

# QSC AG

Company Presentation

Results Q2 2009

Cologne, August 12, 2009

# AGENDA

1. Operational Update  
*Dr. Bernd Schlobohm, Chief Executive Officer*
2. Financial Results  
*Jürgen Hermann, Chief Financial Officer*
3. Outlook  
*Dr. Bernd Schlobohm, Chief Executive Officer*
4. Questions & Answers

## MAJOR ACHIEVEMENTS IN Q2 2009

- Positive free cash flow leads to lower net debt (Net debt of € -5.6 million as of June 30, 2009)
- Rising profitability despite economic and financial crisis (EBITDA +34% in Q2 2009)
- Focus on high-margin products and services / Cleaning-up of the portfolio is paying off (EBITDA margin rose to 18% in Q2 2009)
- Positive development of new business (ADAC, ARAG, The Cloud)
- Sales organization now completely integrated into the three business segments => even more focused sales approach

## FINANCIAL OVERVIEW FOR Q2 2009

- Free cash flow of € 2.6 million  
(Q2 2008: € -9.0 million)
- Net profit of € 1.1 million  
(Q2 2008: € -1.5 million)
- EBITDA up 34% to € 19.0 million  
(Q2 2008: € 14.2 million)
- Revenues up 3% to € 103.7 million  
(Q2 2008: € 100.2 million)
- Significant reduction in CAPEX to € 12.9 million  
(Q2 2008: € 19.7 million)

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⇒ **Financial strength and profitability up significantly despite recession**

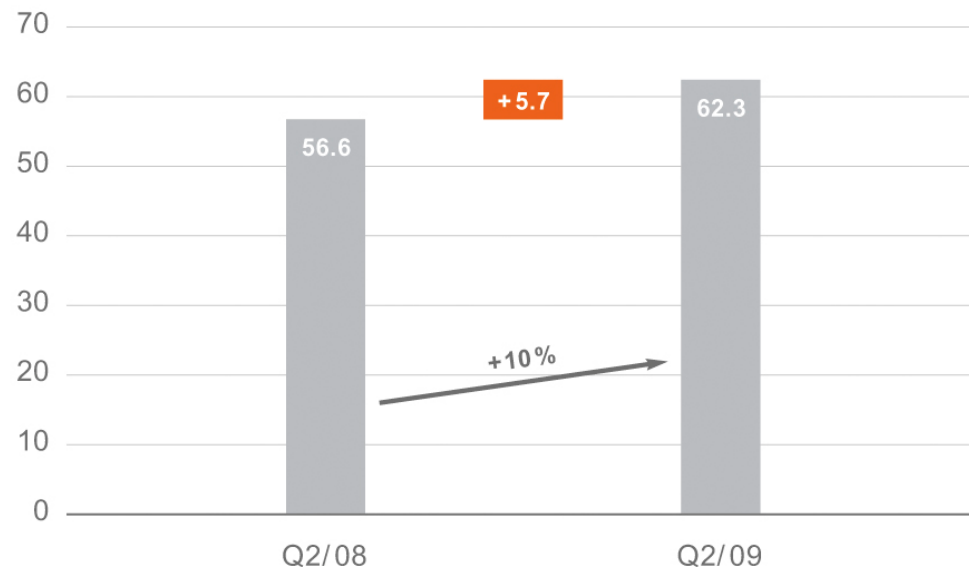
NB: All results are based on IFRS

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# BU WHOLESALE/RESELLERS ONGOING POSITIVE BUSINESS DEVELOPMENT

WHOLESALE/RESELLER YEAR-ON-YEAR (in € million)



## Break-up of revenues

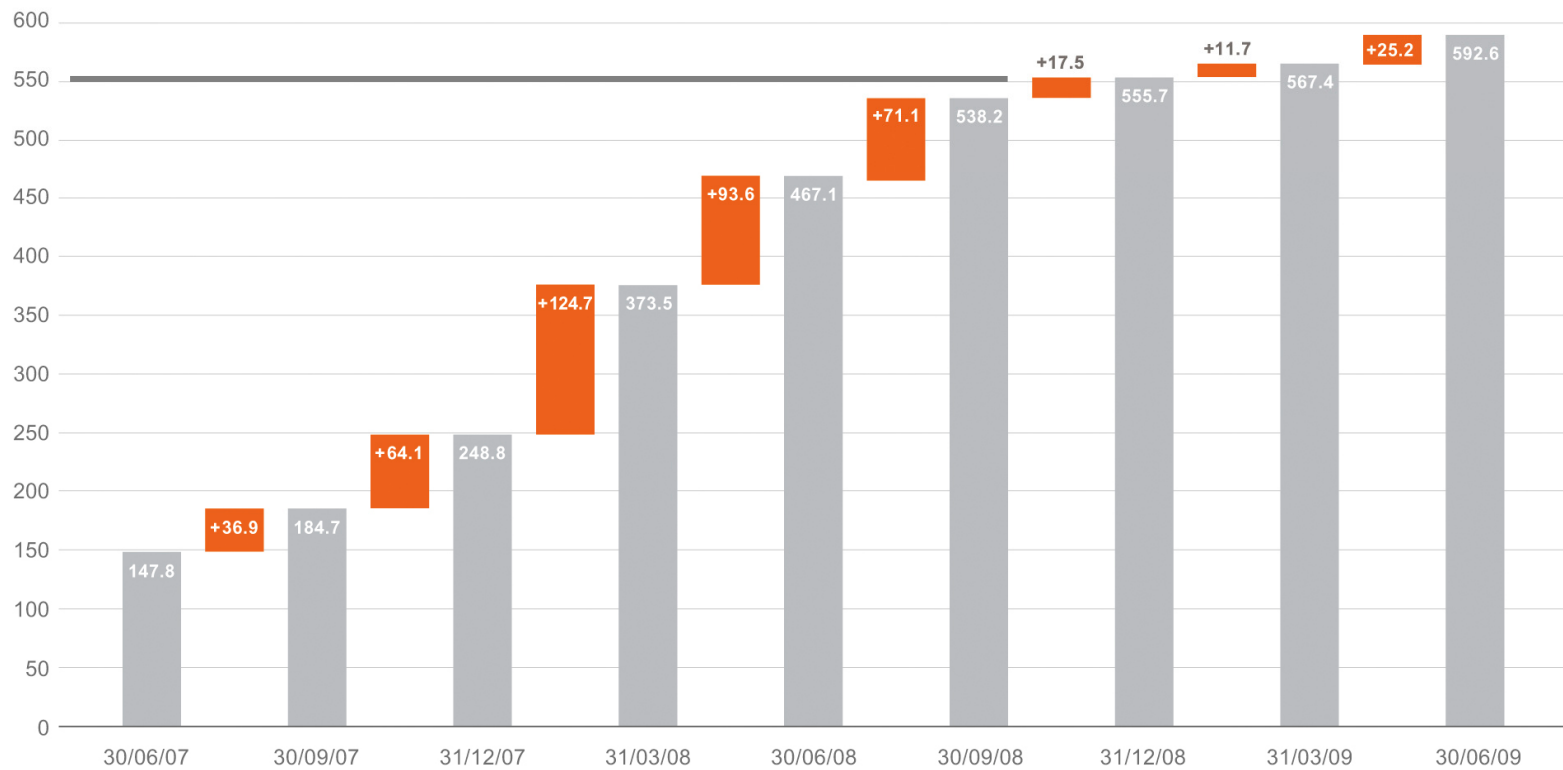
- 49% of segment revenues from ADSL2+
- 28% of segment revenues from voice wholesale

## Major developments

- Demand from congstar and established wholesale partners led to higher growth in ADSL2+ in Q2 2009
- High number of holidays softened growth in the voice wholesale business
- SHDSL wholesale for carriers on stable growth course

# BU WHOLESALE/RESELLERS HIGHER NUMBER OF NET ADDS

UNBUNDLED LOCAL LOOPS (ULL) - ONLINE (in thousand)



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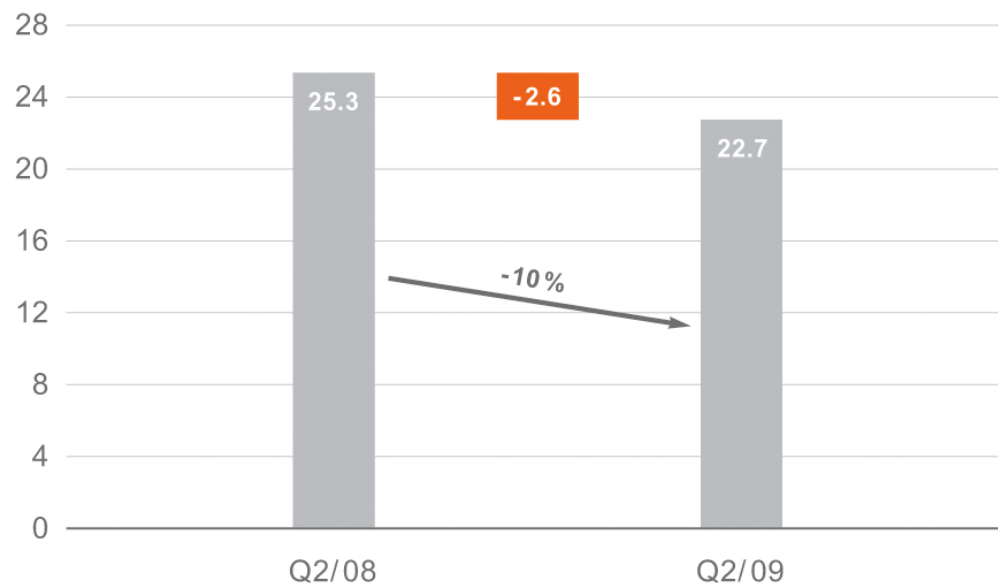
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# BU PRODUCTS

## CONSISTENT FOCUS ON HIGH-MARGIN PRODUCTS

### PRODUCTS YEAR-ON-YEAR (in € million)



### Break-up of revenues

- 45% legacy voice

### Major developments

- Deep recession intensified price competition in legacy voice business
- Comparatively high number of holidays affected legacy voice business as well
- But: QSC focuses on high-margin products => segment EBITDA rose in Q2 2009 by 34%
- Growth opportunity Q-DSLmax: More bandwidth variety since June 2009

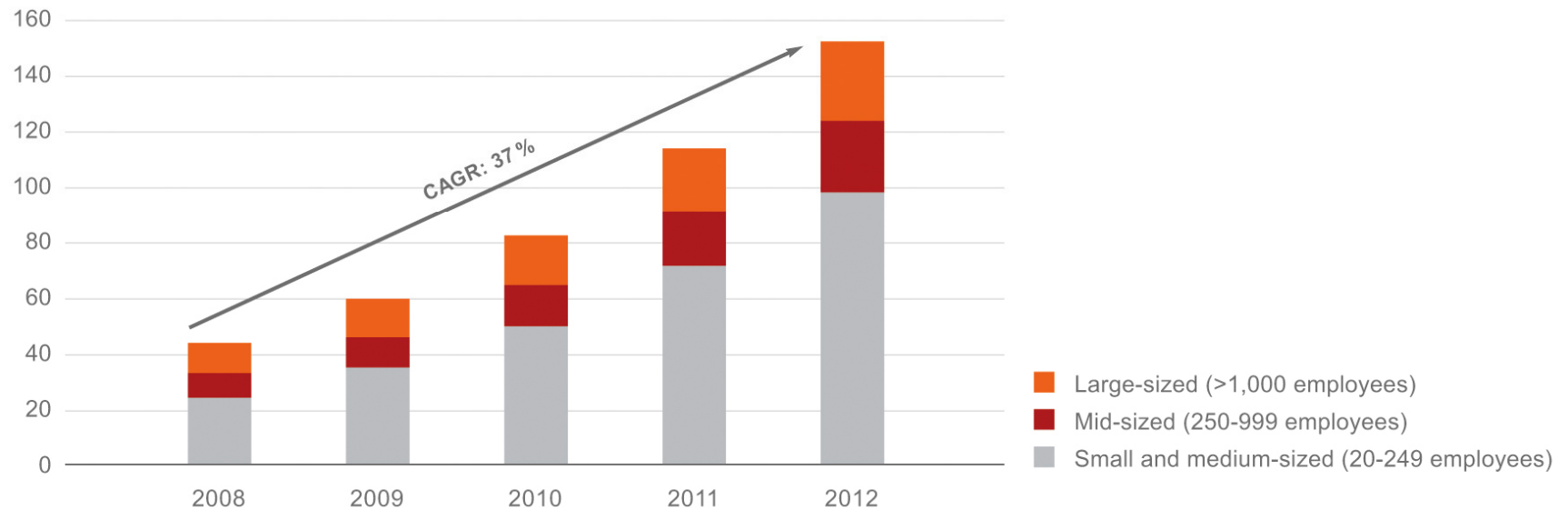
# HIGH MARGIN PRODUCT IPFONIE CENTRAFLEX

- Virtual telephone system
  - Won an innovation award at CeBIT 2009
  - Relaunch in August 2009
  - Certification of more than 40 sales partners already in July 2009
  - By year-end, 150 sales partners should be certified
  - Sweet spot customer: approx. 100 seats
- ⇒ One-stop shopping for Access + VoIP + IP-Centrex
- ⇒ Tremendous potential for upselling in existing customer base



# GROWTH POTENTIAL FOR IP-CENTREX

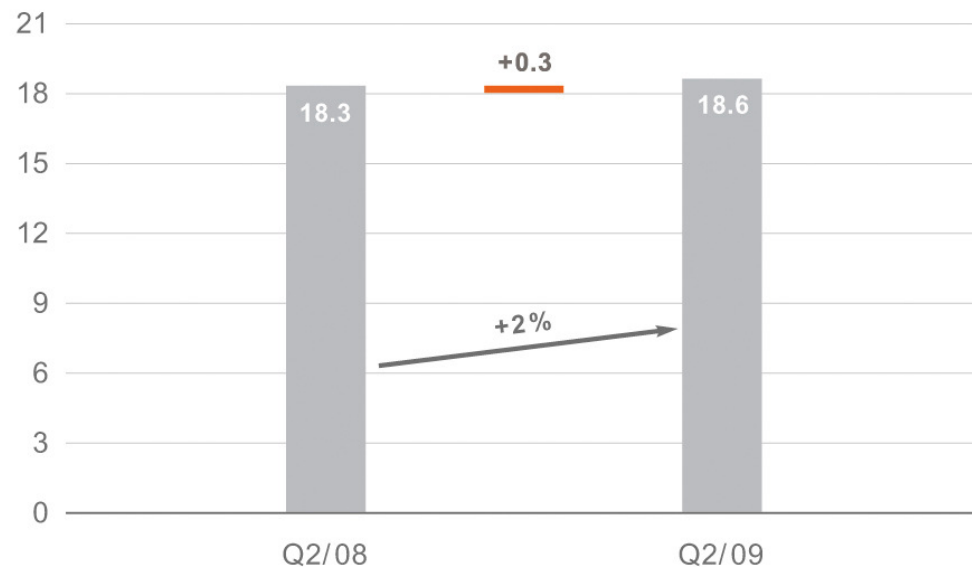
MARKET DEVELOPMENT OF IP-CENTREX (in € million)



Source: Ovum, 2008

# BU MANAGED SERVICES SPLIT DEVELOPMENT OF NEW BIZ VS. RENEWALS

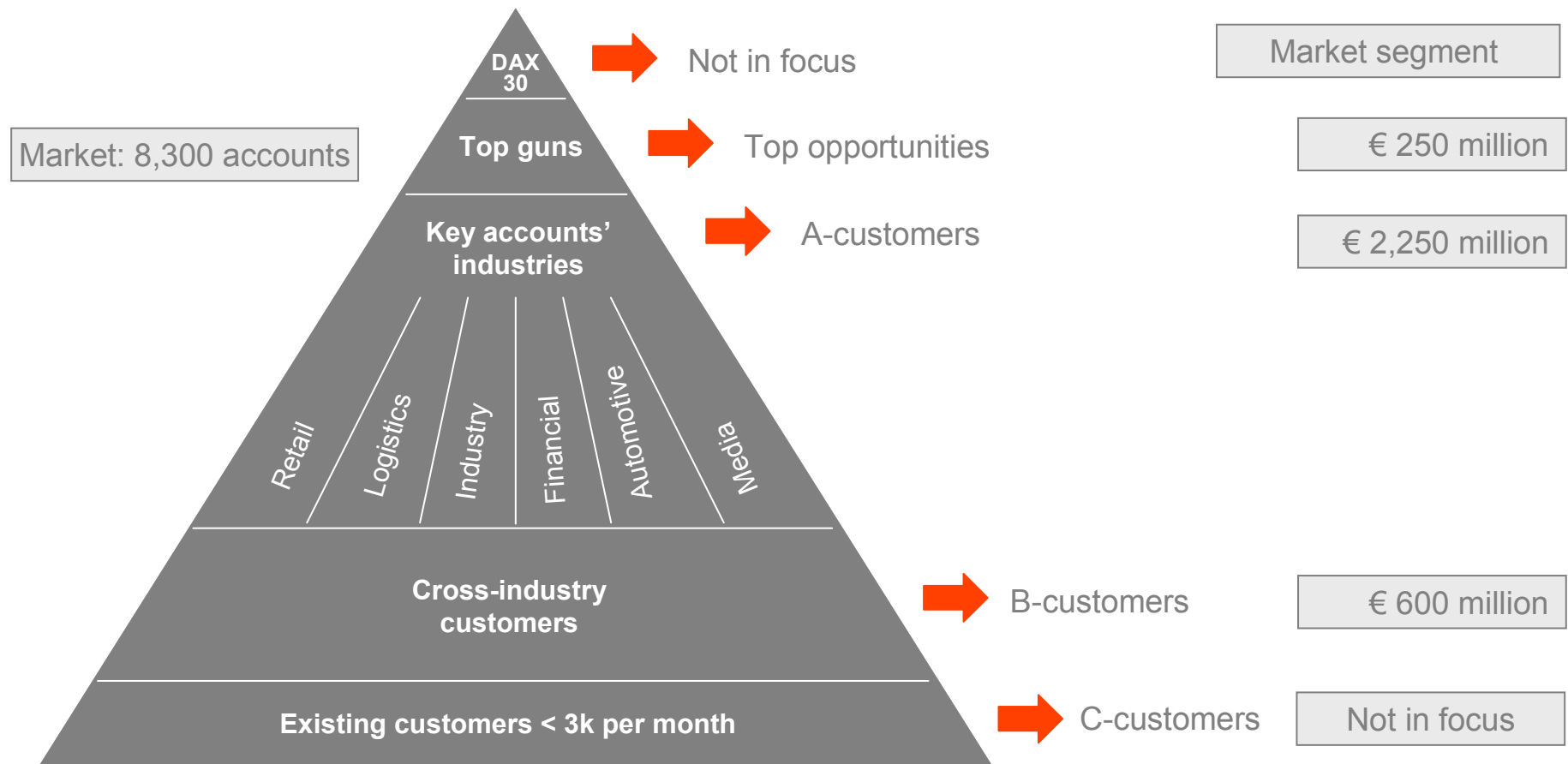
MANAGED SERVICES YEAR-ON-YEAR (in € million)



## Major developments

- Recession leads to price pressure in connection with contract renewals
- Upselling opportunity: Cost-saving services like VoIP or Hosted Services (Telco-Software-as-a-Service)
- Positive development of new business in Q2 2009 with customers like ADAC, ARAG and The Cloud
- Future: Reduction of structural costs by more automatization / industrialization

# FOCUS ON SELECTED ACCOUNTS AND INDUSTRIES



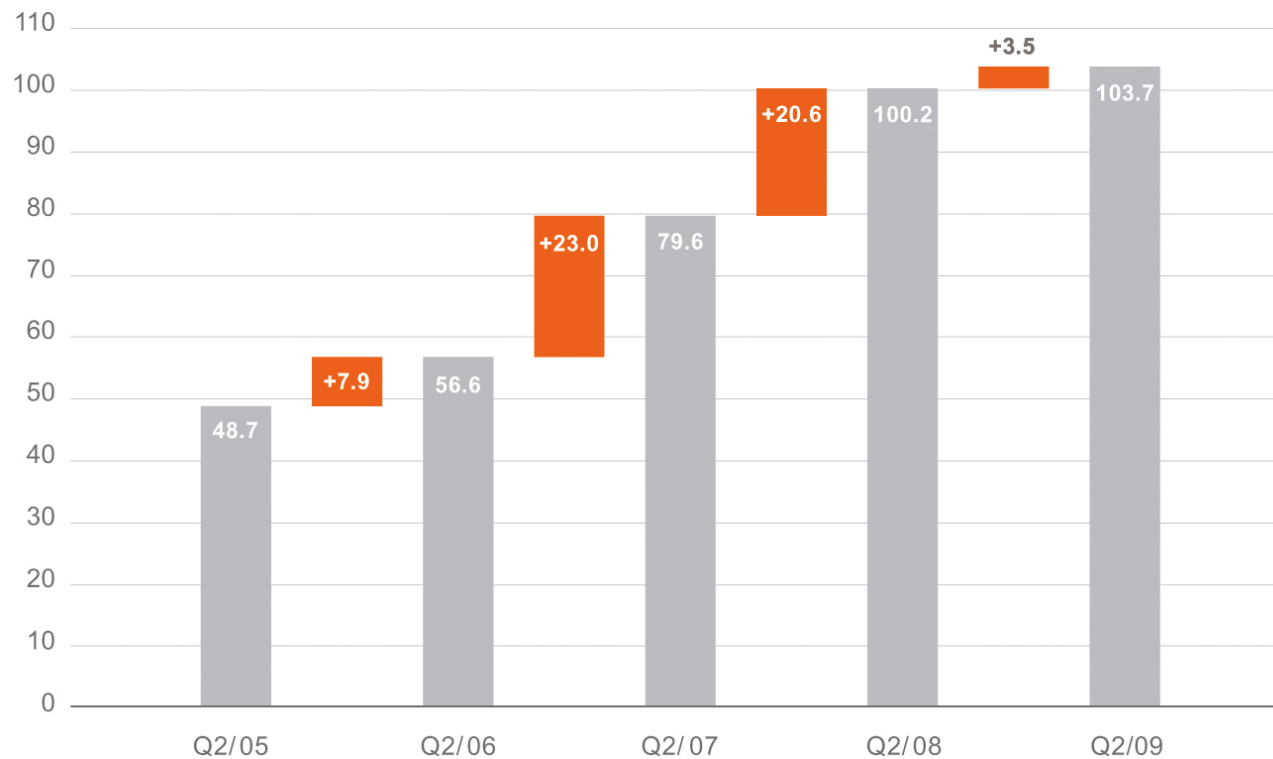
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# RECESSION YEAR 2009: FOCUS ON HIGHER PROFITABILITY AND FINANCIAL STRENGTH

REVENUE GROWTH YEAR-ON-YEAR (in € million)



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## QSC'S STRATEGY HAS WORKED OUT WELL PROFITABILITY HAS RISEN SIGNIFICANTLY

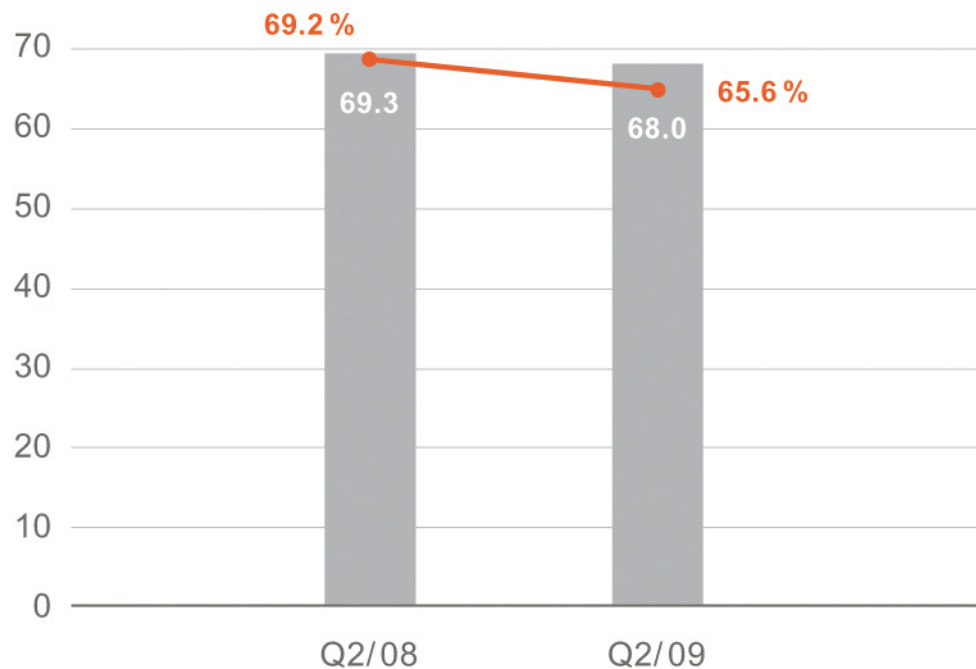
In € million	Q2 2008	Q2 2009	Δ
• Revenues	100.2	103.7	+3.5%
• Network expenses <sup>(1)</sup>	69.3	68.0	-1.9%
• <b>Gross profit</b>	<b>+30.9</b>	<b>+35.7</b>	<b>+15.5%</b>
• Other operating expenses <sup>(1)</sup>	16.7	16.7	-
• <b>EBITDA profit</b>	<b>+14.2</b>	<b>+19.0</b>	<b>+33.8%</b>
• Depreciation	15.0	16.7	+11.3%
• <b>EBIT profit (loss)</b>	<b>-0.8</b>	<b>+2.3</b>	<b>nm</b>
• Financial results	-0.6	-0.7	-16.7%
• Income taxes	-0.1	-0.4	nm
• <b>Net profit (loss)</b>	<b>-1.5</b>	<b>+1.1</b>	<b>nm</b>

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(1) Excluding depreciation and non-cash share-based payments

# LOWER NETWORK COSTS DESPITE HIGHER REVENUES

## NETWORK EXPENSES (in € million)



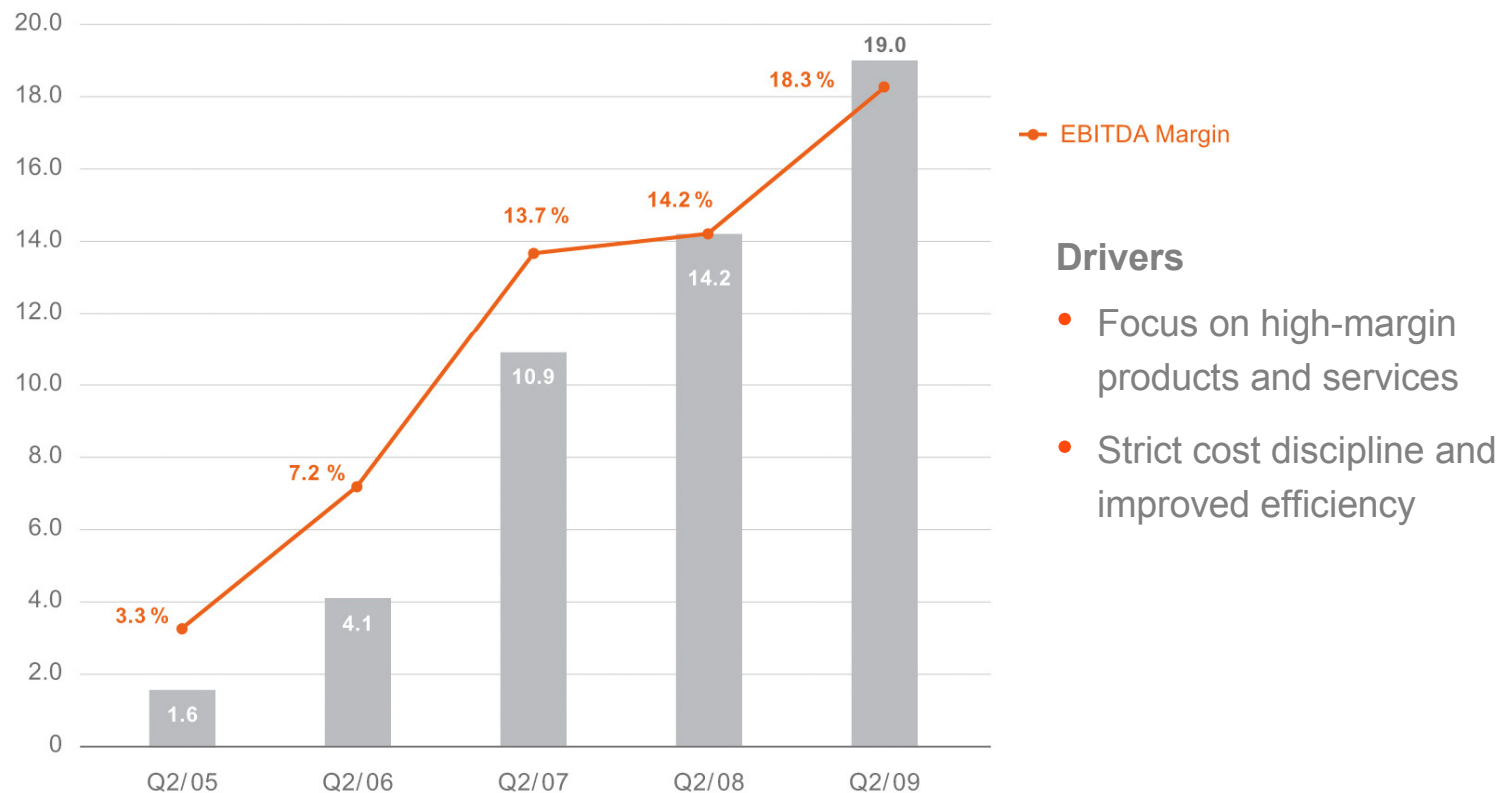
— Expenses relative to revenues

### Drivers

- Focus on high-margin products is paying off
- Ongoing optimization of infrastructure has led to cost reductions

# EBITDA MARGIN IS RISING SIGNIFICANTLY

EBITDA QUARTER-ON-QUARTER (in € million)



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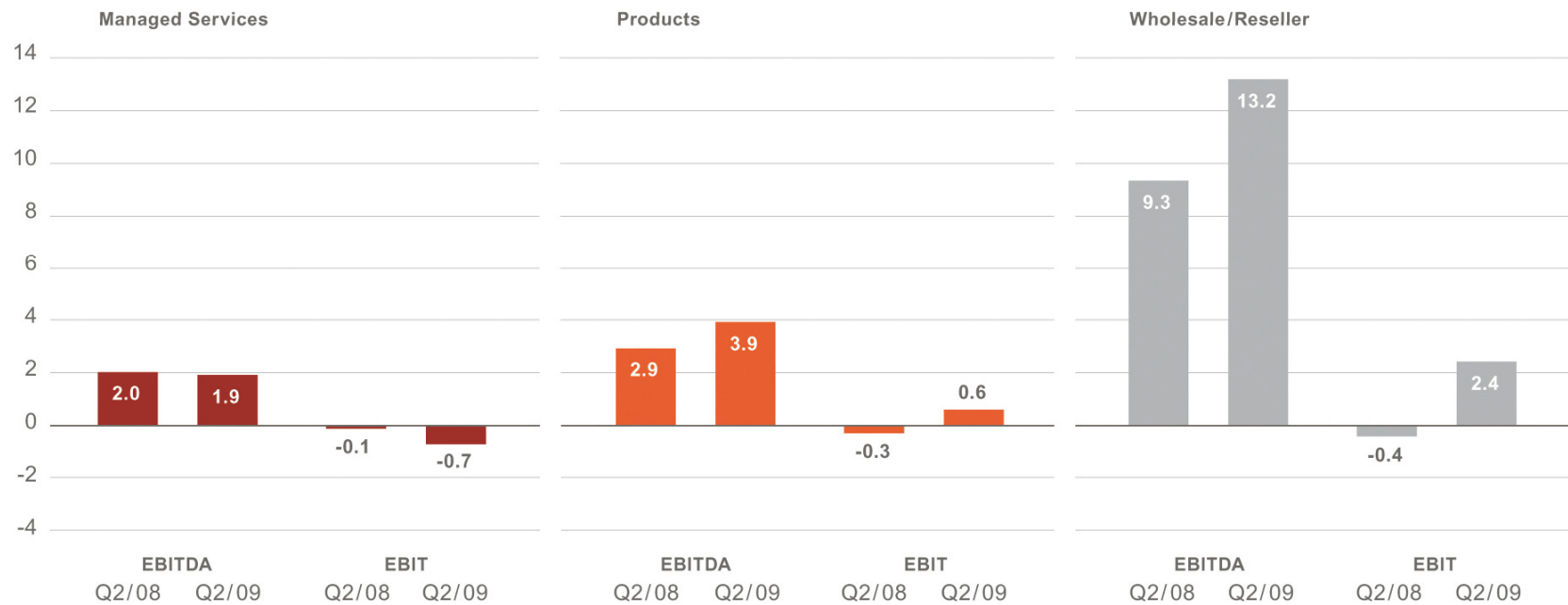
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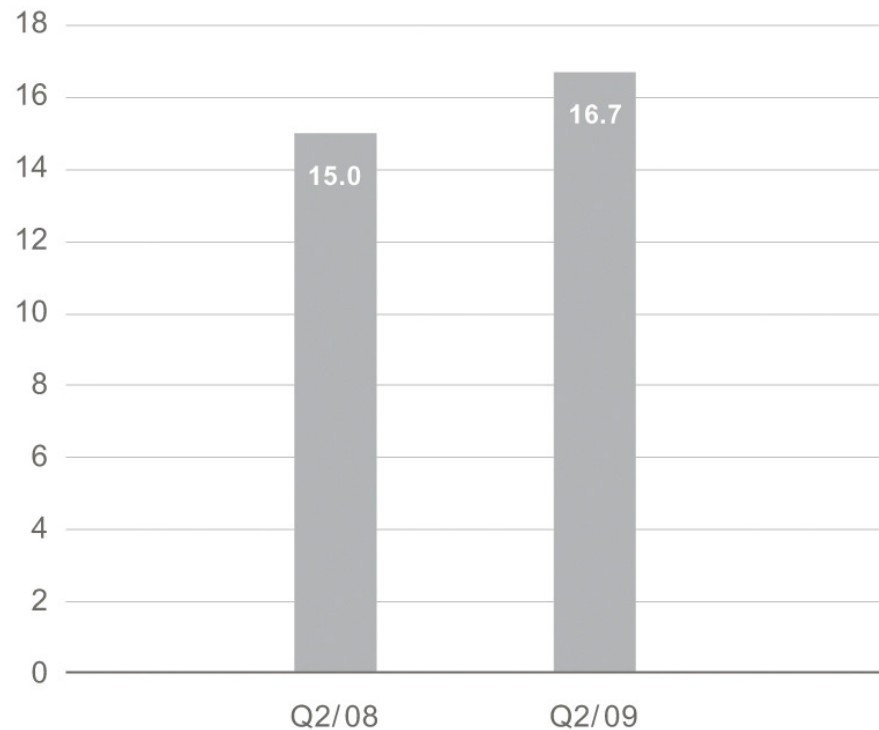
# ALL 3 SEGMENTS REPORT A POSITIVE EBITDA

EBITDA/EBIT YEAR-ON-YEAR (in € million)



# DEPRECIATION REACHES ITS PEAK IN 2009

DEPRECIATION (in € million)



## Drivers

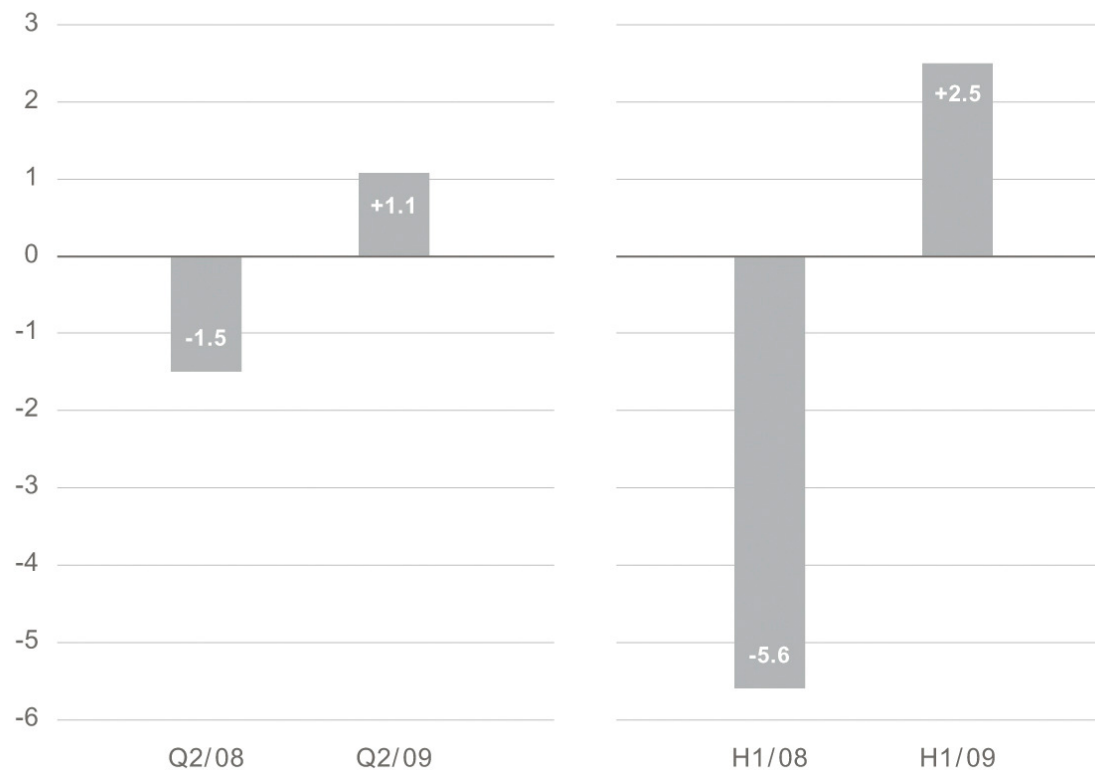
- High growth in ADSL2+ business in 2008 is in 2009 leading to high depreciation (depreciation period: 2 years)
- Network rollout has been completed

## Consequence

- Depreciation will start declining in 2010

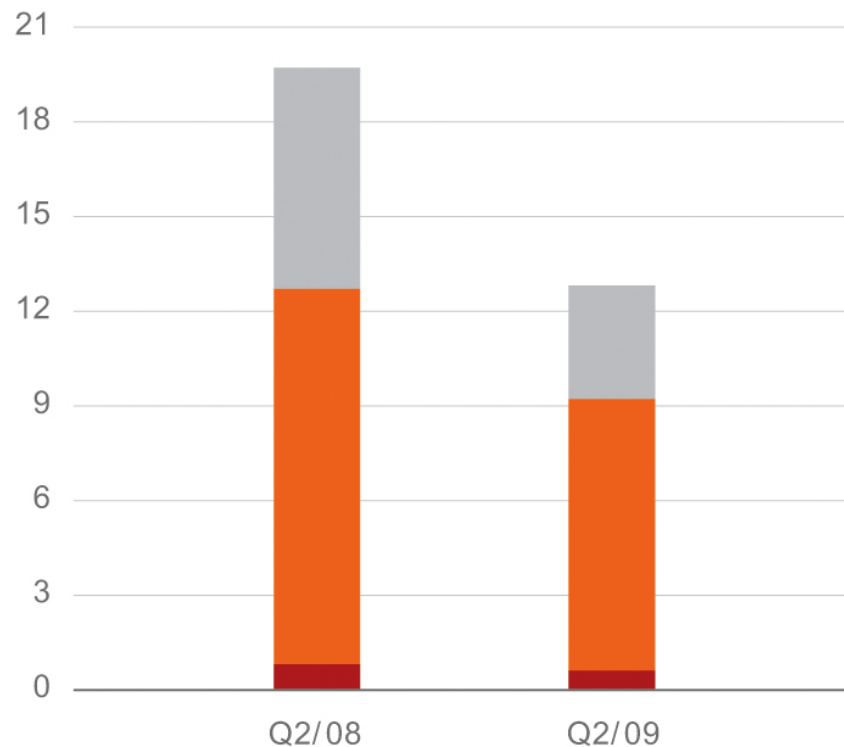
# QSC HAS EARNED A SUSTAINABLE NET PROFIT

NET INCOME YEAR-ON-YEAR (in € million)



# SIGNIFICANT REDUCTION IN CAPEX IN 2009

CAPEX (in € million)



## Drivers

- Conclusion of network rollout in Q2 2008
- Share of customer-driven CAPEX rose to 67% (Q2 2008: 60%)

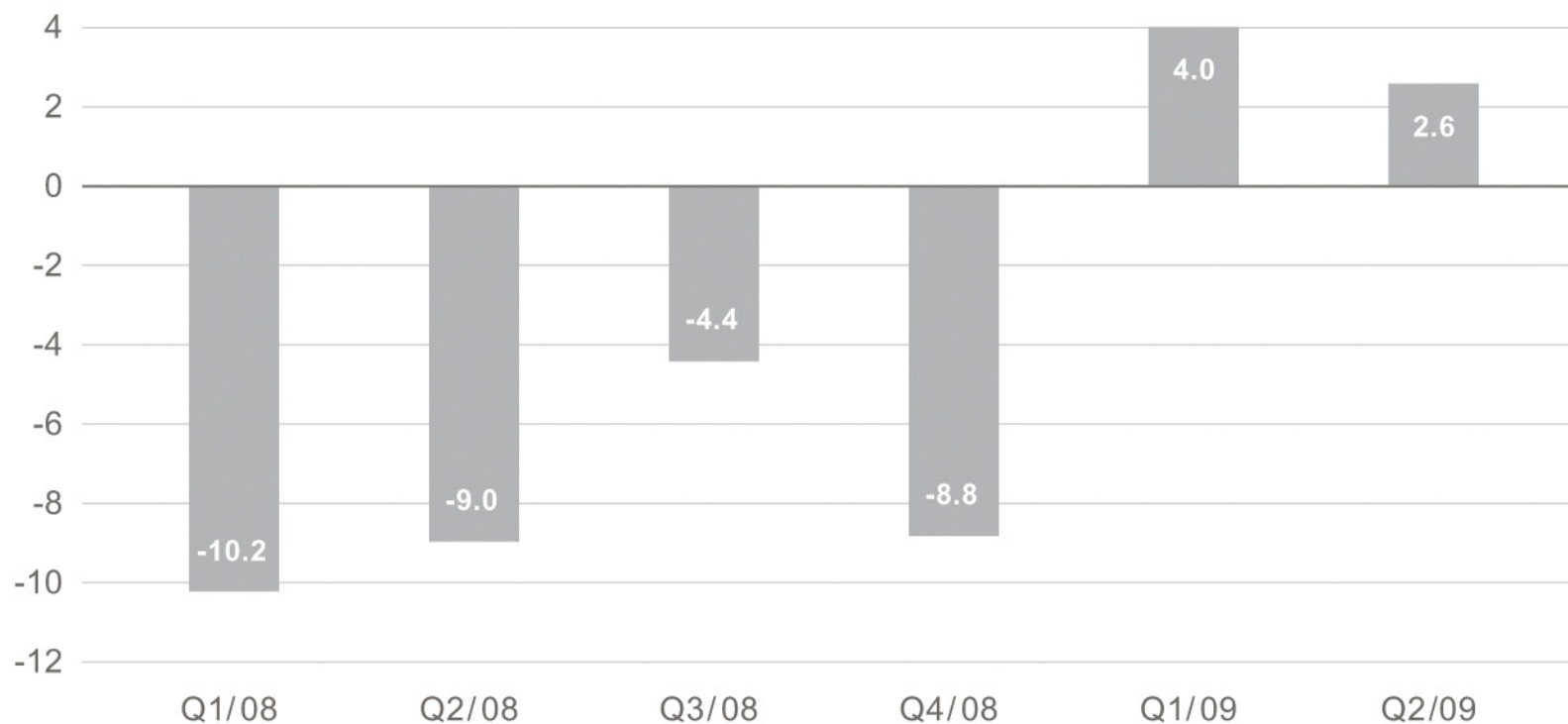
## Consequence

- Low and stable level of CAPEX in 2009

- Network Extension
- Customer driven
- Other

# QSC HAS EARNED A POSITIVE FREE CASH FLOW

FREE CASH FLOW (in € million)



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## SINCE THE OUTSET OF 2009: QSC HAS REDUCED INTEREST-BEARING DEBT BY € 11.7 MILLION

In € million	Dec. 31, 2008	June 30, 2009	△
+ Cash and short-term deposits	+48.8	+43.7	-5.2
+ Available-for-sale financial assets	+0.3	+0.3	-
<b>+ Liquidity</b>	<b>+49.2</b>	<b>+44.0</b>	<b>-5.2</b>
- Finance lease obligations	-37.5	-29.6	+7.9
- Other short-term liabilities	-8.8	-5.0	+3.8
- Liabilities due to banks	-15.0	-15.0	-
<b>- Financial debt</b>	<b>-61.3</b>	<b>-49.6</b>	<b>+11.7</b>
<b>= Net liquidity (net debt)</b>	<b>-12.2</b>	<b>-5.6</b>	<b>+6.6</b>

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# OUTLOOK 2009

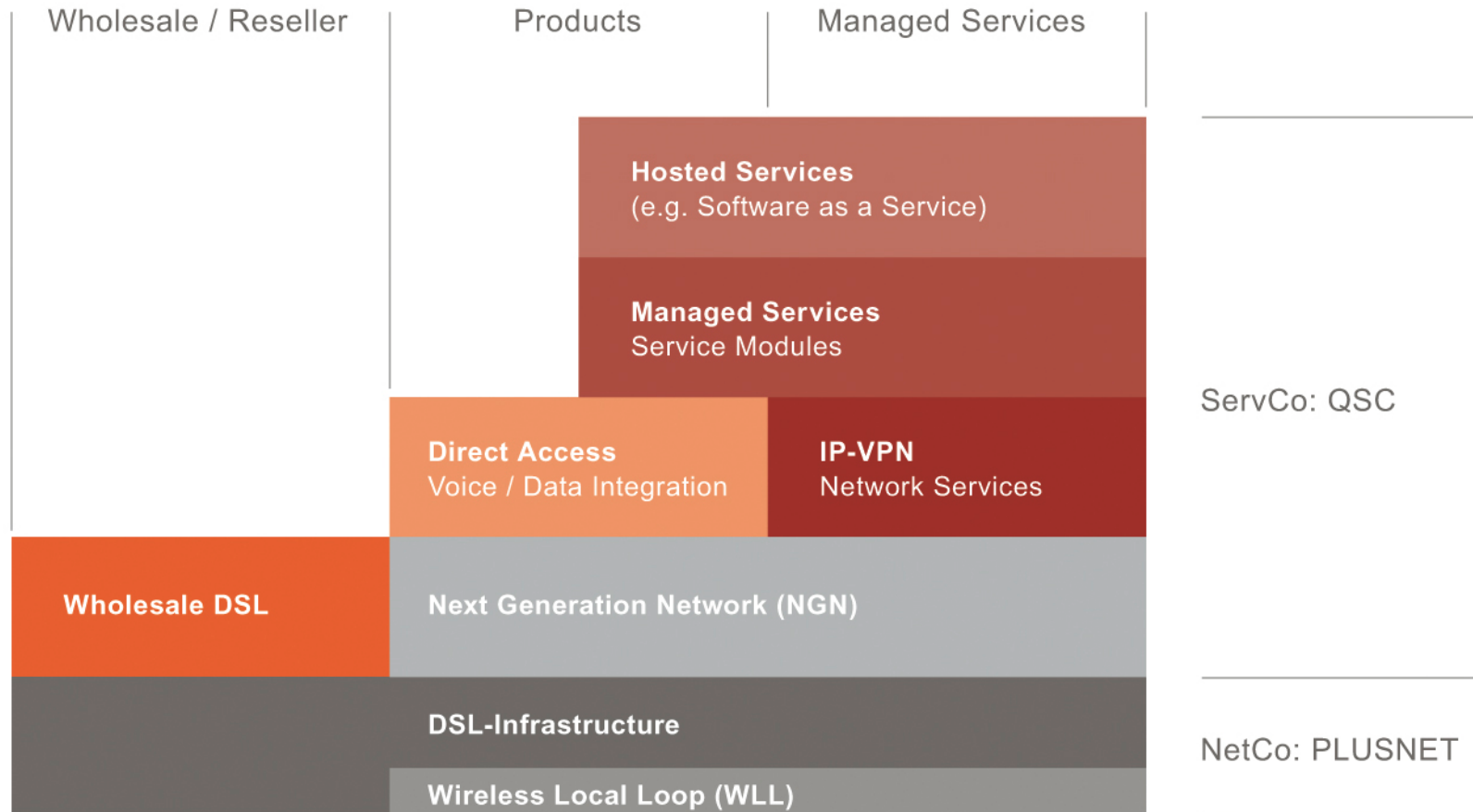
## QSC REITERATES GUIDANCE EXPRESSLY

- Focus 2009: Improvement of cash flow and earnings
- Free cash flow > € 10 million
- EBITDA of between € 68 – € 78 million
- Sustainable positive net income
- Revenues of between € 420 – € 440 million
- Higher profitability has priority over higher revenues



# OUTLOOK 2009

## QSC IS MOVING UP THE VALUE CHAIN



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# FINANCIAL CALENDAR 2009

August 25, 2009	9th German Technology & Telecoms Conference Commerzbank, Frankfurt
September 22, 2009	German Investment Conference UniCredit, Munich
November 9–11, 2009	German Equity Forum Fall 2009 Deutsche Börse, Frankfurt
November 12, 2009	Publication of Quarterly Report III/2009

# CONTACT

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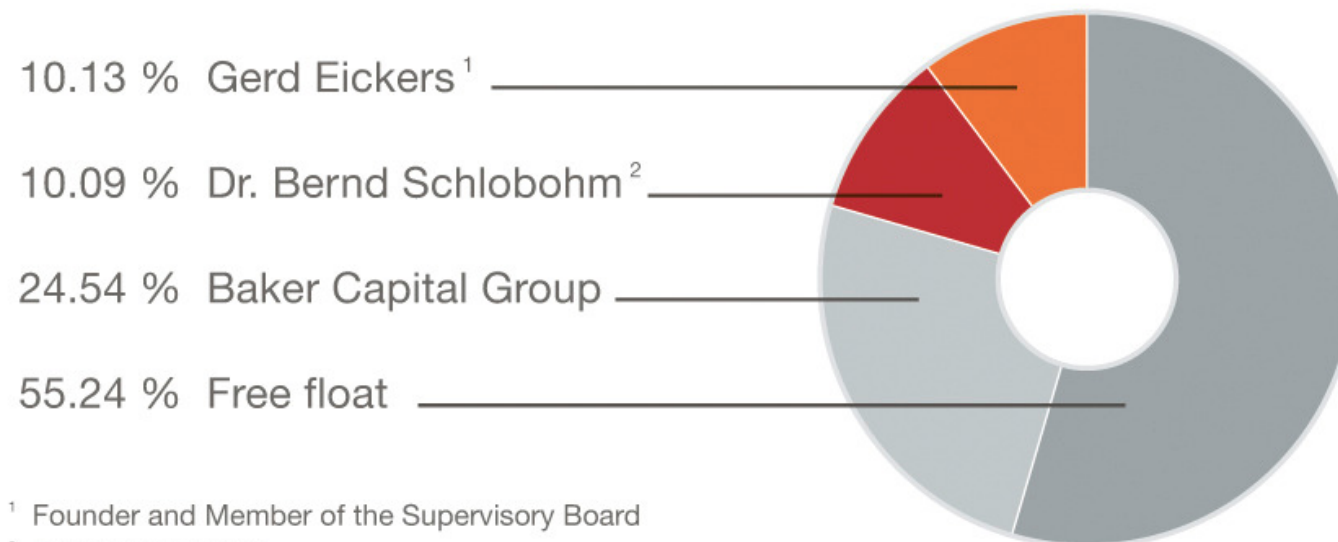
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# STABLE SHAREHOLDER STRUCTURE SINCE IPO

## SHAREHOLDER STRUCTURE



<sup>1</sup> Founder and Member of the Supervisory Board

<sup>2</sup> Founder and CEO

Status quo: 31/07/2009