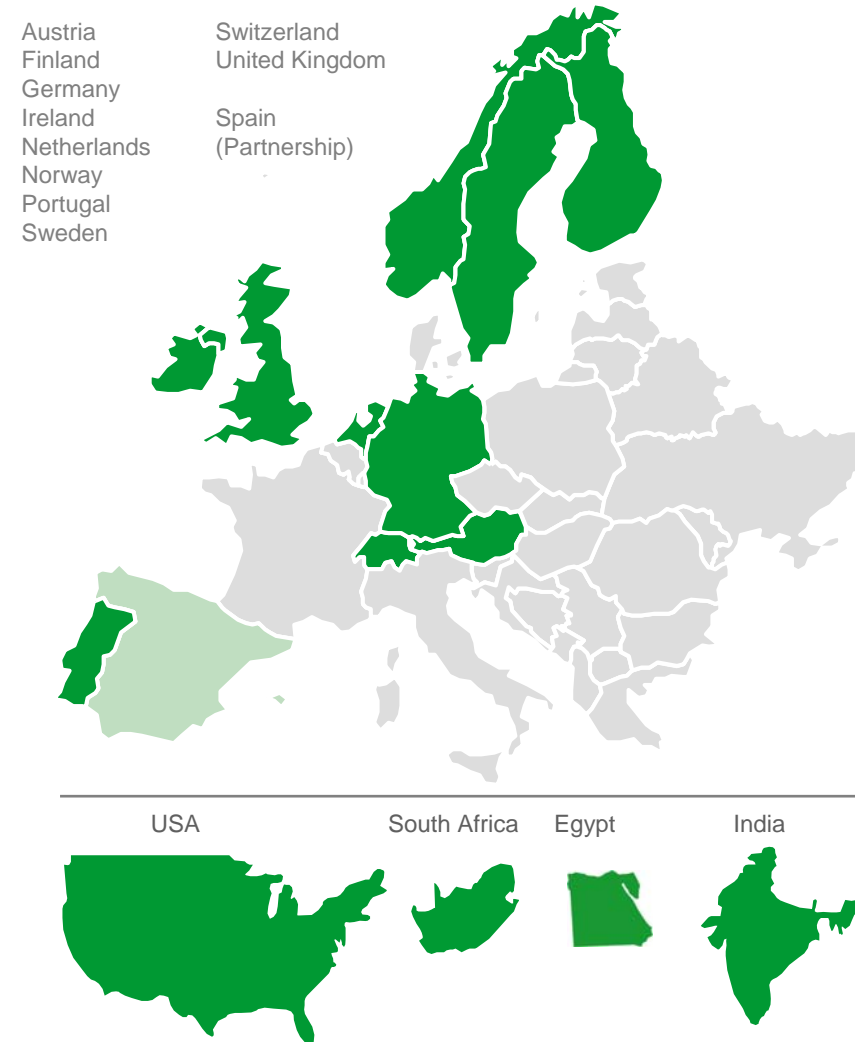
Multilanguage offshore testing centres in South Africa, Egypt, India

Innovation

Active knowledge transfer between Innovation Groups and client projects.

Clients

We operate across 27 client verticals for leading brands and organisations.



HY1 2009 was a very challenging market environment but we have taken appropriate actions in reponse.



- Q1 was broadly in line with our expectations
- Germany announced a 6% downturn in GDP at the end of March 09
- Q2: Various client project suspensions
 - Unexpected reduction in utilisation of billed consultants
 - Some price pressure
 - Cost reductions
 - “Short Work” in Germany initiated in Q2
- First Managed Services projects successfully sold and commenced

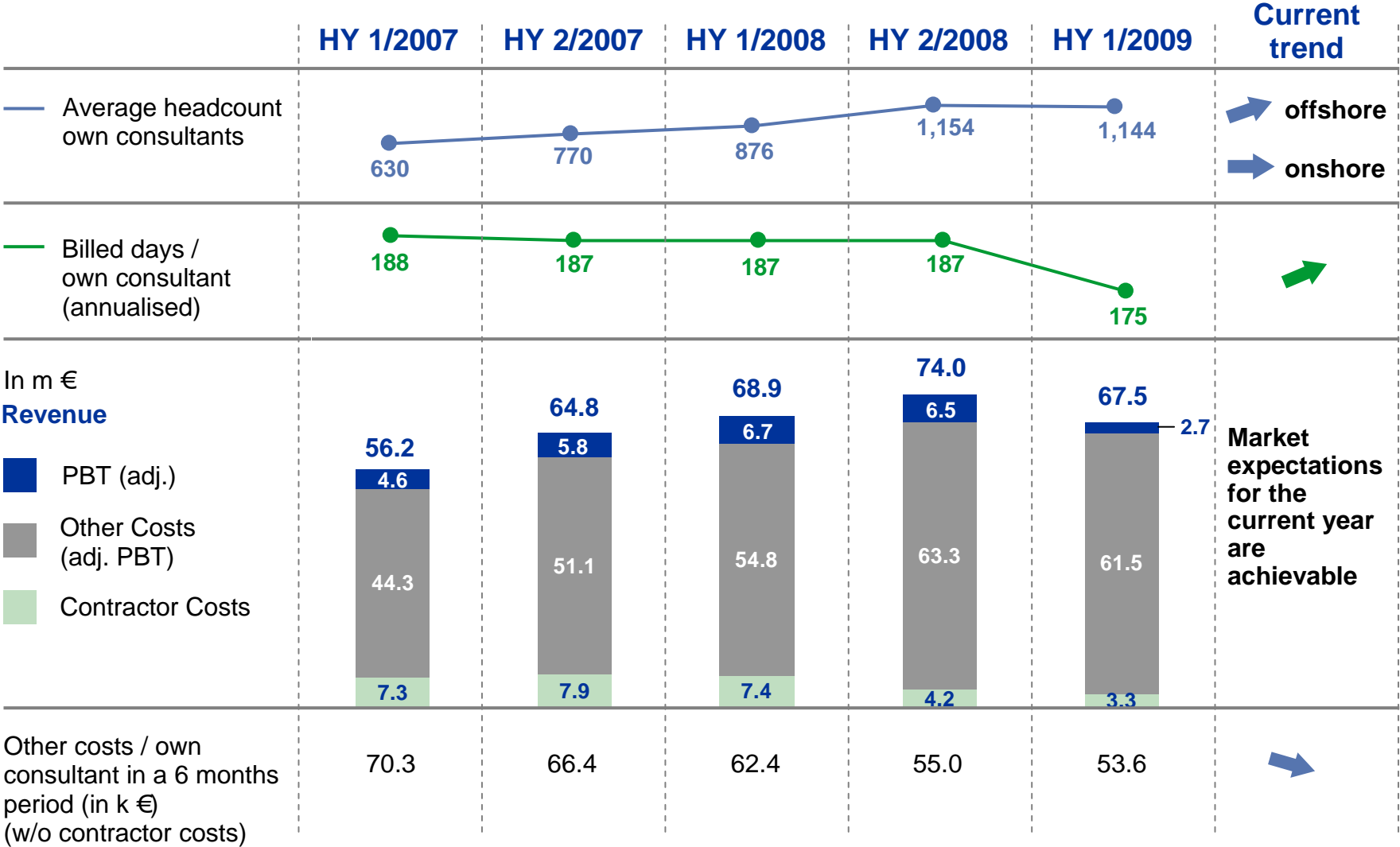
The market showed us we needed to de-risk our business model.



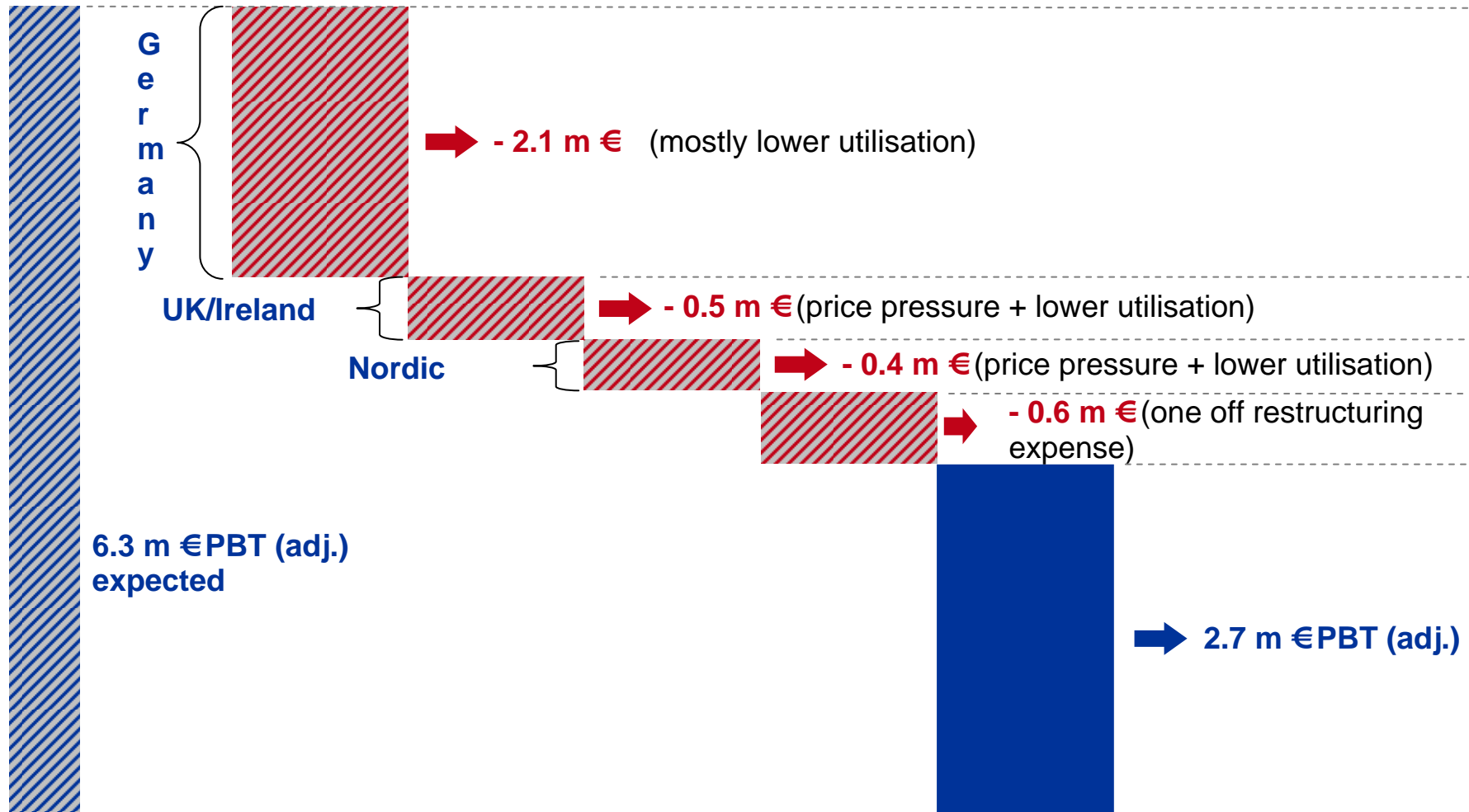
■ Restructure business in response to economic downturn	▶	✓ Restructuring now complete ✓ Significant cost reductions achieved
■ Maintain new client wins to compensate for shortfalls from existing ones	▶	✓ 82 new clients won during the period
■ Vertical diversification	▶	✓ Most new clients won in technology & public sector
■ Improve utilisation	▶	✓ Utilisation now significantly higher than at beginning of Q2 2009
■ Investment in offshore resources	▶	✓ Offshore staff numbers continue to grow from 290 to 333
■ Accelerate sales of managed services	▶	✓ 7 new Managed Service Contracts signed (running up to 5 years)

Comparison of HY 1/2009 with previous periods

A sharp drop in billable utilisation of own consultants was the prime cause for a reduction in profits in HY1 2009.



Profit bridge showing the impact of the changing market – 3.6m € profit lost



Profit & Loss statement HY 1/2009

Lower utilisation impacted the gross margin and PBT.



in € ,000	HY 1/2009		HY 1/2008		Change	YE 2008	
		<i>in % of sales</i>		<i>in % of sales</i>			<i>in % of sales</i>
Revenue	67,499		68,867		- 2.0%	142,903	
Gross Profit	19,872	29.4%	23,901	34.7%	- 16.9%	49,609	34.7%
G&A	10,135	15.0%	10,909	15.8%		22,507	15.7%
S&M	5,358	7.9%	4,765	6.9%		10,515	7.4%
R&D	1,463	2.2%	1,449	2.1%		3,126	2.2%
EBITDA	4,923	7.3%	8,475	12.3%		17,328	12.1%
<i>Depreciation</i>	2,007		1,697			3,866	
Adj. EBIT	2,916	4.3%	6,777	9.8%	- 57.0%	13,462	9.4%
Net interest financial	- 201		- 126			- 319	
Adj. PBT	2,715	4.0%	6,651	9.7%	- 59.2%	13,143	9.2%
IFRS regular amortisation on acquisitions	- 779		- 362			- 1,140	
IFRS pro forma interest (mainly on deferred consideration)	- 222		- 353			- 733	
Exceptionals: start up costs Egypt	0		0			- 428	
PBT	1,714	2.5%	5,936	8.6%	- 71.1%	10,842	7.6%
Taxes	- 612		- 1,672			- 4,146	
Profit after taxes	1,102	1.6%	4,264	6.2%	- 74.2%	6,696	4.7%
Adjust. profit after actual tax rate/interest	1,969	2.9%	4,872	7.1%	60.3%	9,628	6.7%

Debtor days improved to 62 (65 in HY 1/ 2008)



in € ,000		HY 1/2009	HY 1/2008	YE 2008
Assets	Non current assets	68,374	57,233	68,330
	Goodwill	52,652	45,980	52,652
	Intangible assets	10,746	6,391	10,740
	Other assets (e.g. fixed assets)	4,976	4,862	4,938
	Current assets	32,999	38,299	34,650
	Cash	2,814	1,774	5,753
	Trade receivables	26,302	30,406	26,161
	Other receivables	3,883	6,119	2,736
	Total assets	101,373	95,532	102,980
Equity and Liabilities	Current liabilities	28,741	36,665	29,029
	Bank loans & overdrafts	4,035	2,827	458
	Trade creditors	3,749	5,010	4,273
	Short term liabilities from acquisitions	4,877	11,921	4,771
	Other short term liabilities	11,209	11,779	13,097
	Tax accruals and liabilities	4,871	5,128	6,430
	Non current liabilities	10,745	9,484	10,995
	Bank loans	14	102	175
	Long term liabilities from acquisitions	4,488	4,299	4,305
	Other non current liabilities	6,243	5,083	6,515
	Equity/Net Assets	61,887	49,383	62,956
	Total liabilities	101,373	95,532	102,980

Cash Flow statement HY 1/2009

Cash conversion from operating activities was improved to 80% of adj. PBT (up from 63% in HY1 2008).



in € ,000		HY 1/2009	HY 1/2008	YE 2008
Net cash flow from	Operating activities	2,172	4,210	16,693
	Interest payments	- 254	-184	- 355
	Tax payments / exchange rate movements	- 2,686	-1,614	- 3,756
	Current business activities	- 768	2,412	12,582
	Acquisition and capitalization of tangible / intangible assets	- 1,792	- 3,004	- 6,024
	Acquisition / disposal of subsidiaries	0	- 3,270	- 3,410
	Foreign currency result / interest received	32	168	66
	Investment activities	- 1,760	- 6,106	- 9,368
	Increase in share capital / dividends paid	- 2,880	-4,180	- 4,180
	Redemption of finance loans	- 825	- 182	- 469
	Increase of finance loans	3,591	2,815	858
	Redemption / termination of leasing contracts	- 297	-205	- 482
	Financing activities	- 411	- 1,752	- 4,273
	Acquired cash and cash equivalents			- 408
	Cash at beginning	5,753	7,220	7,220
	Cash at end	2,814	1,774	5,753

Geographical segmental analysis HY 1/2009

Difficulties in most markets but improved profitability in Switzerland.



in € ,000		HY 1/2009		HY 1/2008		YE 2008	
			in % of revenue		in % of revenue		in % of revenue
Germany and Group costs	Revenue ¹⁾	32,403		33,941		68,739	
	EBIT	977	3.0%	3,720	11.0%	6,426	9.3%
UK/Irl/RSA/India	Revenue ¹⁾²⁾	16,128		23,905		46,076	
	EBIT	53	0.3%	2,213	9.3%	3,555	7.7%
Switzerland	Revenue ¹⁾	9,929		6,879		14,138	
	EBIT	827	8.3%	247	3.6%	629	4.4%
Other countries (Nordic, Austria, NL, Egypt)	Revenue ¹⁾	9,039		4,142		13,950	
	EBIT	281	3.1%	235	5.7%	1,283	9.2%
Total	Revenue¹⁾	67,499		68,867		142,903	
	EBIT incl. IFRS effects	2,138	3.2%	6,415	9.3%	11,893	8.3%

1) external revenue without intercompany 2) at constant exchange rates UK based businesses revenue would have been at € 18,802k

Earnings per share

EPS was significantly lower than HY1 2008 due to the drop in profits and an increased number of shares.



in € ,000	HY 1/2009	HY 1/2008	Change	YE 2008
PBT reported	1,714	5,936	- 71.1%	10,842
IFRS regular amortisation on acquisitions	779	362		1,140
IFRS pro forma interest (mainly on deferred consideration)	222	353		733
Exceptional start up costs Egypt				428
Taxes on income for operations local GAAP	- 746	-1,779		-3,515
Profit after taxes adjusted	1,969	4,872		9,628
Weighted average number of shares undiluted	26,185,075	21,584,894		22,287,098
EPS adjusted in €	0.08	0.23	- 65.2%	0.43

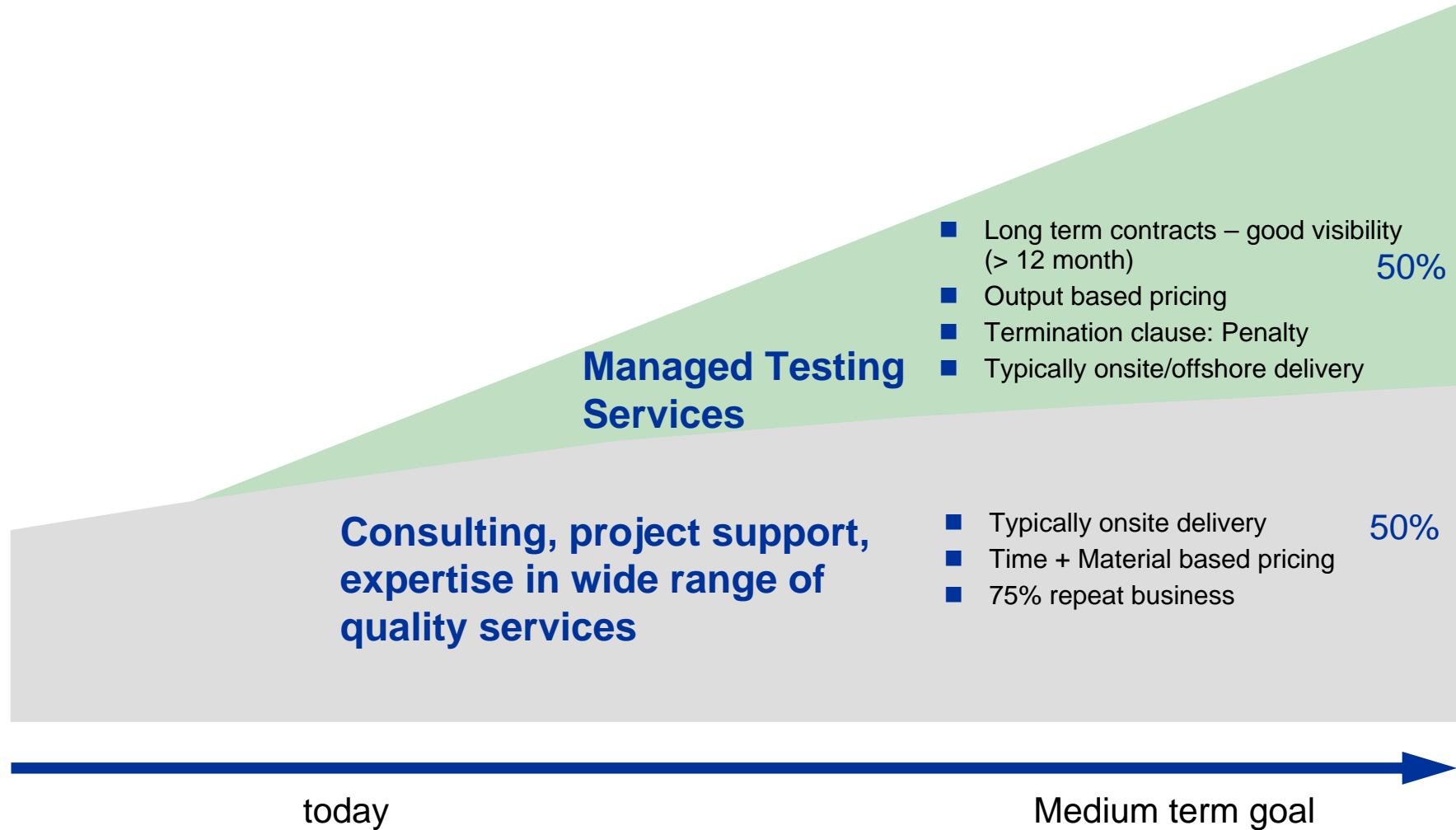
We propose to continue to pay dividends.



- German companies pay dividends once a year
- SQS paid a dividend of €0.11 per share for its 2008 financial year
- SQS dividends are paid following the AGM
- SQS proposes to continue to payout a dividend equating to a fixed proportion of earnings



Future growth will see an emphasis on managed services – the infrastructure has been put in place at SQS.

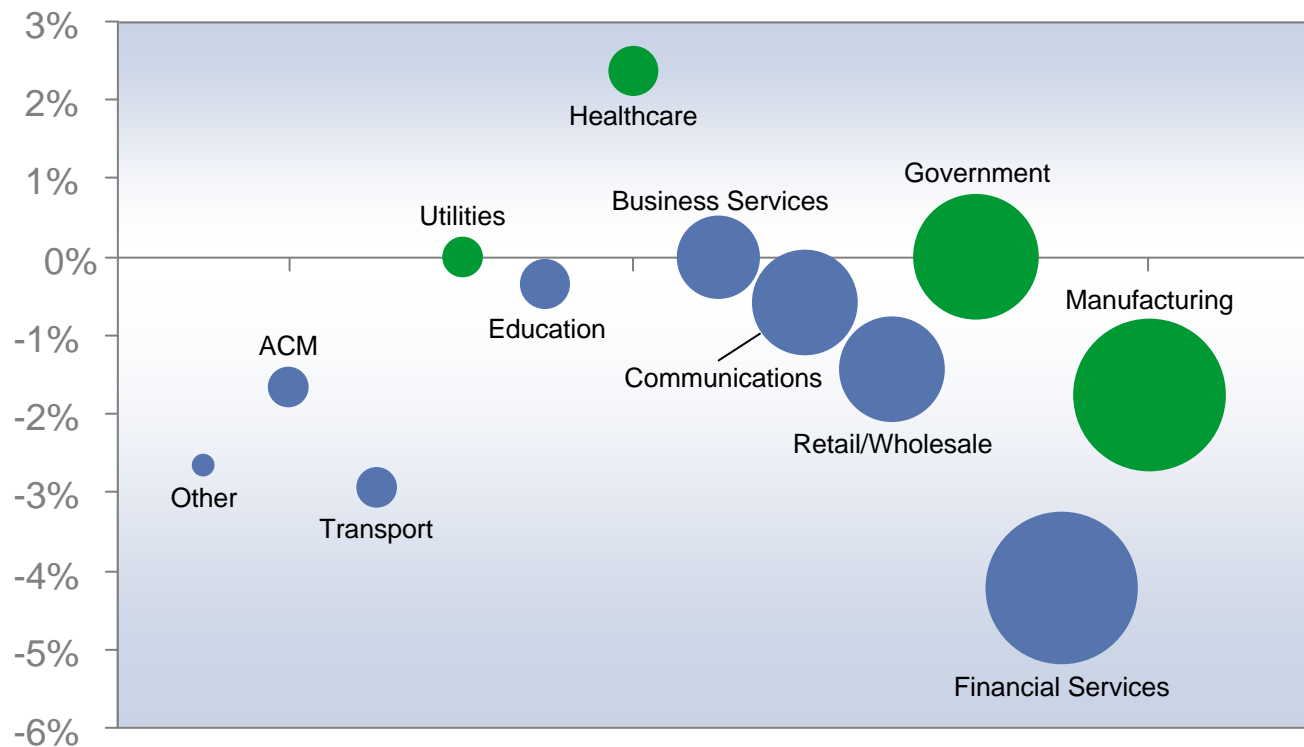


Relative market size and spending growth 2009E

SQS will develop those market verticals with a relatively high growth potential



Relative size of spending, 2009



● Target growth verticals

Size of bubble represents relative size of opportunity (Manufacturing = 100)

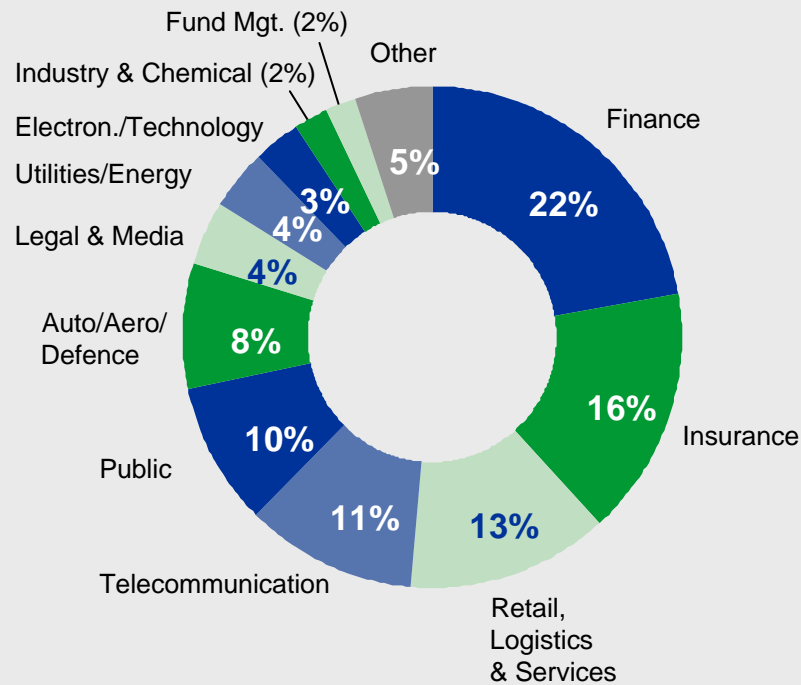
Source: IDC June 2009, for IT services

Diversification of market verticals

We have followed a strategy to further develop the smaller verticals of our client base.

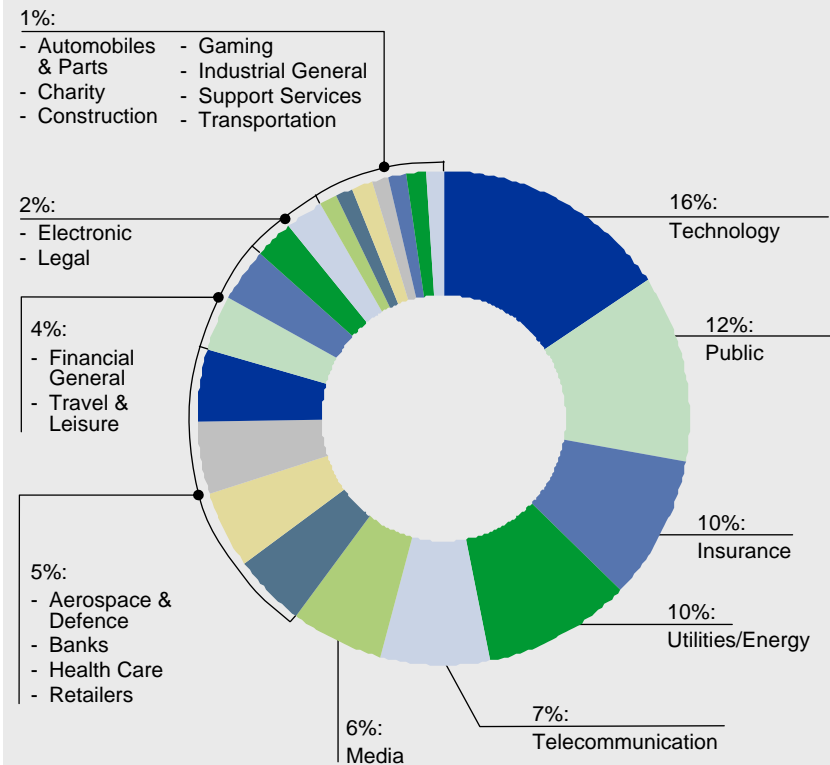


Verticals HY 1/2009*



* Percentage of total SQS Group revenue; 2009 HY 1: €67.5m revenue

New wins by industry – 82 in HY 1/2009**



** Percentage of total by client numbers from 82 total

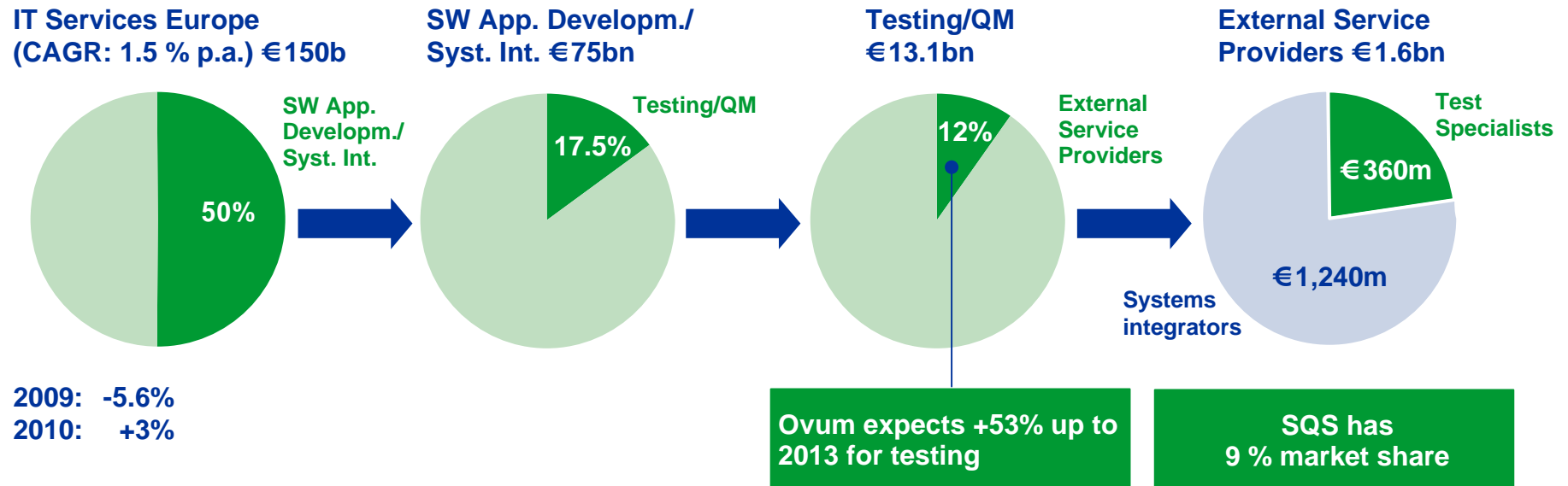
Relevant SQS market

Strong growth potential for SQS due to an increase in testing outsourced to external service providers.



» 79% acknowledge that software testing is essential in IT product development. «

International study by PAC



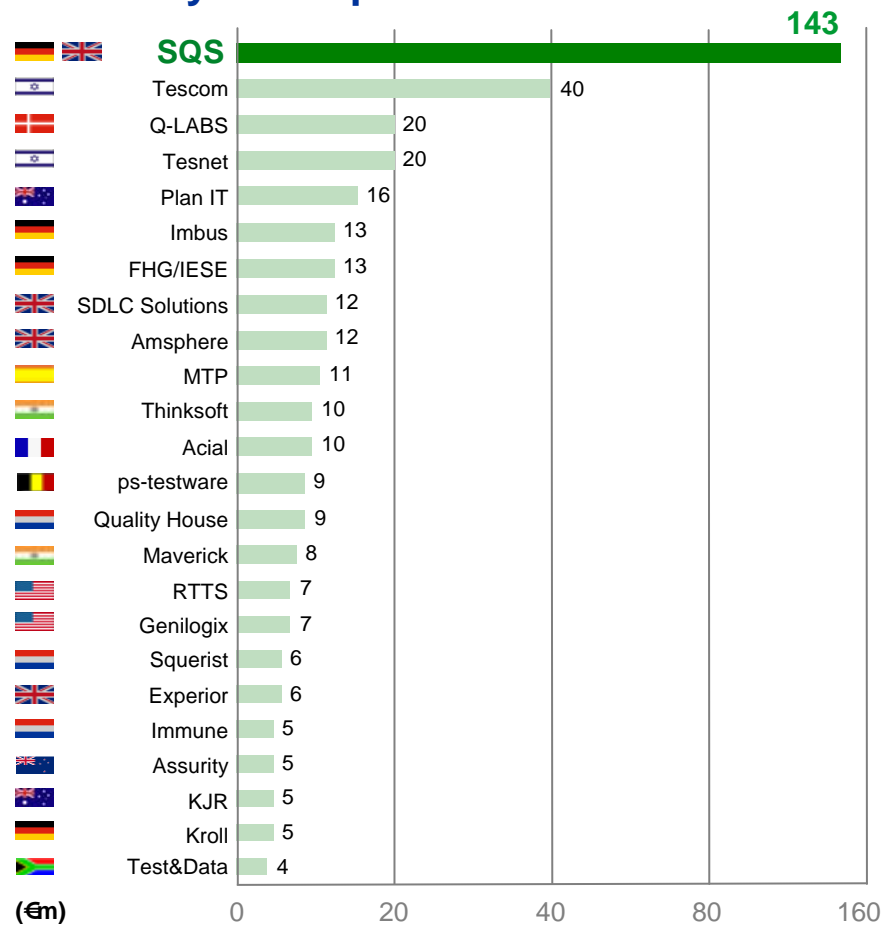
Sources: EITO/IDC/Gartner 2009 for overall market;
PAC: International Market Analysis "Software Testing", 2008 for Testing/QM

Competitive landscape SQS markets and worldwide

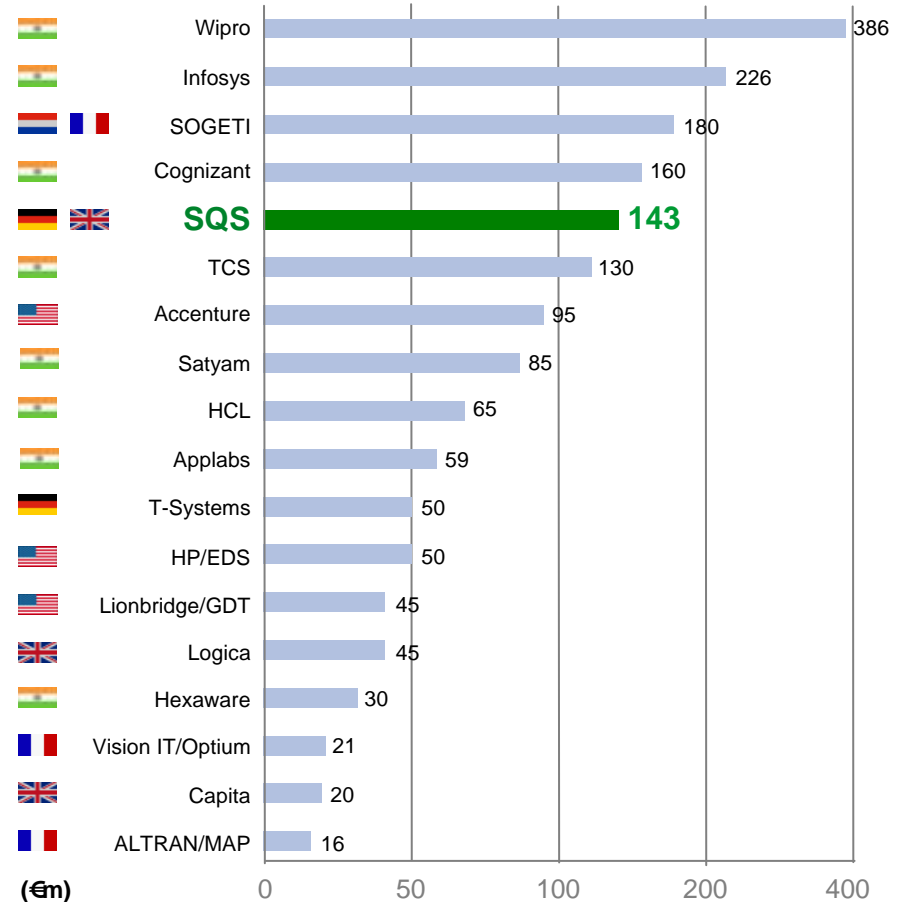
SQS strengthens its position as market leader and seeks to continue further market consolidation.



Pure Play Test Specialists



System Integrators (testing part only)



Independent Testing/QM Provider

System Integrator/IT Services Group, not independent

Source: SQS, based on estimated or published 2008 revenue figures

Focus on long-term managed services contracts.



- Concentrate sales on targeting managed services contracts to:
 - provide increased visibility
 - provide greater flexibility and control over projects on which we work
 - reduce exposure to fluctuations in wider economy
- Continue to invest in growing off-shore resources to:
 - provide greater pricing flexibility to clients
 - reduce costs
- Target higher growth markets including healthcare, utilities & energy, manufacturing and public sectors
- Continue to build on our position as the global leader in independent software testing services

Looking forward

Improving Outlook.



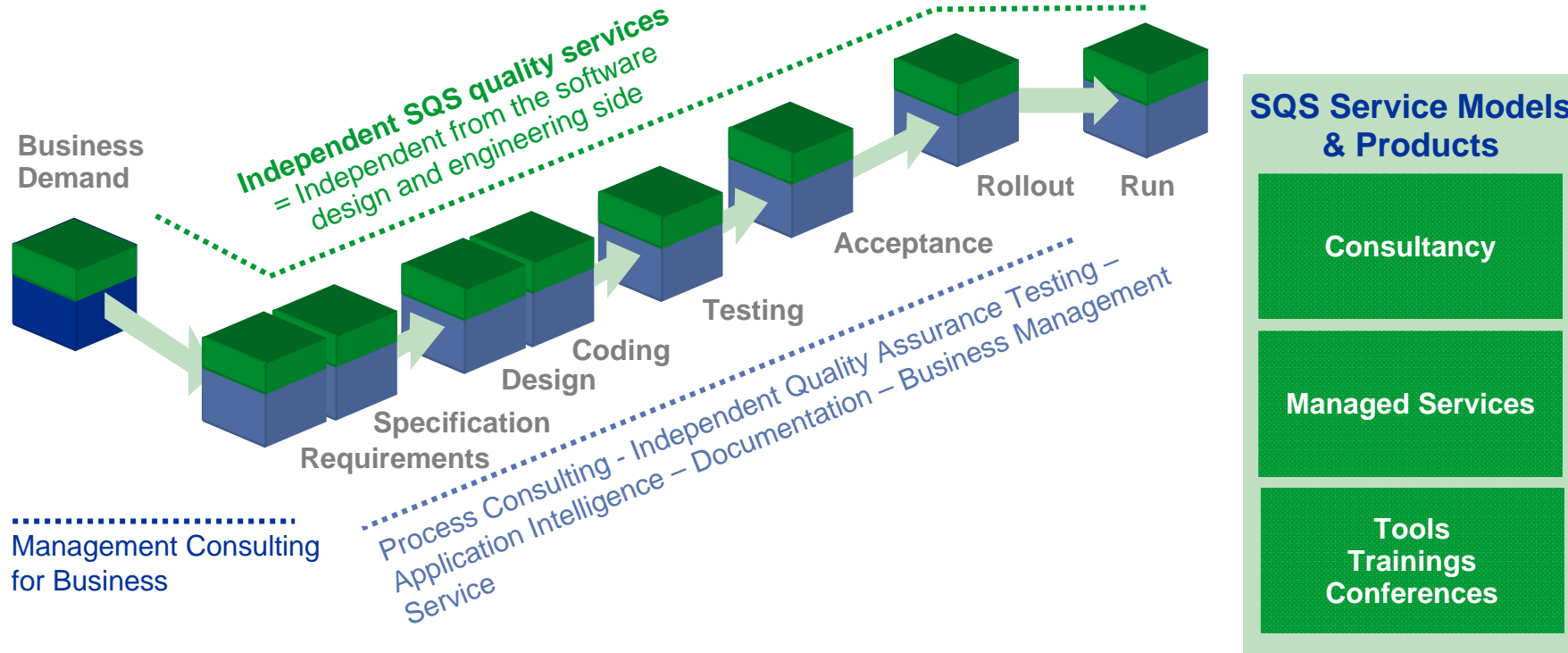
- Signs of recovery in demand from clients in our key geographical sectors of Germany and the UK
- Increased focus on long-term managed services contracts leading to greater visibility
- Continued reduction in exposure to specific verticals
- SQS restructured such that it is now a more cost effective organisation
- Expect to pay a dividend for the current year
- Confident that current market expectations are achievable



Appendices

SQS Business Model

SQS provides the full range of independent quality offerings to many business critical IT projects.



» It seems that independent testing is shaping as a separate market segment. «

Frank J.H. Ridder,
Research Director IT Sourcing, Gartner

» Much of the recent growth in outsourced application services has been fueled by customers engaging independent testing services where the development provider is separate from the provider performing the testing. «

Bill Martorelli, Forrester Research

Why independent software testing is necessary

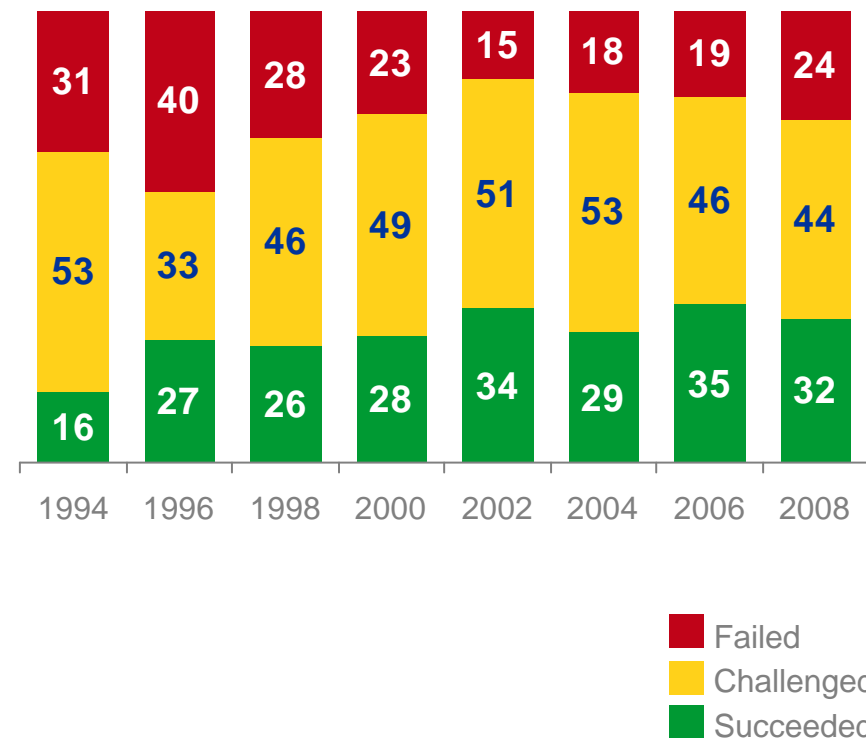
Market studies prove the need for independent software testing.



An international study by PAC¹⁾ showed:

- 79 per cent of survey respondents think that poor testing has a significant impact on the company in terms of costs
- 33 per cent see testing as essential investment in the product
- 65 per cent agree that software testing should be independent from development
- 34 per cent state they do not have a consistent approach to testing
- 68 per cent agree that they will have to adapt their testing to compliance and regulatory requirements
- Only 20 per cent have no problems in the first few months after the go-live of the product

Global study on success rate of IT projects²⁾ (in per cent)







Our advice: Detect errors earlier

1) Independent study commissioned by SQS; carried out in 2008 with 1,030 companies in 13 countries

2) Standish Group Study 1994–2008

SQS's diverse offshore centres suit our clients' needs



	South Africa	Egypt	India	Germany
Language				
Customer situation	International customers	National customers (Germany, Austria, Switzerland)	International customers, US customers	Testing in Germany required



Durban



Cairo



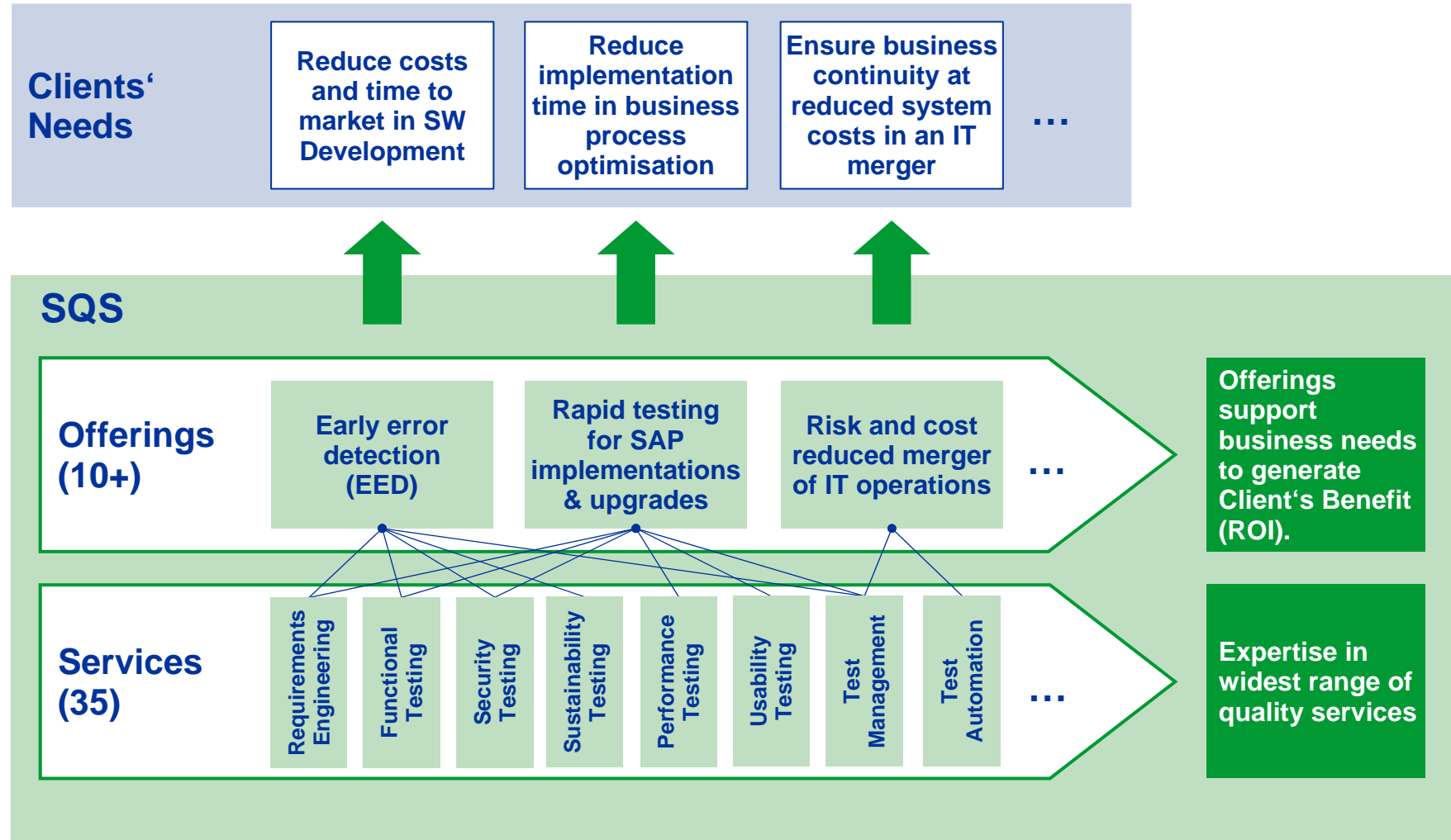
Pune



Görlitz

Offerings & Services

We have bundled our services to offerings to map onto clients' needs for IT projects and maintenance.



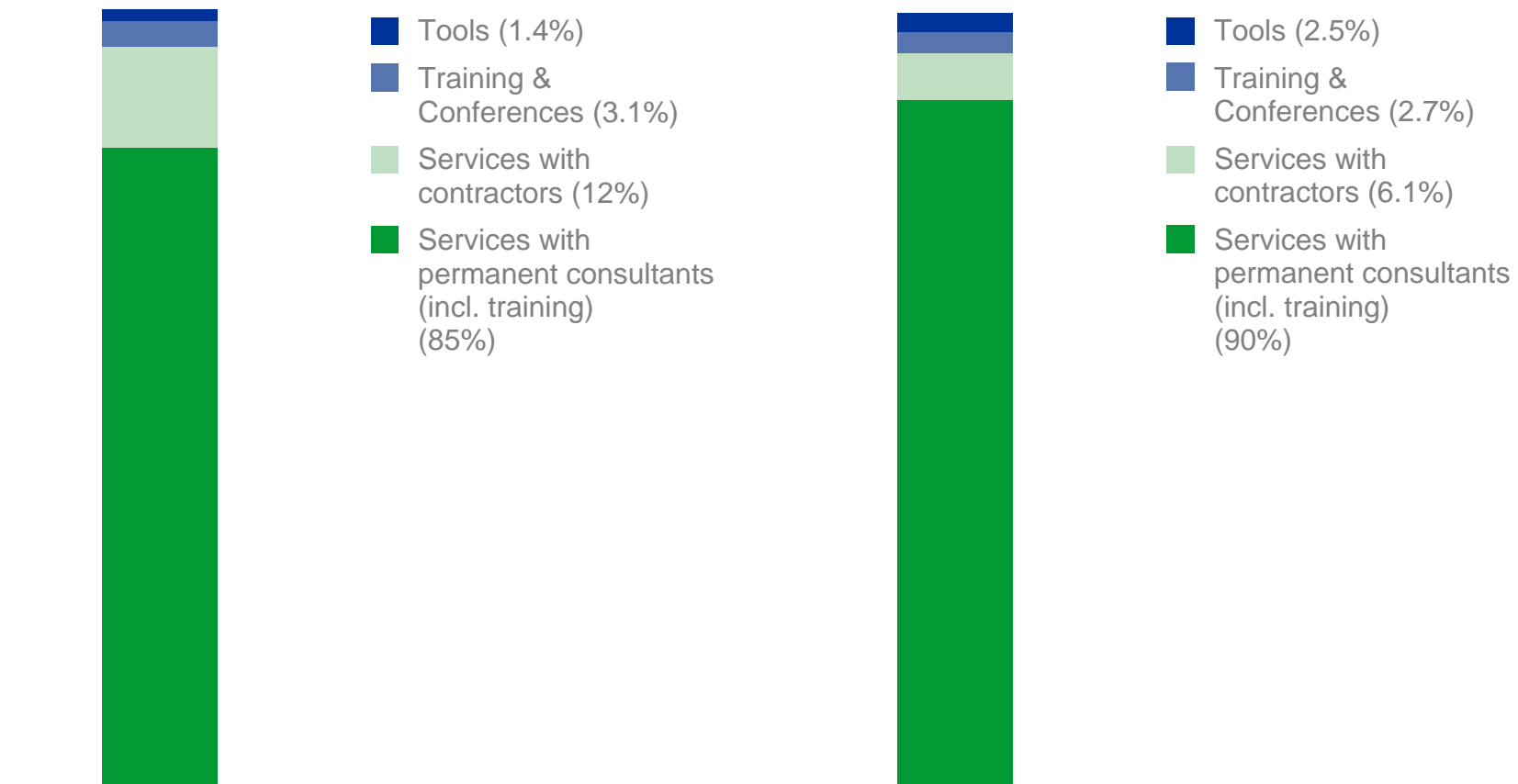
SQS Revenue Structure

The share of business with permanent consultants has increased to 90% of total revenues.

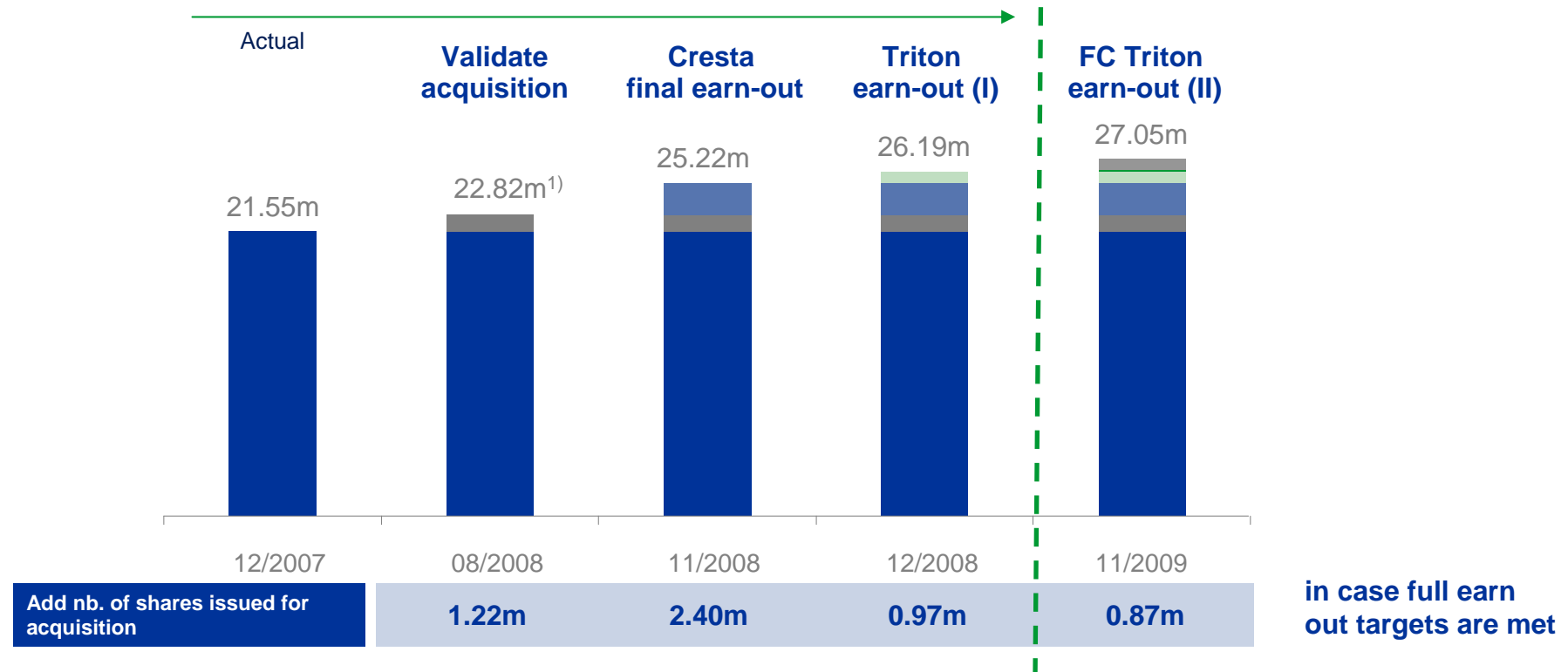


HY1 2008: €68.9 m

HY 1 2009: €67.5 m



Development of number of shares from pending earn outs (I)
The considerations payable in shares for acquisitions are paid when profit related earn out targets are met.



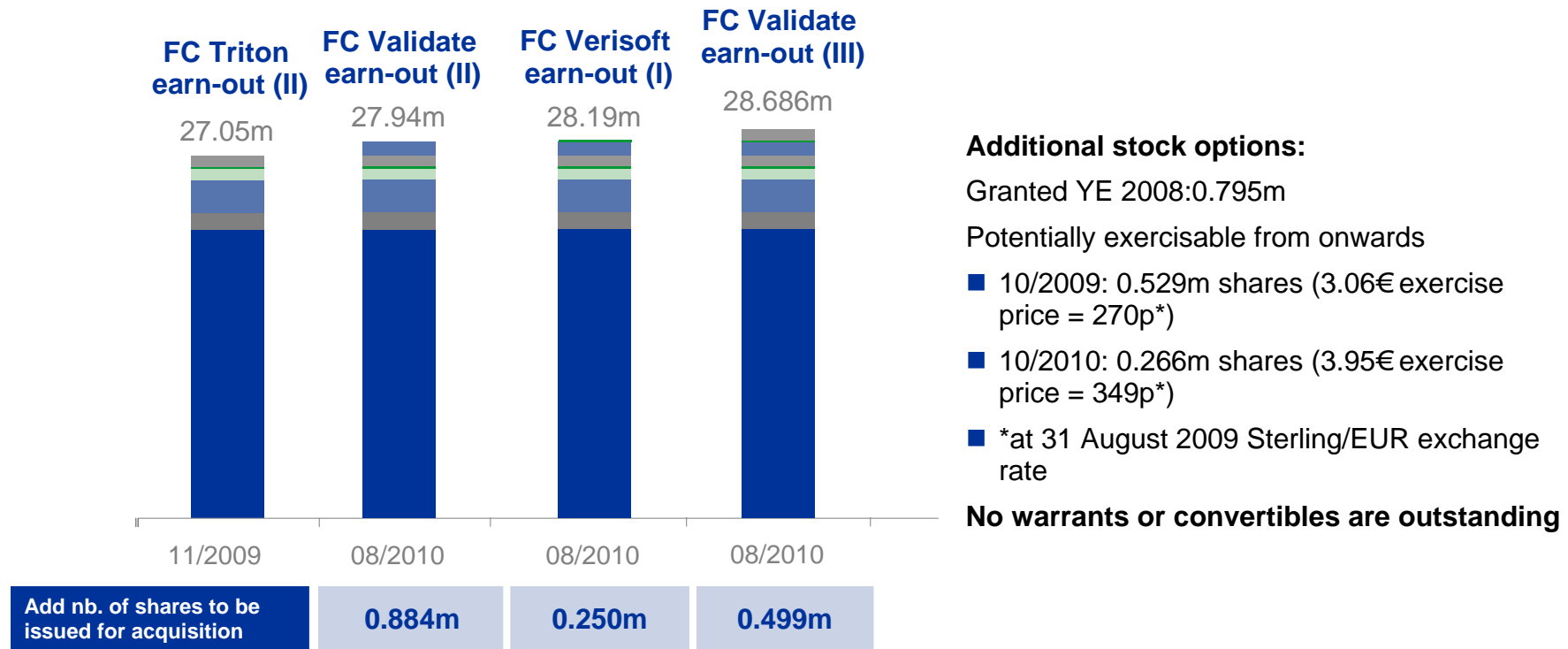
Est. weighted number of shares:

- 2008: 22.287m shares
- 2009: 26.294m shares
- 2010: 27.416m shares

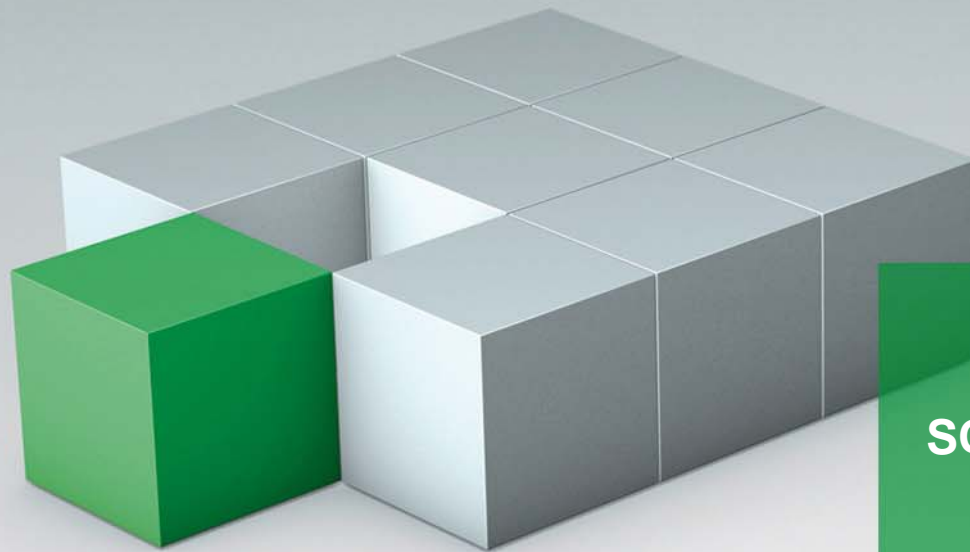
1) incl. 0.053m shares increase from convertible bonds in 02/2008

Development of number of shares from pending earn outs (II)

The considerations payable in shares for acquisitions are paid when profit related earn out targets are met.



SQS. Excellence through Independence



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Thank you for your attention