

# QSC AG

Company Presentation  
Results Q1 2011

Cologne, May 9, 2011

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# AGENDA

1. Highlights Q1 2011
2. Financial Results Q1 2011
3. Outlook 2011
4. Questions & Answers

## MAJOR ACHIEVEMENTS IN 2011 UP TO NOW

- Acquisition of the majority of INFO AG
- Ongoing successful transformation
- New flagship customers:  
AVIS Autovermietung, Creditreform, Klöckner & Co., Teekanne
- Add-on of Herweck AG as a distribution partner  
(approx. 10,000 specialty retailers)
- New data center for DATEV with a 10 year contract
- SensorCloud project garners award from German Economics Ministry

# INFO AG: POSITIVE REACTION FROM EMPLOYEES AND CUSTOMERS

## The Acquisition

- QSC has already acquired 59.98% of INFO AG shares for € 14.35 per share\*
- Valuation (EV) = EBITDA \* 7.8; below comparable transactions

## First reactions

- 608 employees  
=> very positive reaction to the acquisition
- More than 130 mainly mid-sized business customers  
=> positive reaction of largest customers

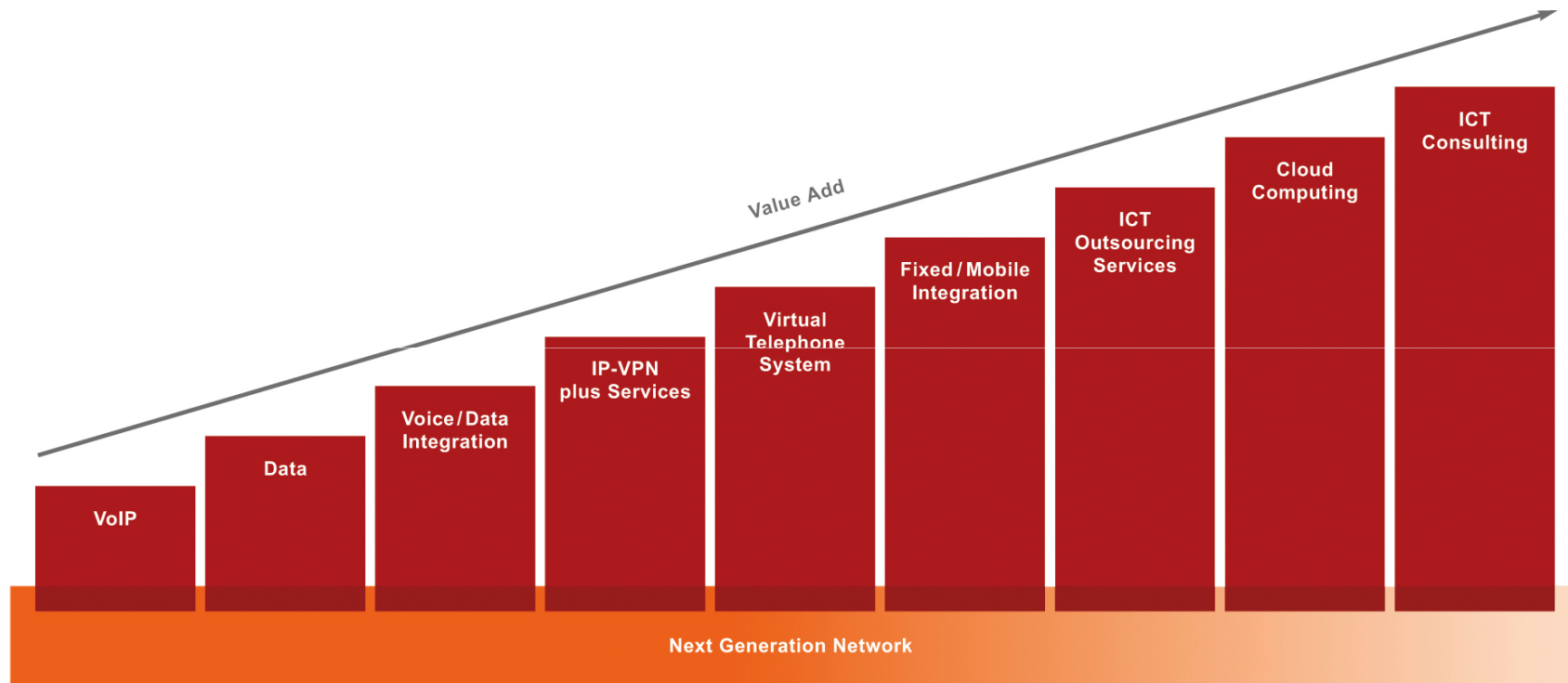
## Next steps

- QSC will publish a public tender offer in June
- QSC is intensifying collaboration

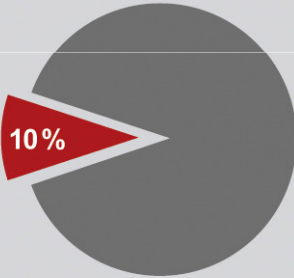
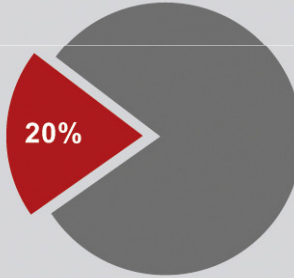
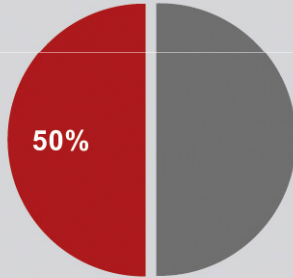
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\* Subject to approval by German antitrust-agency

# INFO AG FITS PERFECTLY TO QSC'S STRATEGY...

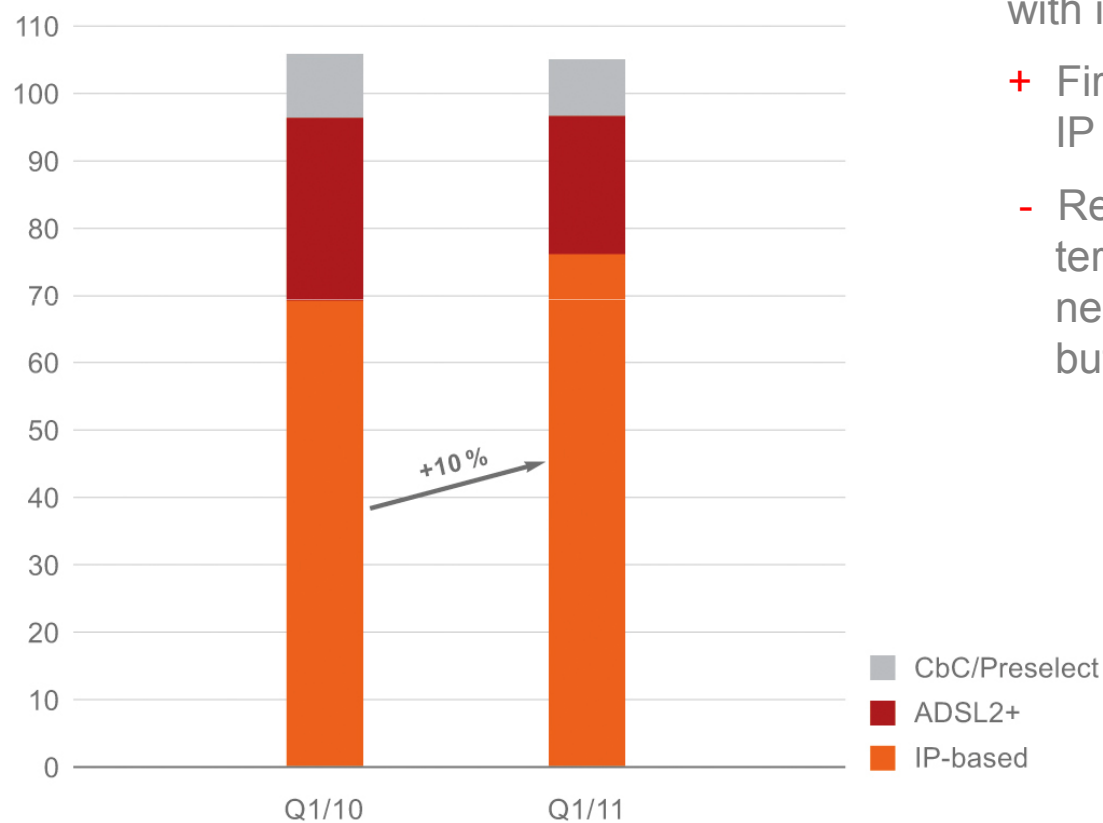


# ... AND WILL INCREASE THE POTENTIAL MARKET OF QSC SIGNIFICANTLY

	2009	2010	2011
Field of activity	TC solution provider	ICT service provider	ICT full service provider
Share of Wallet			
Market	€ 10bn	€ 20bn	€ 50bn

# TRANSFORMATION PROCESS ONGOING IN Q1 2011

REVENUE MIX (in € million)



- Two reverse one-time effects with impact on revenues
  - + First-time consolidation of IP Partner
  - Reduction of mobile termination fees has cost nearly € 5m revenues – but no margin!

## GENERAL TRENDS WITH IMPACT ON REVENUES

- (-) Ongoing price pressure in legacy voice
- (-) Market saturation and pricing pressure in ADSL2+

versus

- (+) Stronger demand for IP-VPN and VoIP services & applications
  - (+) Market for ICT services (e.g. Housing, Hosting, ICT Outsourcing)
  - (+) Growing interest in Cloud Services
- ⇒ QSC will profit from these trends



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# Q1 2011: FURTHER IMPROVEMENT IN PROFITABILITY AND FINANCIAL STRENGTH

REVENUES (in € million)



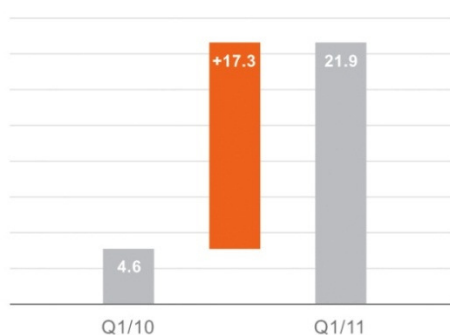
EBITDA (in € million)



NET PROFIT (in € million)

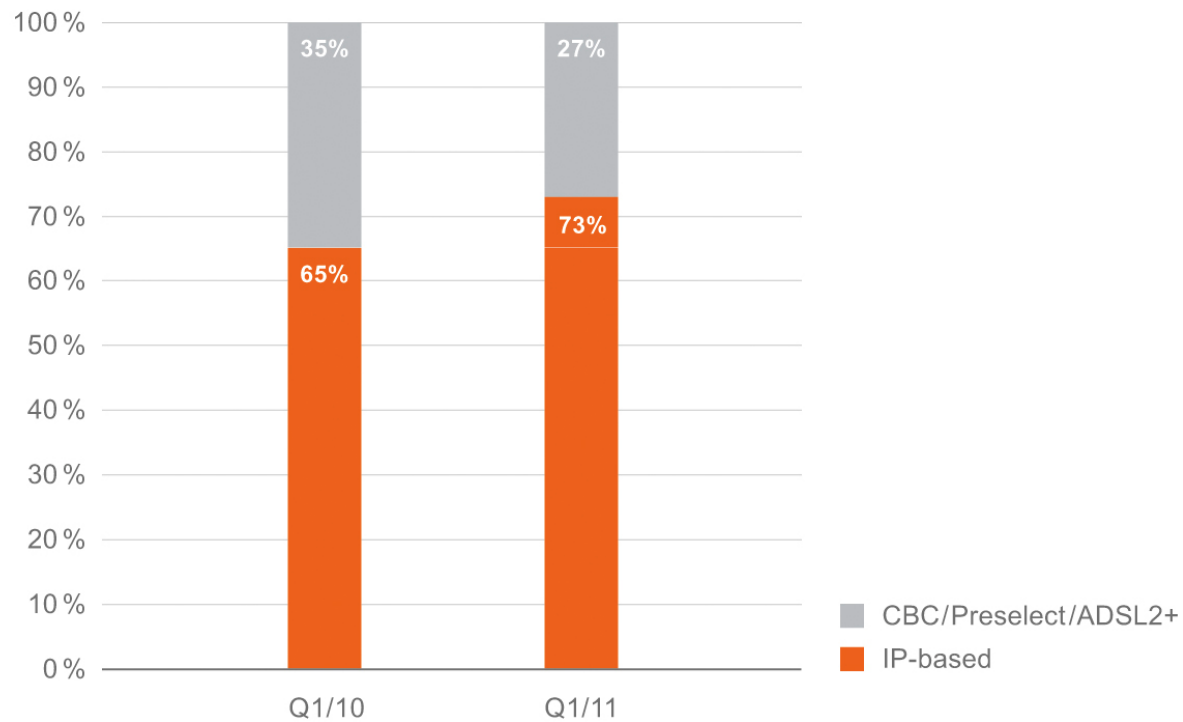


FREE CASH FLOW (in € million)



# ACQUISITION OF INFO AG WILL FURTHER STRENGTHEN IP-BASED REVENUES – STARTING Q2 2011

## REVENUE SPLIT



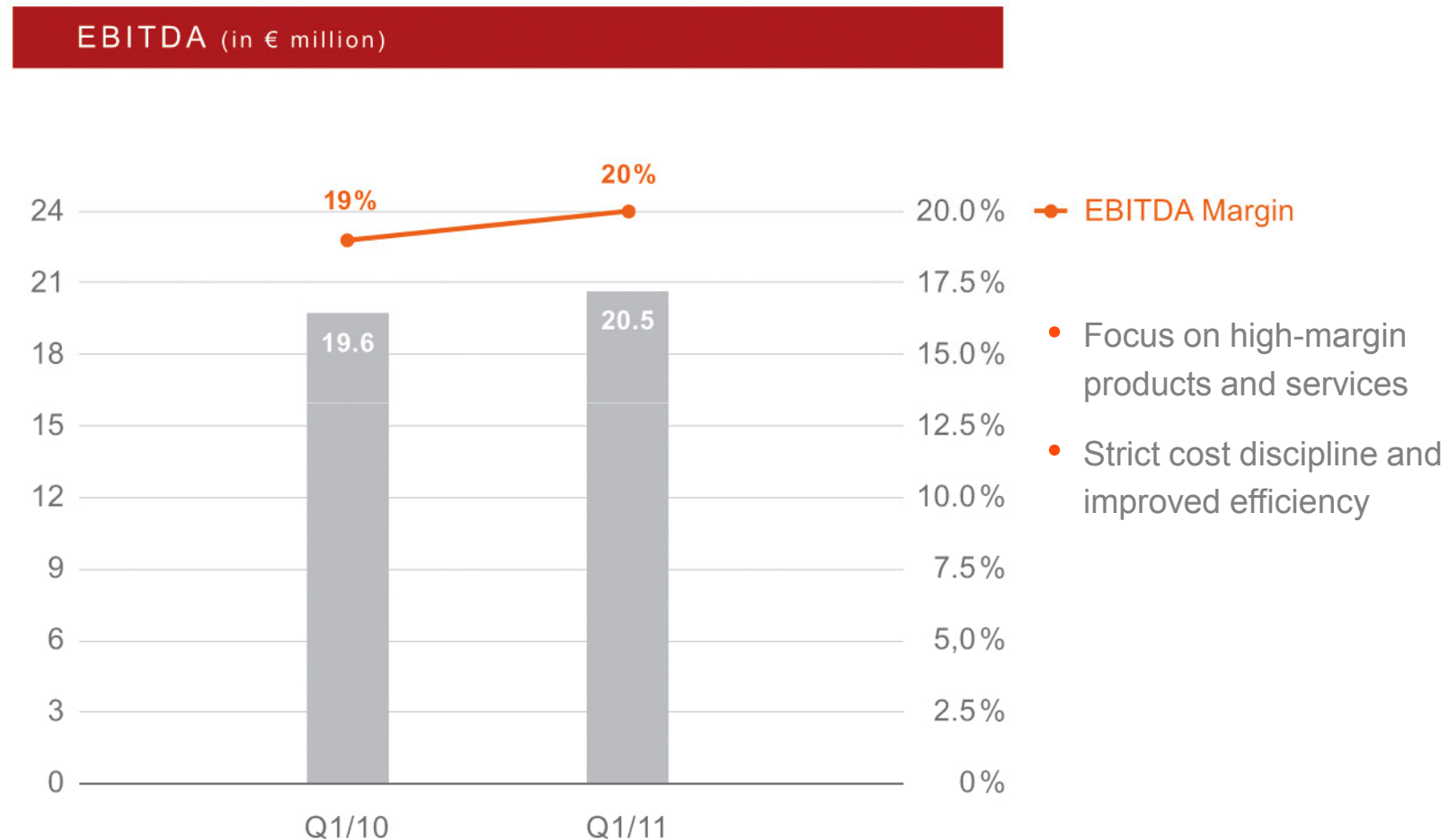
## Q1 2011: QSC HAS DOUBLED ITS NET PROFIT

In € millions	Q1 2010	Q1 2011	Δ
• Revenues	105.9	105.1	-0.8%
• Network expenses <sup>(1)</sup>	68.3	68.1	-0.3%
• <b>Gross profit</b>	<b>+37.6</b>	<b>+36.9</b>	<b>-1.9%</b>
• Other operating expenses <sup>(1)</sup>	18.0	16.4	-8.9%
• <b>EBITDA</b>	<b>+19.6</b>	<b>+20.5</b>	<b>+4.6%</b>
• Depreciation	15.6	12.4	-20.5%
• <b>EBIT</b>	<b>+3.9</b>	<b>+8.1</b>	<b>+107.7%</b>
• Financial results	-0.4	-0.3	+25.0%
• Income taxes	-0.3	-1.3	nm
• <b>Net profit</b>	<b>+3.2</b>	<b>+6.5</b>	<b>+103.1%</b>

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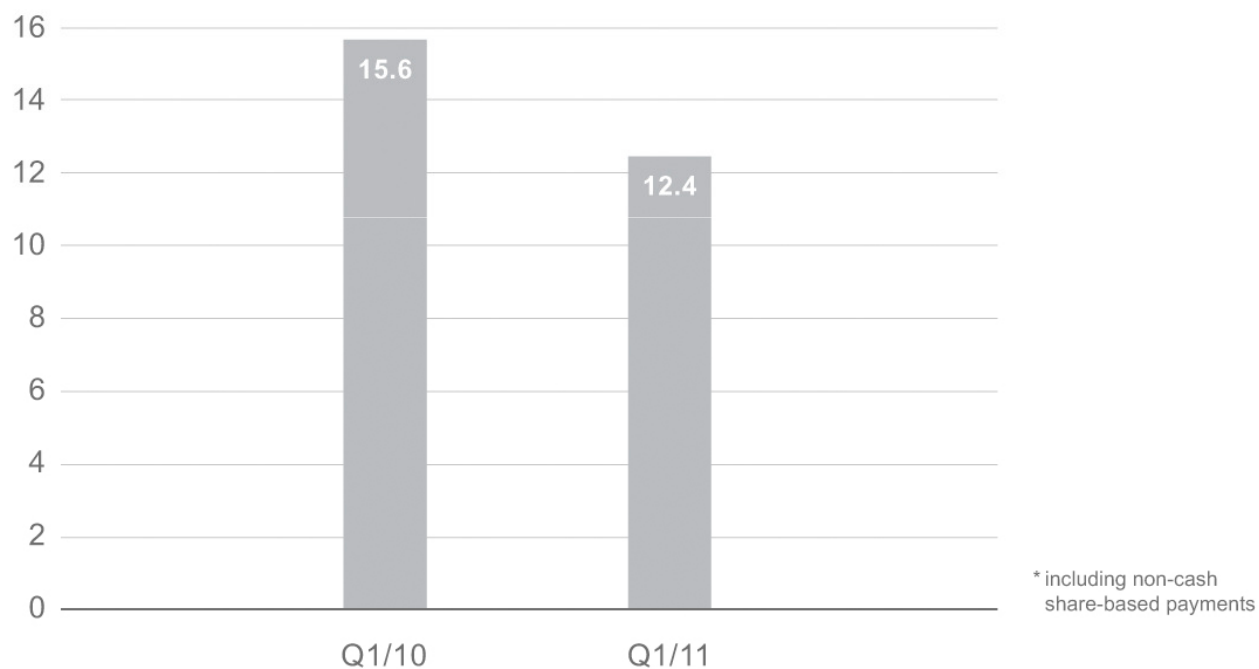
(1) Excluding depreciation and non-cash share-based payments

# QSC NOW EARNS AN EBITDA MARGIN OF 20%



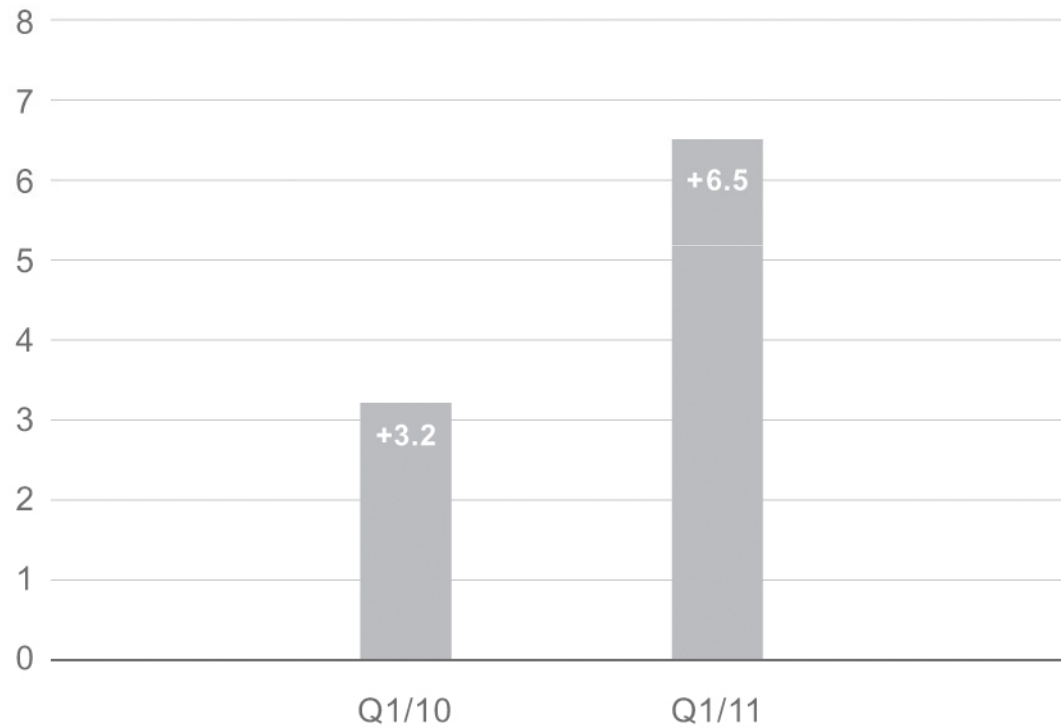
# PROFITABILITY IS POSITIVELY IMPACTED BY DECREASING DEPRECIATION

DEPRECIATION\* (in € million)



# QSC HAS DOUBLED ITS NET PROFIT

NET PROFIT (in € million)



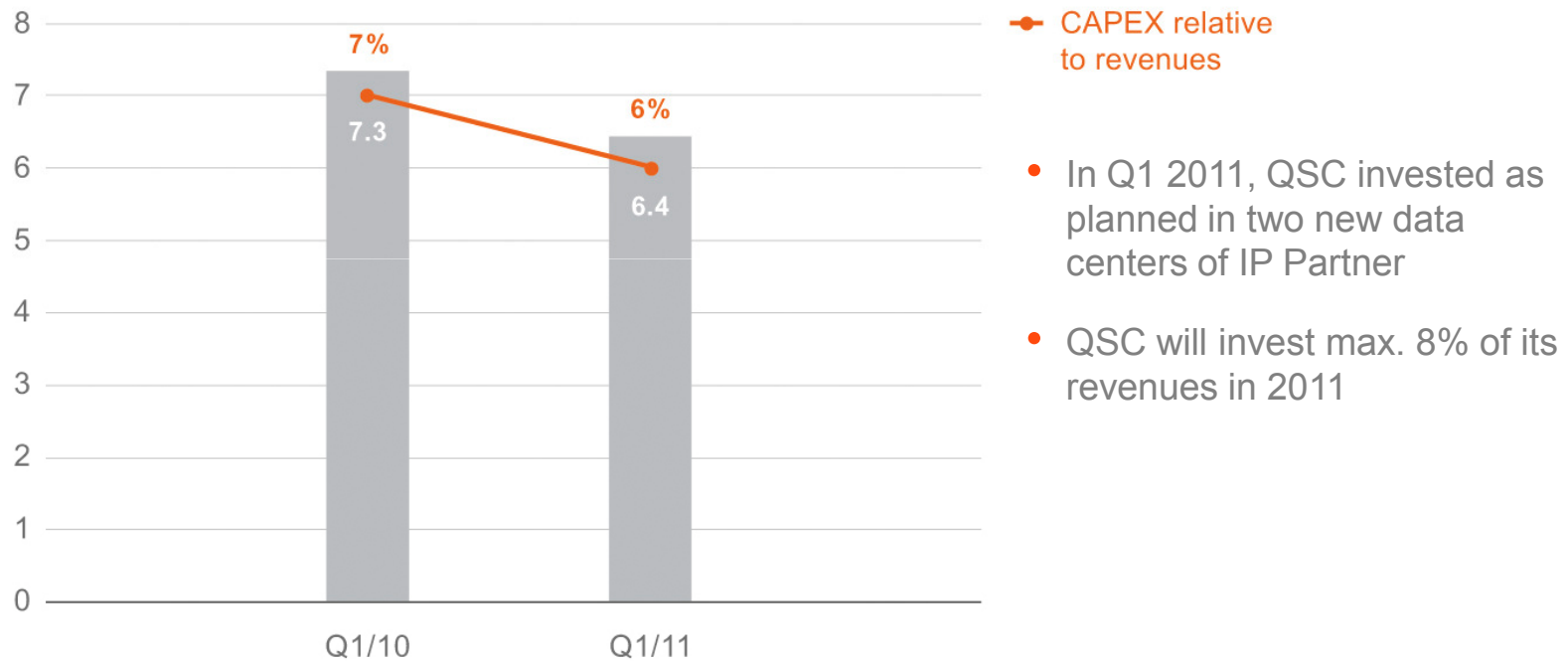
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– Results Q1 2011 –

**QSC**<sub>AG</sub>  
Premium Telecommunication

# ONGOING LOW LEVEL OF CAPEX

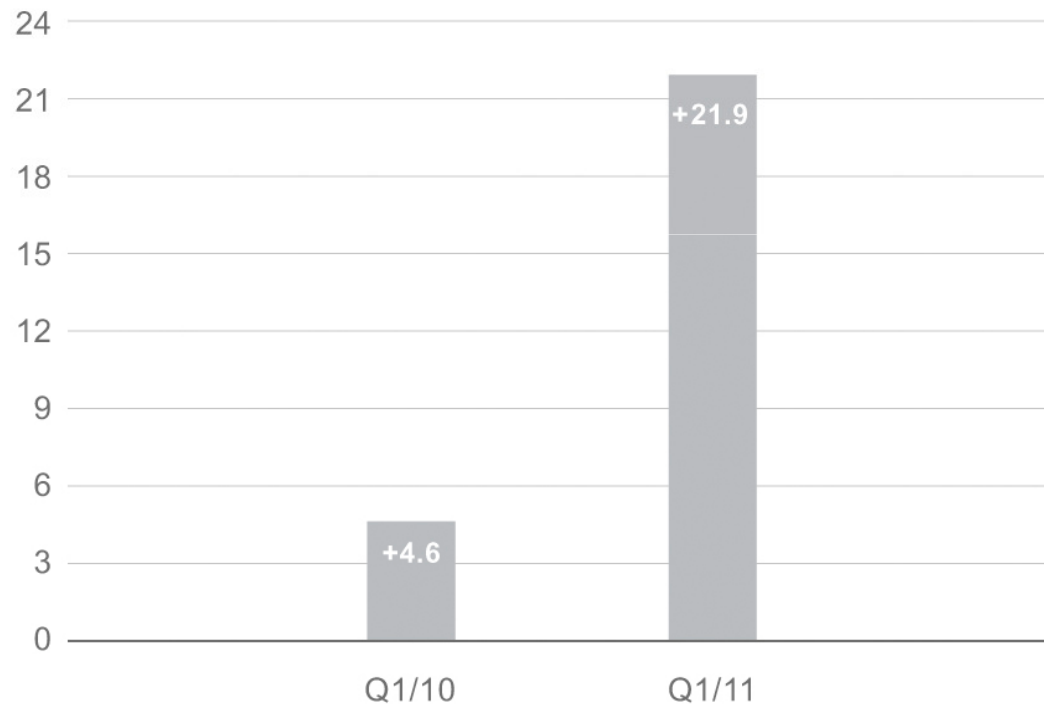
CAPEX (in € million)





# STRONG INCREASE OF FREE CASH FLOW IN Q1 2011

FREE CASH FLOW (in € million)



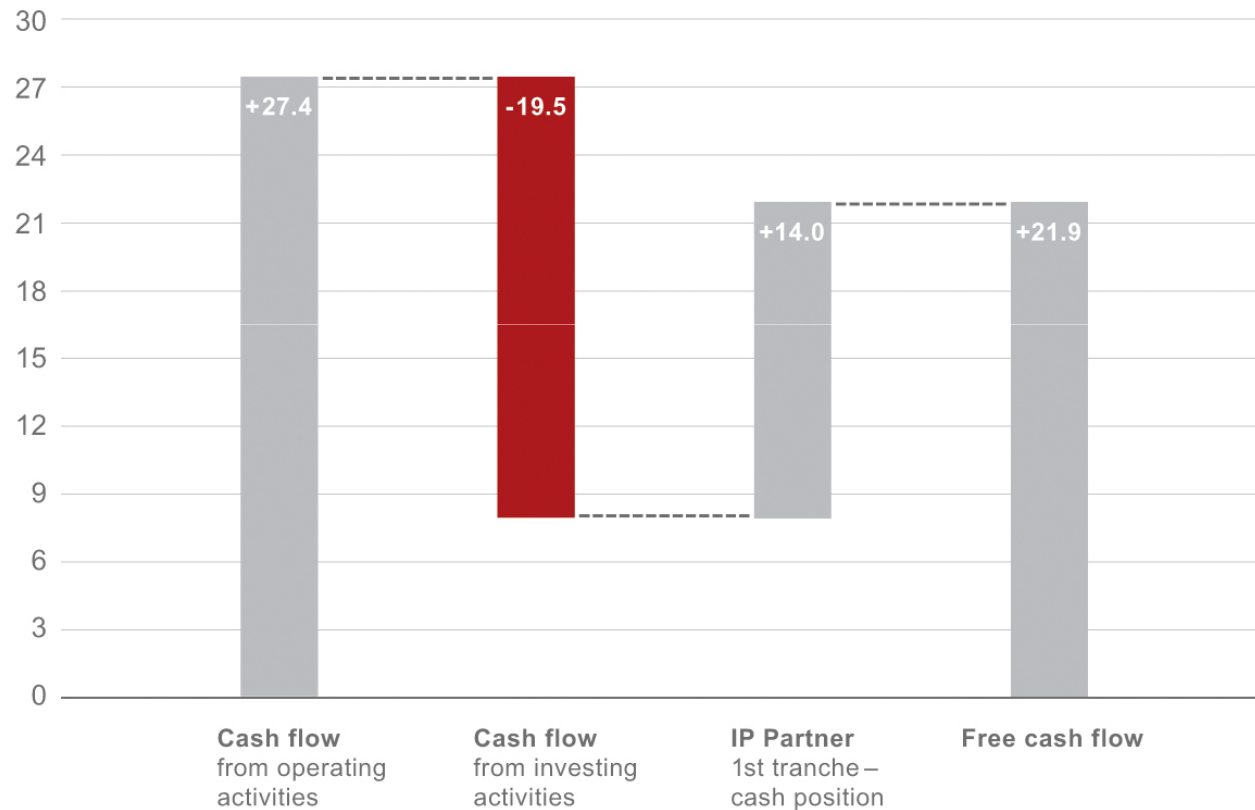
- Extraordinary increase of FCF due the settlement of TELE2 transaction

## REDUCTION OF INTEREST-BEARING LIABILITIES

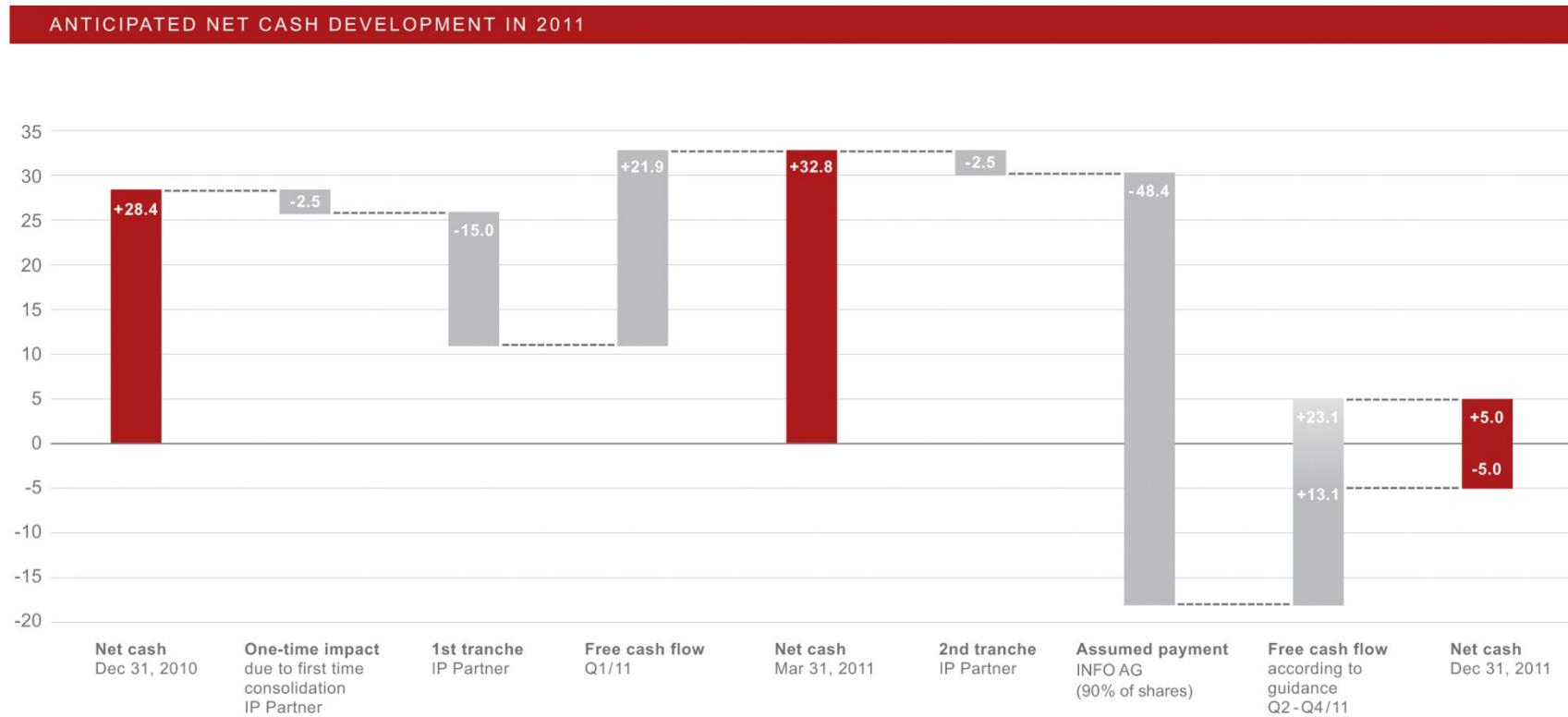
In € millions	Dec 31, 2010	Mar 31, 2011	△
+ Cash and short-term deposits	+46.2	+41.8	-4.4
+ Available-for-sale financial assets	+0.3	+0.3	-
<b>+ Liquidity</b>	<b>+46.5</b>	<b>+42.1</b>	<b>-4.4</b>
- Finance lease obligations	-7.5	-5.4	+2.1
- Other short-term liabilities	-0.6	-	+0.6
- Liabilities due to banks	-10.0	-4.0	+6.0
- Net debt IP Partner (pro forma)*	-2.5	-	+2.5
<b>- Financial debt</b>	<b>-20.6</b>	<b>-9.3</b>	<b>+11.3</b>
<b>= Net liquidity</b>	<b>+25.9</b>	<b>+32.8</b>	<b>+6.9</b>
+ Purchase price IP Partner	-	+15.0	+15.0
<b>= Net liquidity before acquisition</b>	<b>+25.9</b>	<b>+47.8</b>	<b>+21.9</b>

# QSC PROFITS FROM HIGH OPERATING CASH FLOW

DERIVATION OF FREE CASH FLOW (in € million)



# DEVELOPMENT OF NET CASH IN 2011



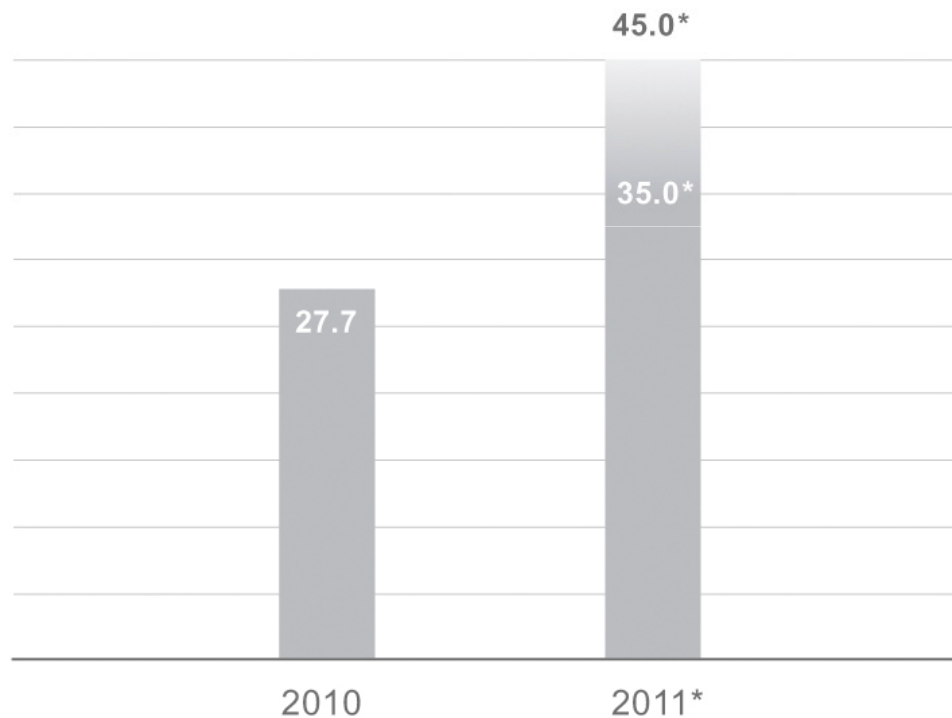
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# OUTLOOK 2011

## QSC REITERATES GUIDANCE FOR 2011

FREE CASH FLOW (in € million)



- Accelerated transformation process, thanks to acquisition of INFO AG
- Focus on financial strength and profitability
- Payment of a dividend for fiscal 2011

\* w/o acquisitions

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# FINANCIAL CALENDAR

May 17, 2011	3. LBBW TMT Zürich
May 19, 2011	Annual Shareholders Meeting
May 20, 2011	German & Austrian Corporate Conference, Deutsche Bank, Frankfurt
June 27, 2011	Small & Mid Cap Conference, Close Brothers Seydler, Paris
August 8, 2011	Publication of Quarterly Report II/2011 (including figures of INFO AG for the first time)
November 7, 2011	Publication of Quarterly Report III/2011
November 21-23, 2011	German Equity Forum Fall 2011 Deutsche Börse, Frankfurt



# SAFE HARBOR STATEMENT

This presentation includes forward-looking statements as such term is defined in the U.S. Private Securities Litigation Act of 1995. These forward-looking statements are based on management's current expectations and projections of future events and are subject to risks and uncertainties. Many factors could cause actual results to vary materially from future results expressed or implied by such forward-looking statements, including, but not limited to, changes in the competitive environment, changes in the rate of development and expansion of the technical capabilities of DSL technology, changes in prices of DSL technology and market share of our competitors, changes in the rate of development and expansion of alternative broadband technologies and changes in prices of such alternative broadband technologies, changes in government regulation, legal precedents or court decisions relating, among other things, to line sharing, rent for co-location and unbundled local loops, the pricing and timely availability of leased lines, and other matters that might have an effect on our business, the timely development of value-added services, our ability to maintain and expand current marketing and distribution agreements and enter into new marketing and distribution agreements, our ability to receive additional financing if management planning targets are not met, the timely and complete payment of outstanding receivables from our distribution partners and resellers of QSC services and products, as well as the availability of sufficiently qualified employees.

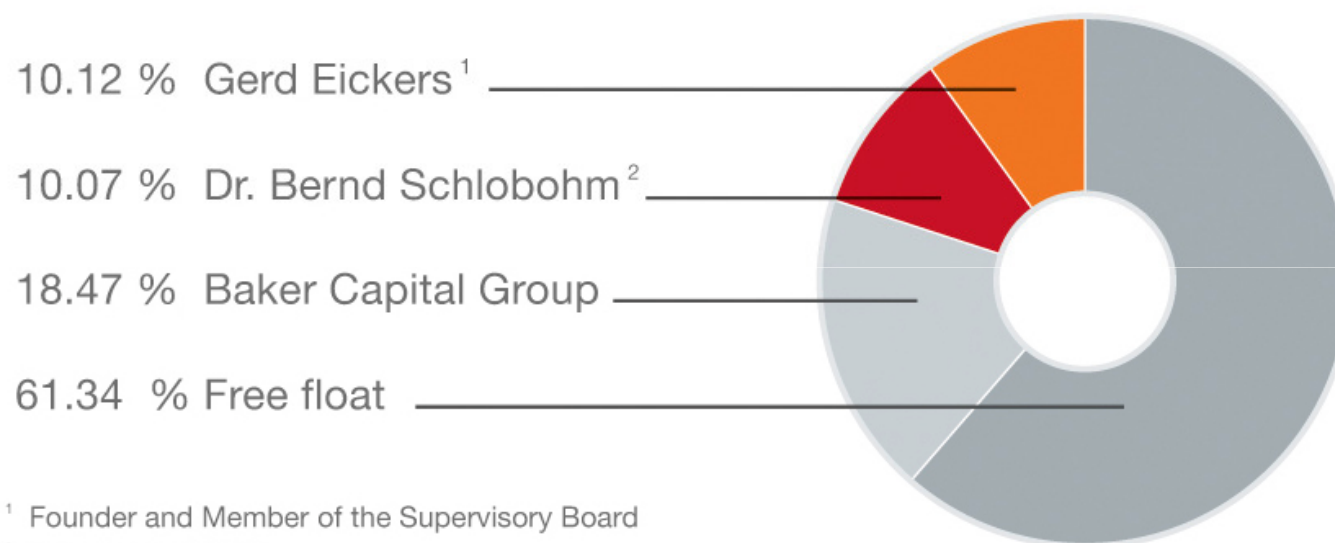
A complete list of the risks, uncertainties and other factors facing us can be found in our public reports and filings with the U.S. Securities and Exchange Commission.

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# QSC RAISED ITS FREE FLOAT TO 61.3%

## SHAREHOLDER STRUCTURE



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

<sup>2</sup> Founder and CEO

Status quo: 30/04/2011