

QSC AG

Company Presentation
Results Q1 2010

Cologne, May 10, 2010

AGENDA

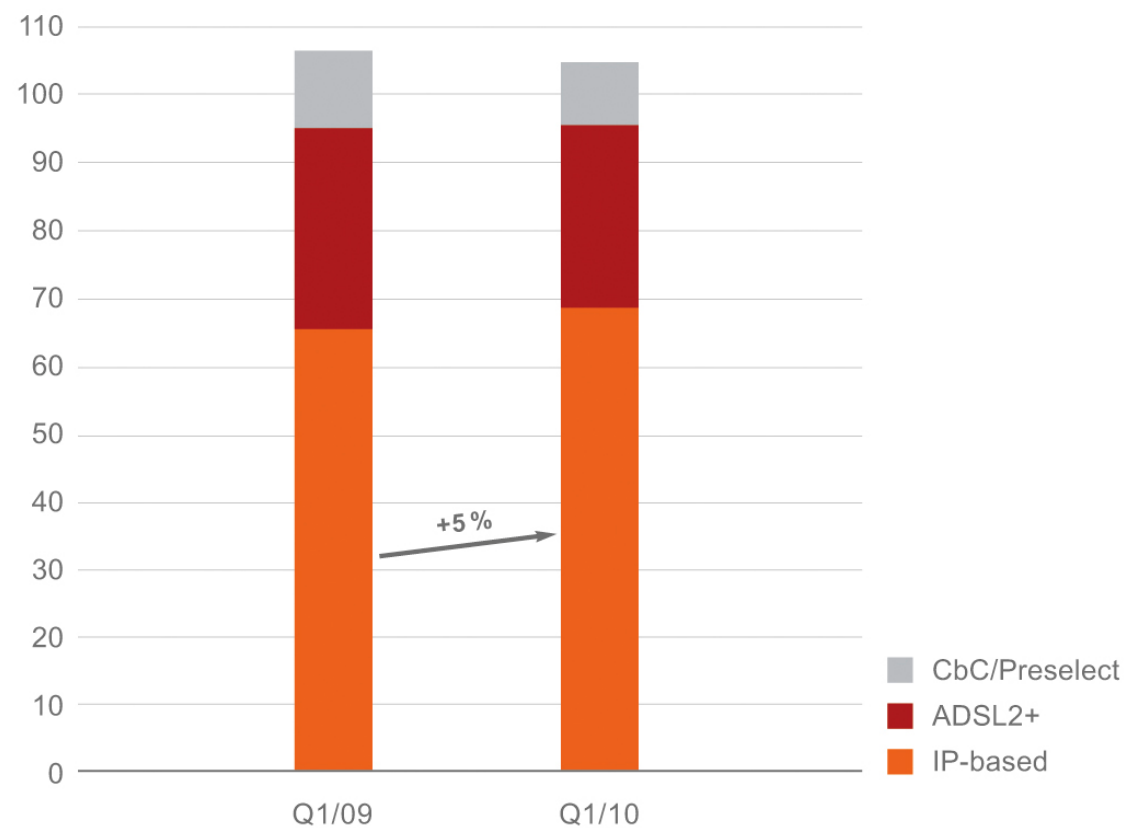
1. Highlights Q1 2010
2. Financial results Q1 2010
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4. Questions & Answers

OUR MISSION STATEMENT

QSC is the leading medium-sized provider in the telecommunications market who creates sustainable value for medium-sized companies, cooperation partners and employees through highest quality and customer focus!

ONGOING TRANSFORMATION OF QSC

REVENUE MIX (in € million)

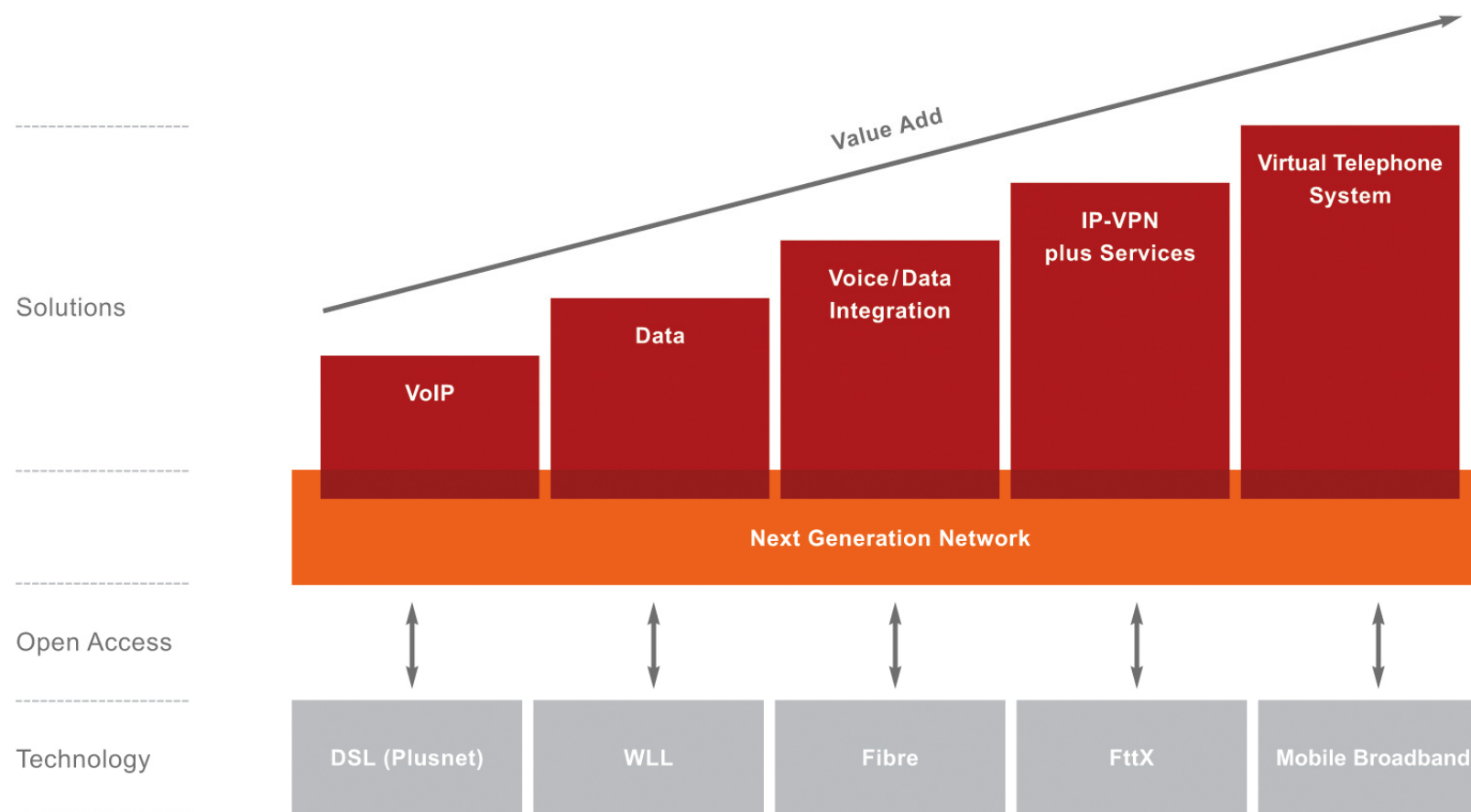


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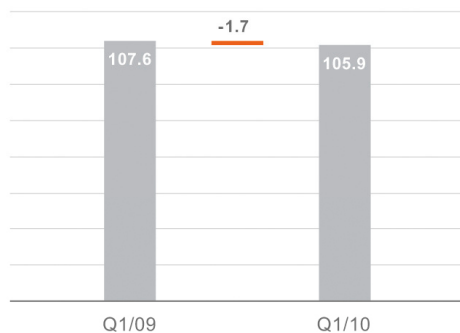
QSC'S BUSINESS MODEL: FOCUS ON SERVICES BASED ON OUR NEXT GENERATION NETWORK



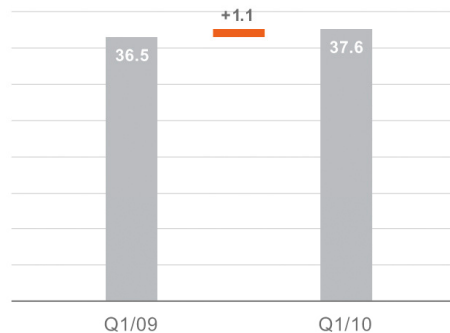
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CLEAR FOCUS ON HIGH-MARGIN REVENUES AND FINANCIAL STRENGTH

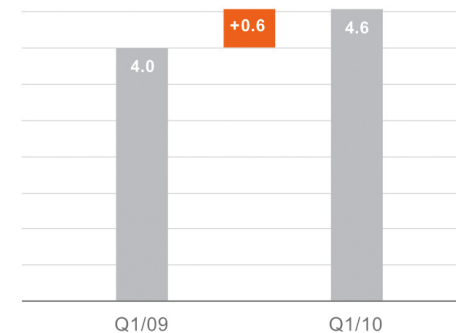
REVENUES (in € million)



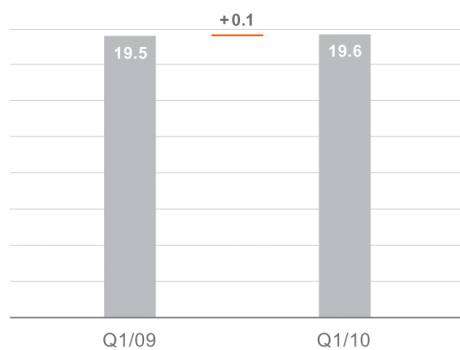
GROSS PROFIT (in € million)



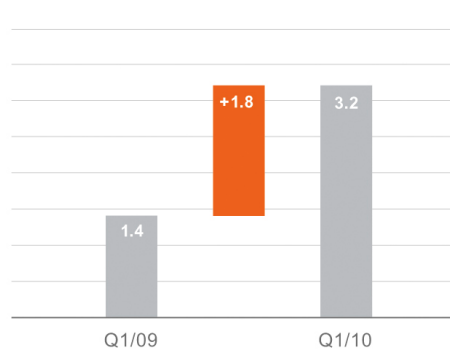
FREE CASH FLOW (in € million)



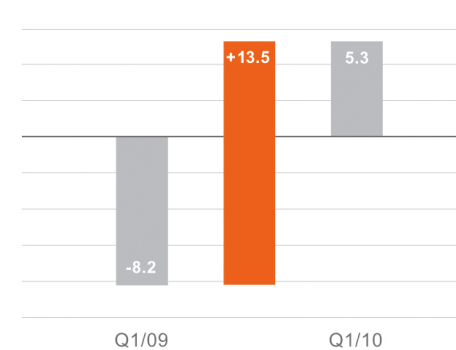
EBITDA (in € million)



NET PROFIT (in € million)



NET LIQUIDITY (in € million)



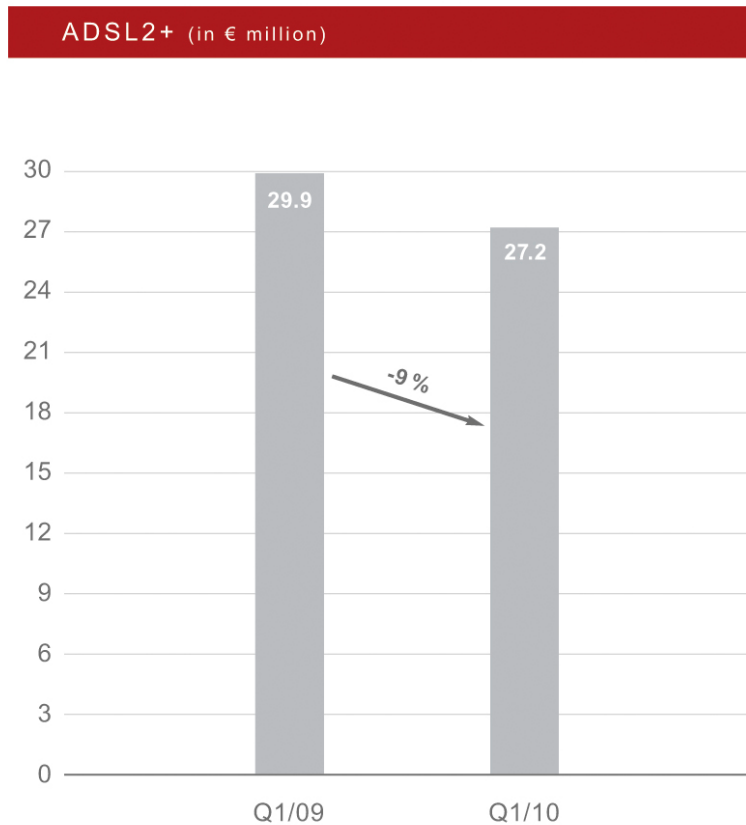
MAJOR ACHIEVEMENTS IN Q1 2010

- New distributor:
NT Plus has become a further partner beside Michael Telecom and ALLNET
- Training of our new sales partners:
 - PST (> 20 sales representative, exclusively for QSC)
 - Advantecon (former PBX sales representative, exclusively for QSC)
 - SCC (small system houses, exclusively for QSC)
- Cooperation with telco company Aastra to optimize IPfonie centraflex
- New mid-sized customers, e.g. hotel chains Mövenpick and DERAG
- Ongoing “Network Synergy” discussions

“LEGACY REVENUE STREAMS” TO OVERCOMPENSATE IN THE NEXT QUARTERS

- ADSL2+ is reaching market saturation (-)
- Legacy voice is losing importance (-)
- Rising revenues with IP-based services (+)

ADSL2+ IS REACHING MARKET SATURATION



Key facts for Q1 2010

- ADSL2+ revenues declined by 9% to € 27.2 million
- Number of lines declined to 575,200

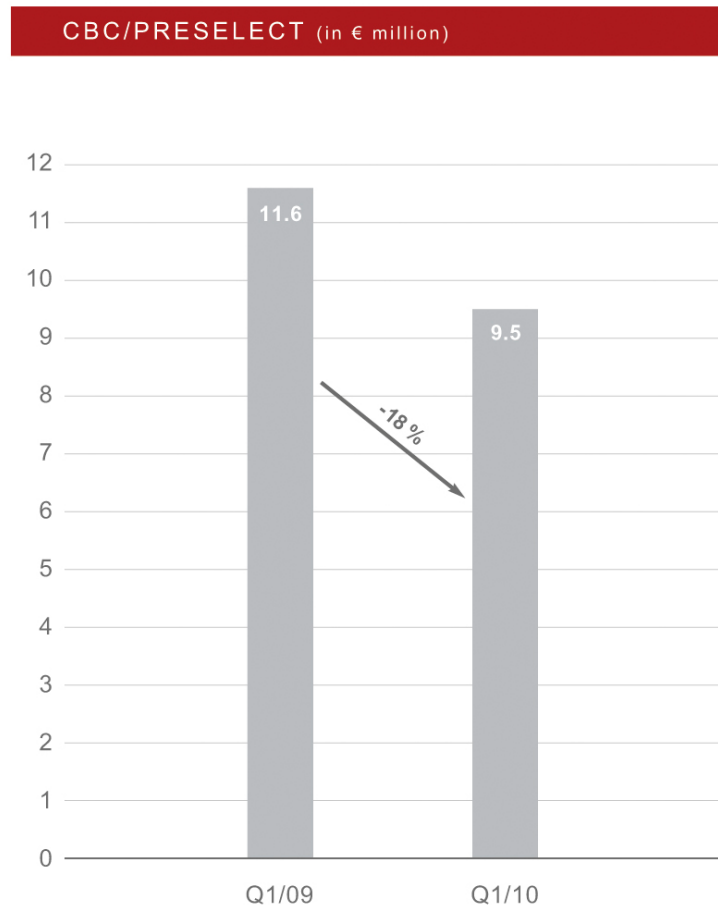
Main reasons

- Fierce price competition
=> QSC did not participate
- Market saturation especially in urban areas
- Growing competition of cable operators

Our expectation

- Further decline because of ordinary churn

LEGACY VOICE IS LOSING IMPORTANCE



Key facts for Q1 2010

- Call-by-Call and Preselect revenues declined by 18% to € 9.5 million

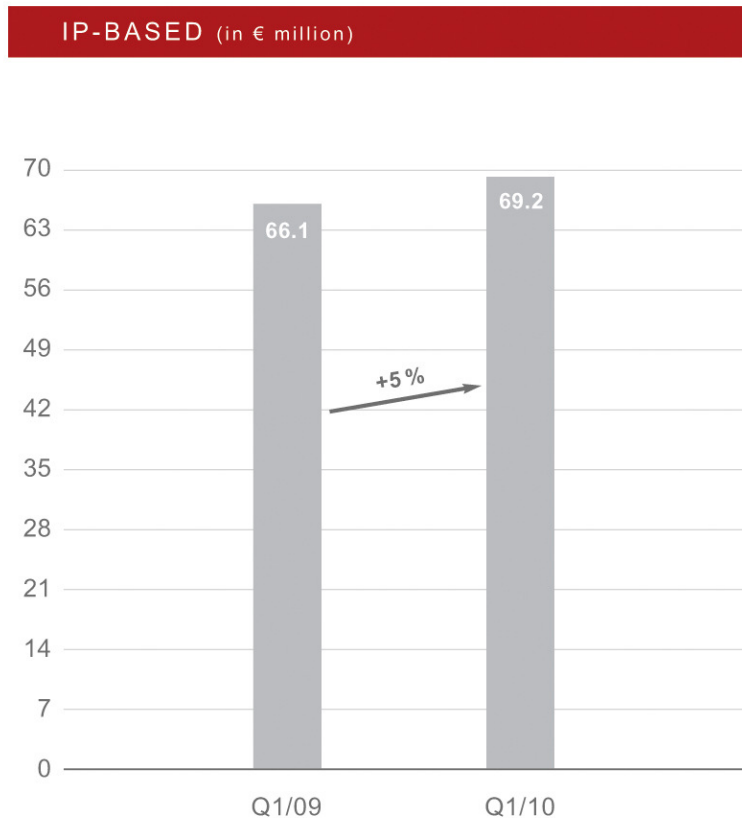
Main reasons

- Fierce price competition
- Competition of flat rates and VoIP

Our expectation

- Further decline of these lower-margin revenues
- QSC will profit twice from the tendency towards VoIP
 - Rising revenues with IPfonie products
 - Rising revenues in Voice Wholesale

RISING REVENUES WITH IP-BASED SERVICES



Key facts for Q1 2010

- Revenues with IP-based services rose by 5% to € 69.2 million

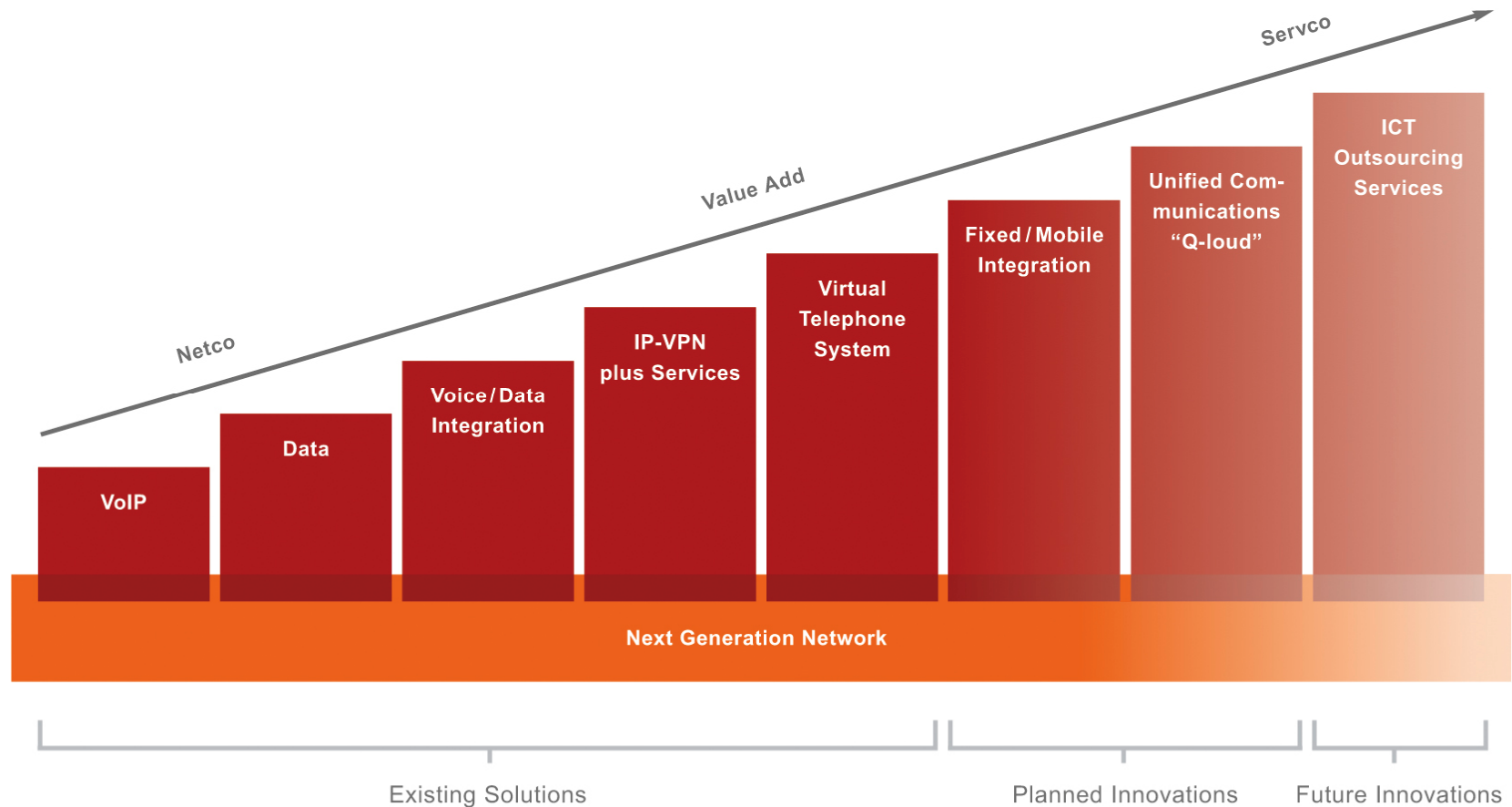
Main reasons

- Growing demand for “all IP” solutions
- Focused sales strategy on mid-sized companies is starting to pay off

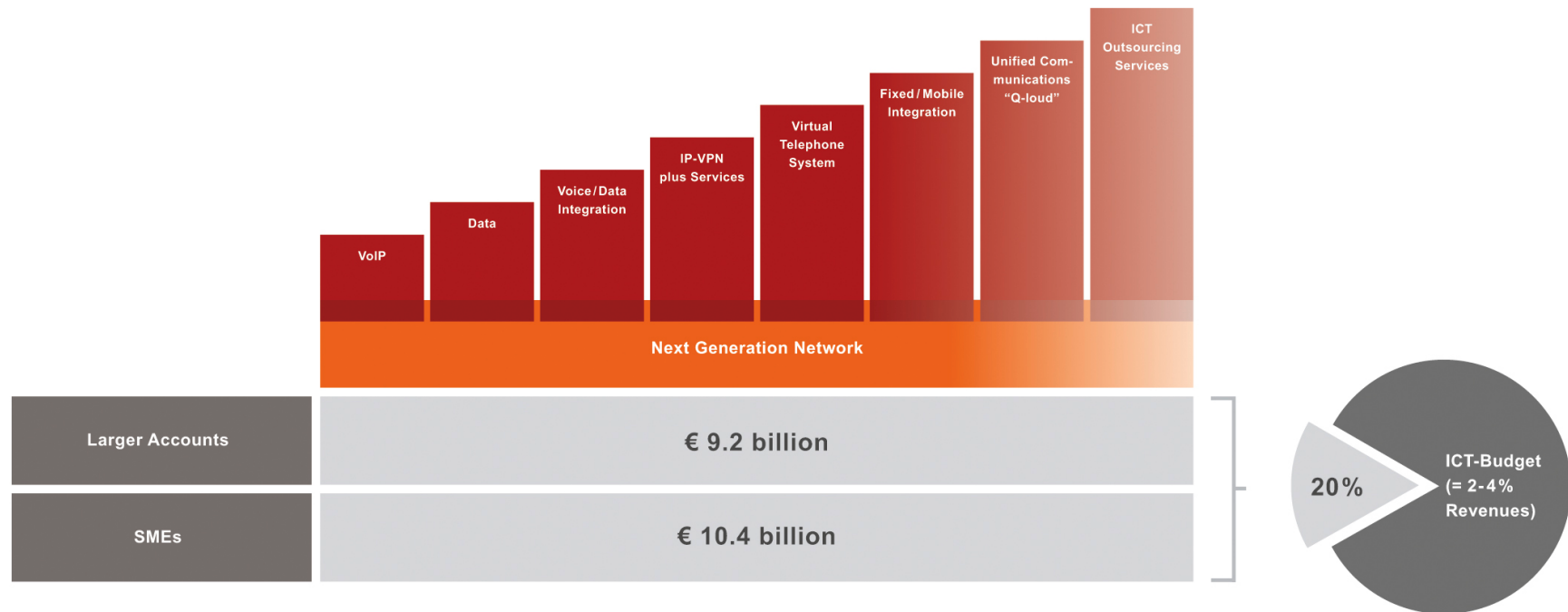
Our expectation

- “IP-Revenues” will rise because of
 - A growing number of mid-sized customers
 - Successes of new distribution partners
 - Launch of more innovative IP-based services

QSC IS ON THE WAY TO BECOMING A SERVICE PROVIDER ...



... AND HAS THE CHANCE TO DOUBLE ITS POTENTIAL MARKET IN THE COMING YEARS



Market 2010: € 9.8 billion (10% of ICT budget)

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HIGHER PROFITABILITY IN Q1 2010

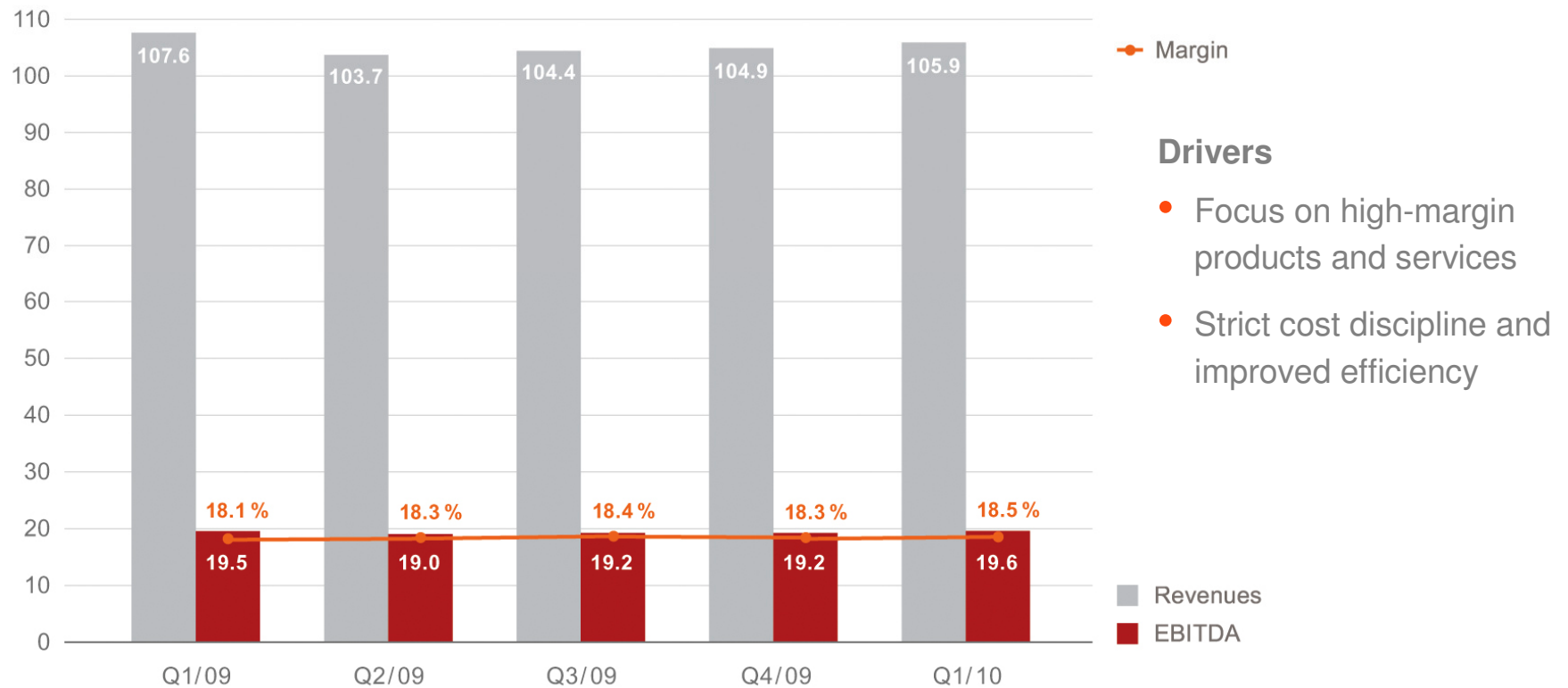
In € millions	Q1 2009	Q1 2010	△
• Revenues	107.6	105.9	-1.6%
• Network expenses ⁽¹⁾	71.1	68.3	-3.9%
• Gross profit	+36.5	+37.6	+3.0%
• Other operating expenses ⁽¹⁾	17.0	18.0	+5.9%
• EBITDA	+19.5	+19.6	+0.5%
• Depreciation	17.1	15.6	-8.8%
• EBIT	+2.5	+3.9	+56.0%
• Financial results	-0.6	-0.4	+33.3%
• Income taxes	-0.5	-0.3	+40.0%
• Net profit	+1.4	+3.2	+128.6%

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

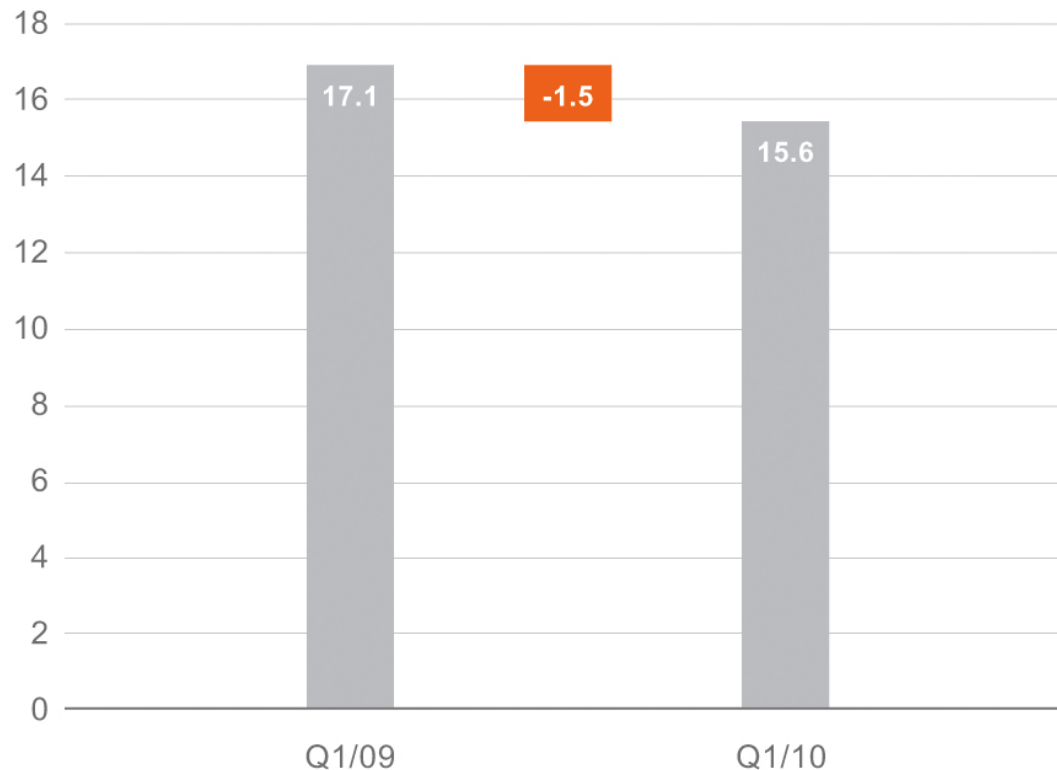
HIGH-MARGIN REVENUES LEAD TO ATTRACTIVE EBITDA LEVEL

REVENUES AND EBITDA QUARTER-ON-QUARTER (in € million)



DEPRECIATION REACHED ITS PEAK IN 2009

DEPRECIATION* (in € million)



Drivers

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

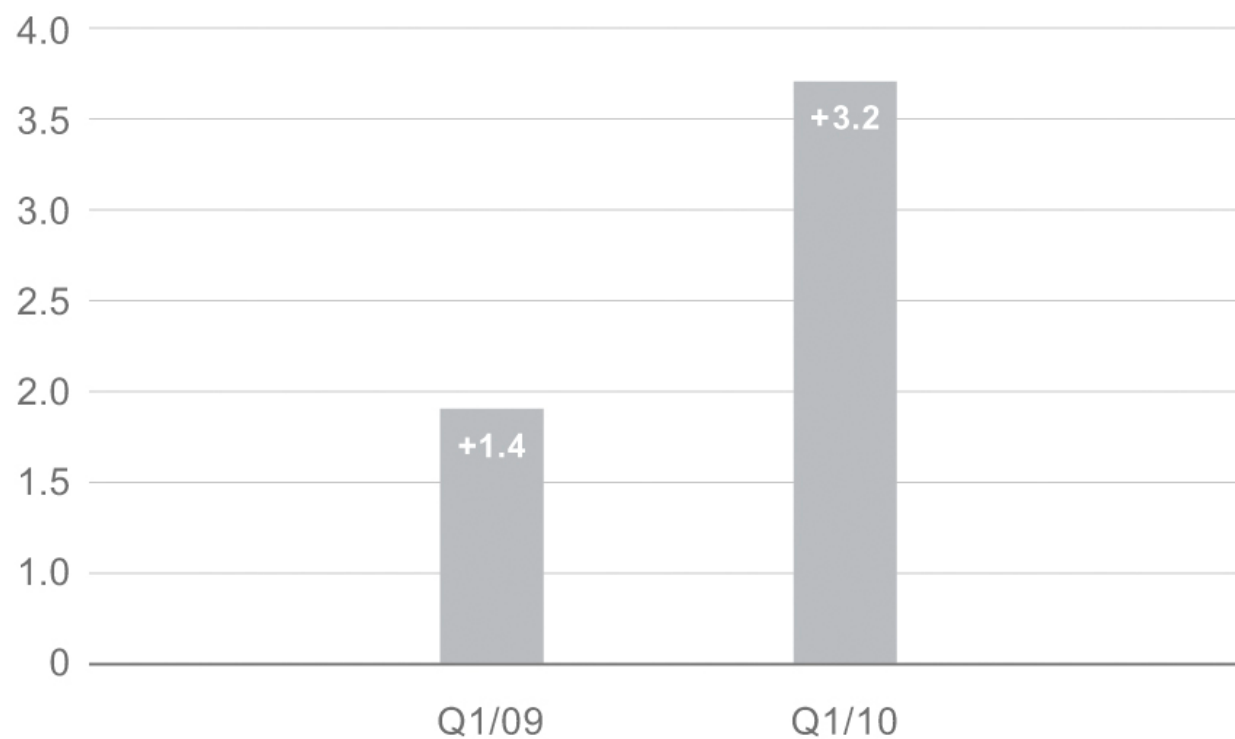
Consequence

- Depreciation is declining in 2010 and beyond

* including non-cash share-based payments

QSC IS EARNING A FAST RISING NET PROFIT

NET PROFIT (in € million)



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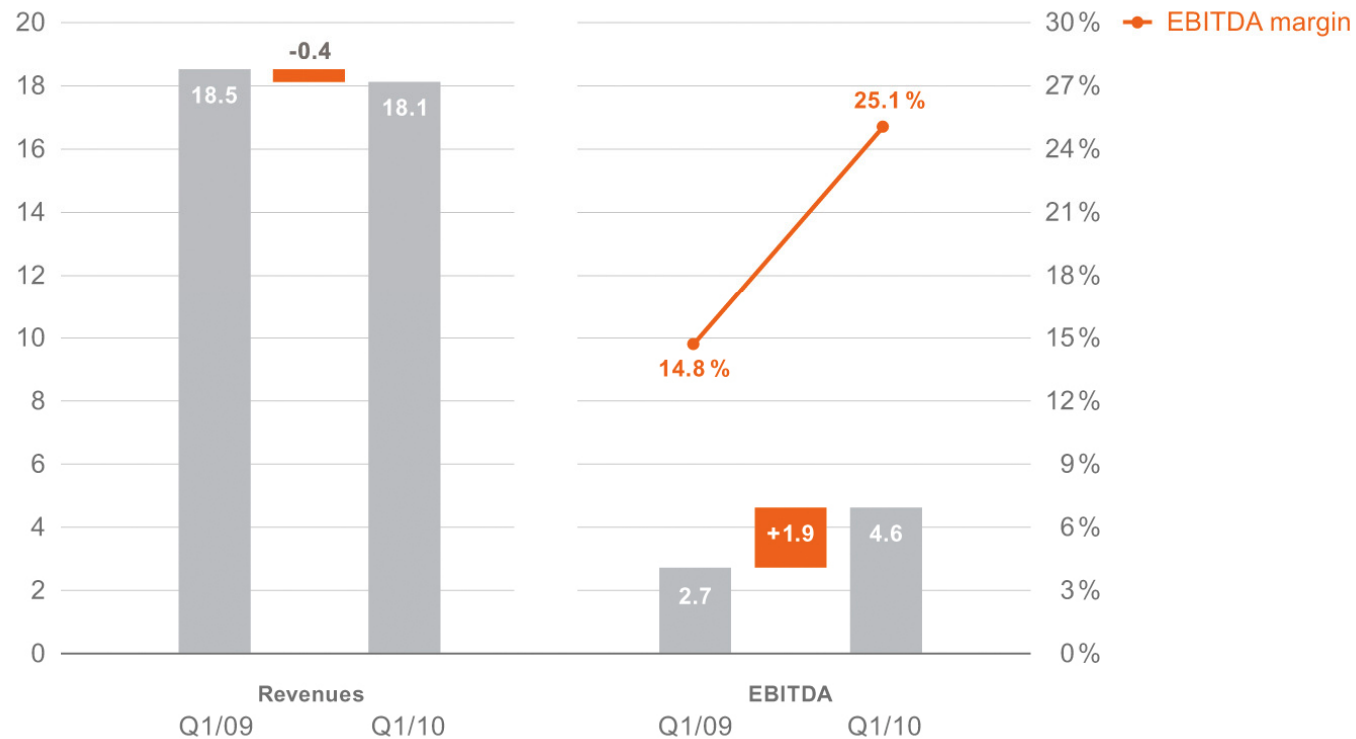
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BU MANAGED SERVICES

STABLE DEVELOPMENT IN A DIFFICULT ENVIRONMENT

MANAGED SERVICES (in € million)



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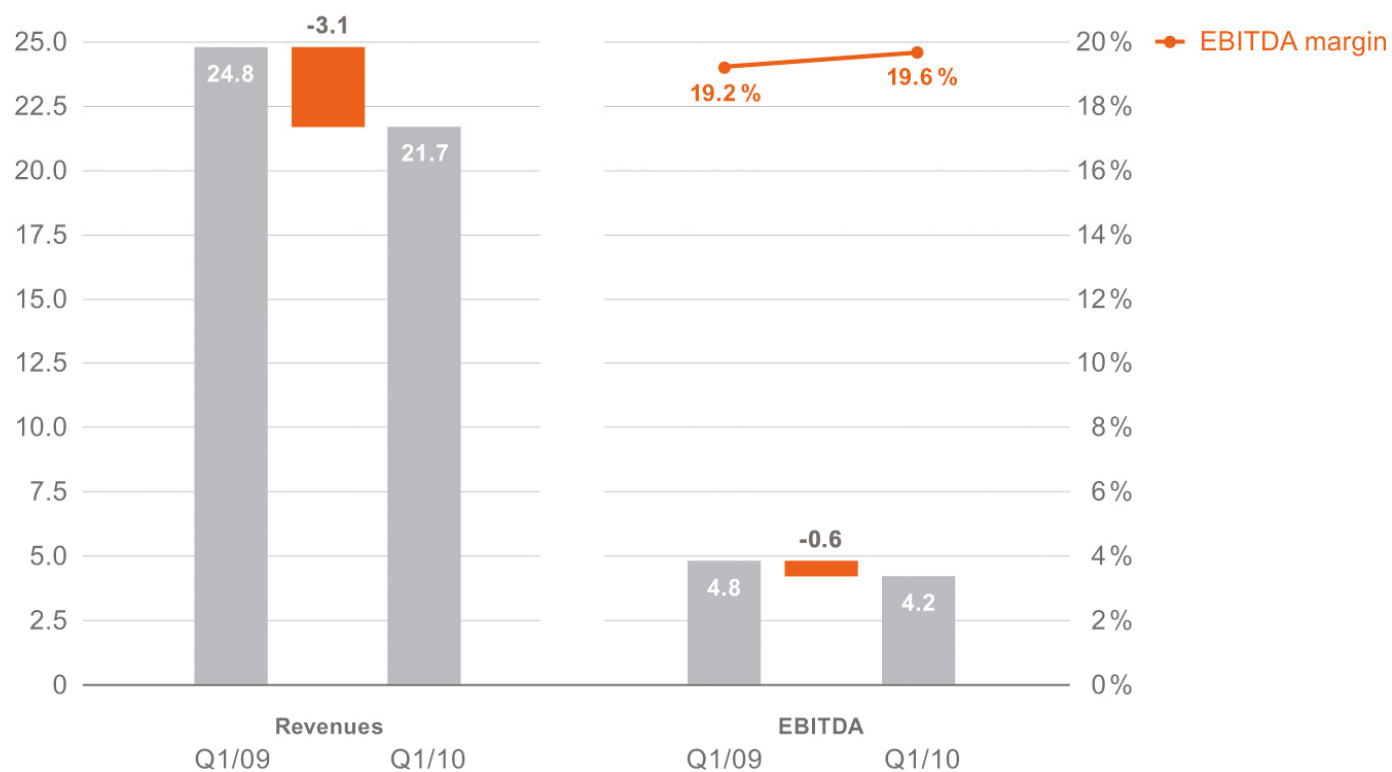
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BU PRODUCTS

RISING PROFITS DESPITE LOWER REVENUES

PRODUCTS (in € million)



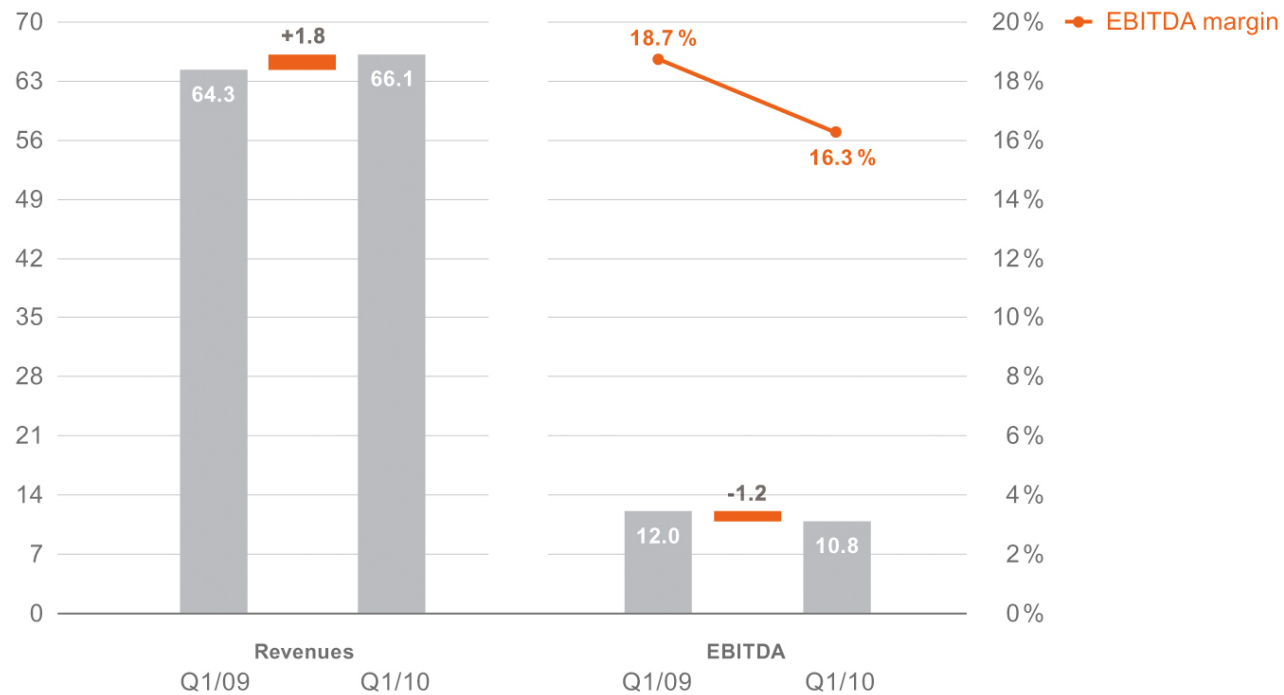
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BU WHOLESALE/RESELLERS

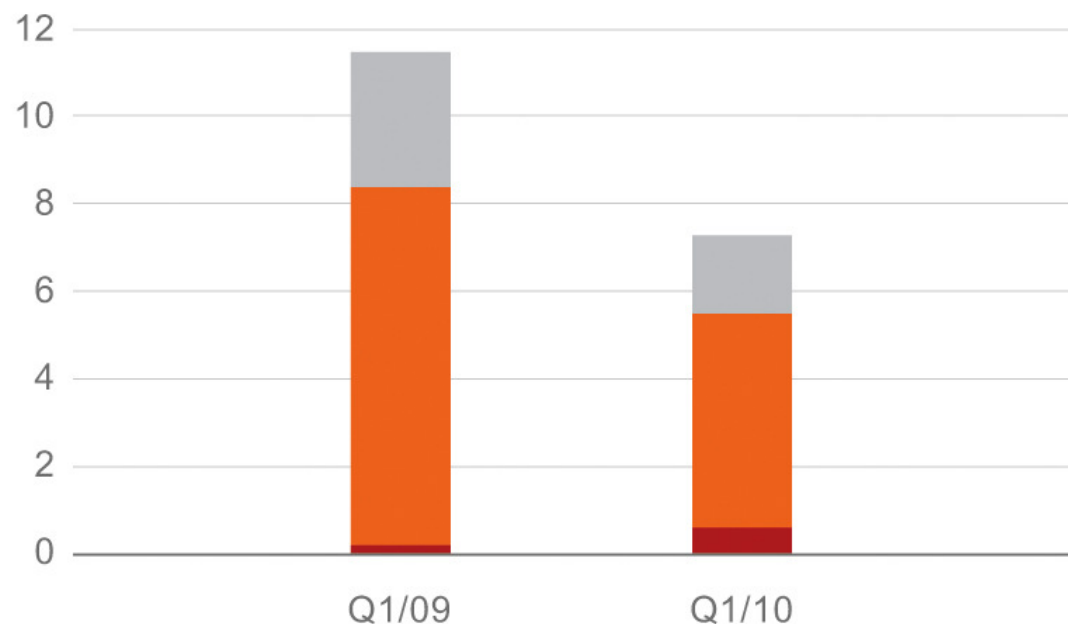
IMPORTANCE OF VOICE WHOLESALE IS RISING

WHOLESALE/RESELLER (in € million)



LOW CAPEX LEVEL IN 2010

CAPEX (in € million)



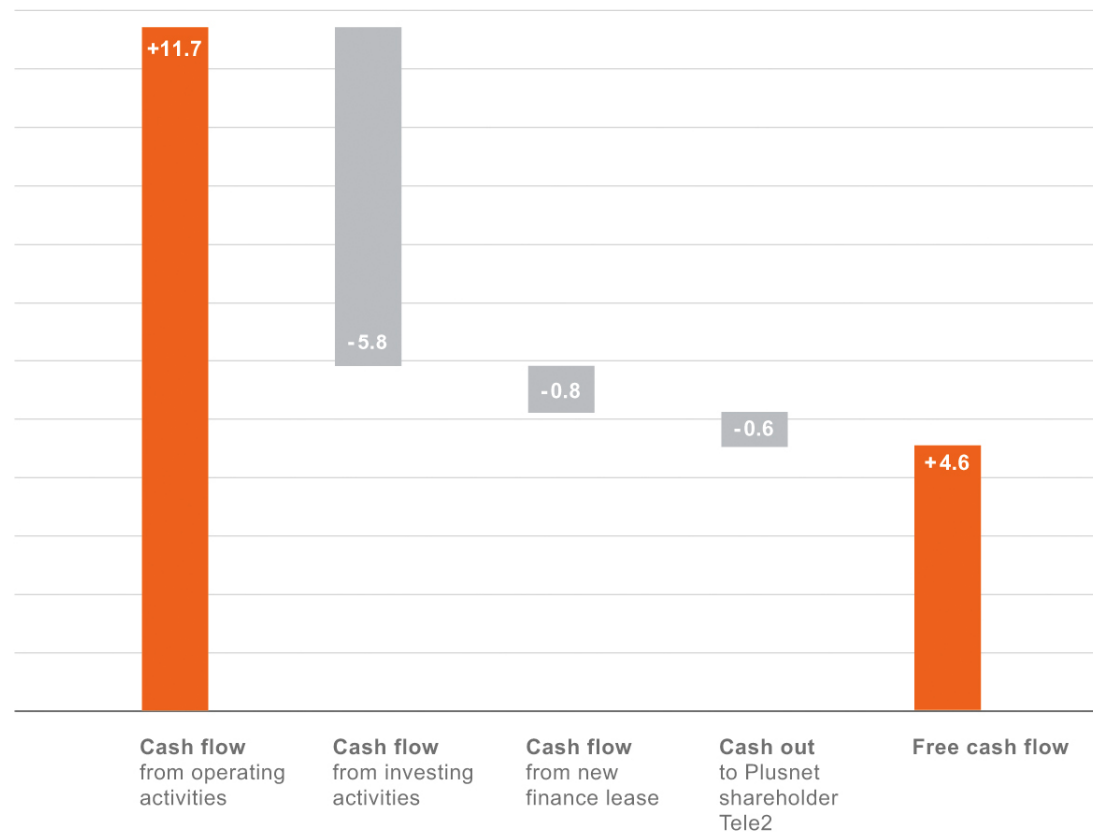
Drivers

- Customer-driven CAPEX declined due to less ADSL2+ installations
- Investment period is over
- 2010 and beyond:
 - CAPEX 10% of revenues
 - at least, 50% customer-driven

- Network Extension
- Customer driven
- Other

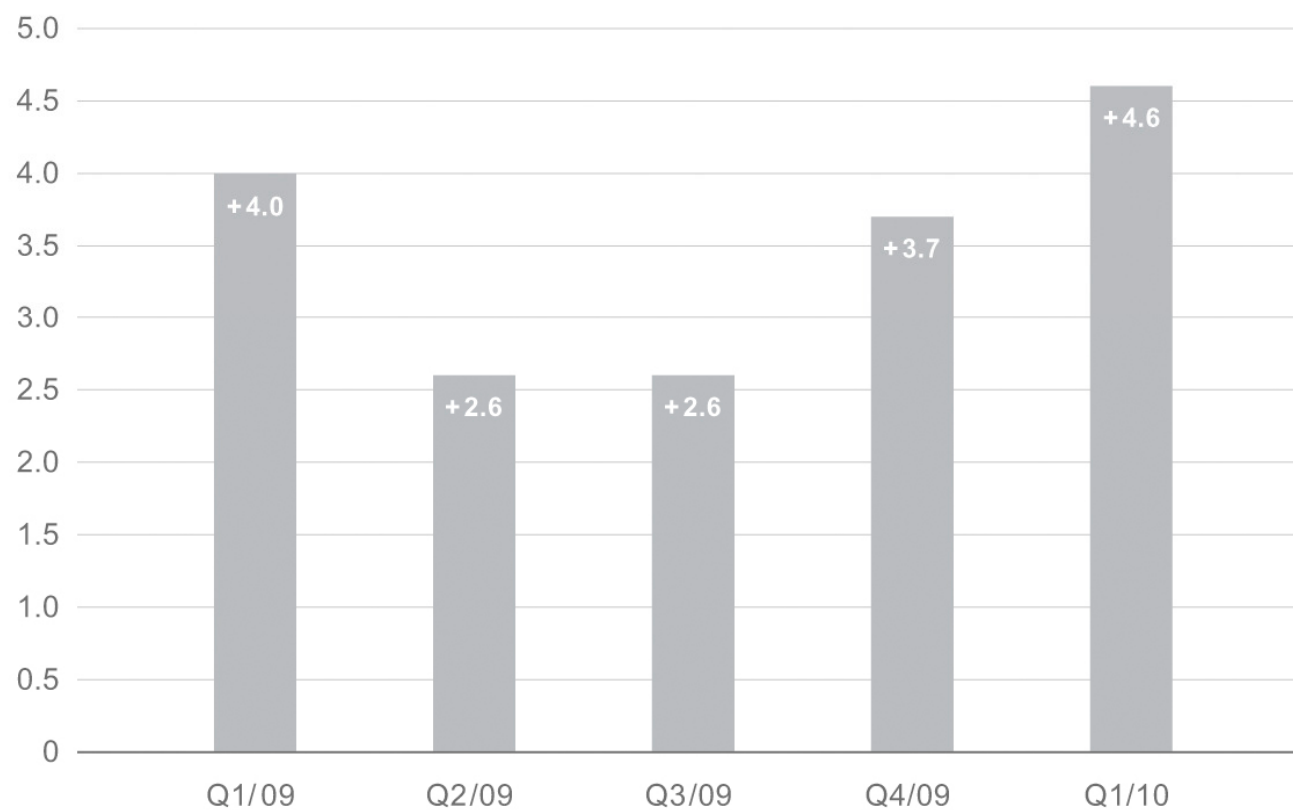
QSC HAS GENERATED A POSITIVE FREE CASH FLOW ...

DERIVATION OF FREE CASH FLOW (in € million)



... QUARTER BY QUARTER SINCE Q1 2009

FREE CASH FLOW (in € million)



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QSC IS BUILDING UP A NET CASH POSITION

In € millions	Dec. 31, 2009	Mar. 31, 2010	△
+ Cash and short-term deposits	+41.0	+40.7	-0.3
+ Available-for-sale financial assets	+0.3	+0.3	-
<i>+ Liquidity</i>	<i>+41.3</i>	<i>+41.0</i>	<i>-0.3</i>
- Finance lease obligations	-22.8	-18.5	+4.3
- Other short-term liabilities	-2.8	-2.2	+0.6
- Liabilities due to banks	-15.0	-15.0	-
<i>- Financial debt</i>	<i>-40.6</i>	<i>-35.7</i>	<i>+4.9</i>
<i>= Net liquidity</i>	<i>+0.7</i>	<i>+5.3</i>	<i>+4.6</i>

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OUTLOOK 2010

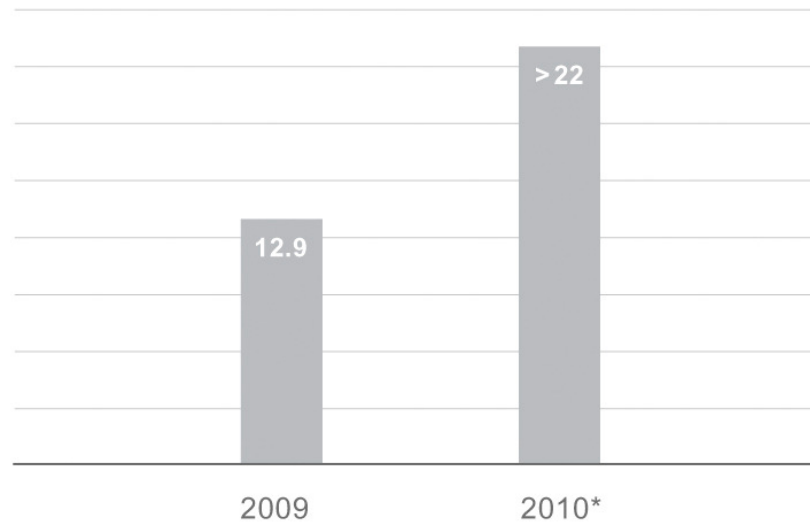
BUSINESS ENVIRONMENT REMAINS CHALLENGING

- Still hesitant economic recovery in Germany and beyond
- Split development of QSC's markets
 - Ongoing price pressure in legacy voice
 - Market saturation and rising price pressure in ADSL2+
- versus
 - Rising market share of VoIP services & applications
 - Stronger demand for IP-VPN and value added services
 - Growing interest in telco-IT service solutions

OUTLOOK 2010

FOCUS ON PROFITABILITY AND FINANCIAL STRENGTH

FREE CASH FLOW (in € million)



- Free cash flow > € 22 million

Further increase in

- Revenues
- EBITDA
- Net income

* Management Outlook

OUTLOOK 2010

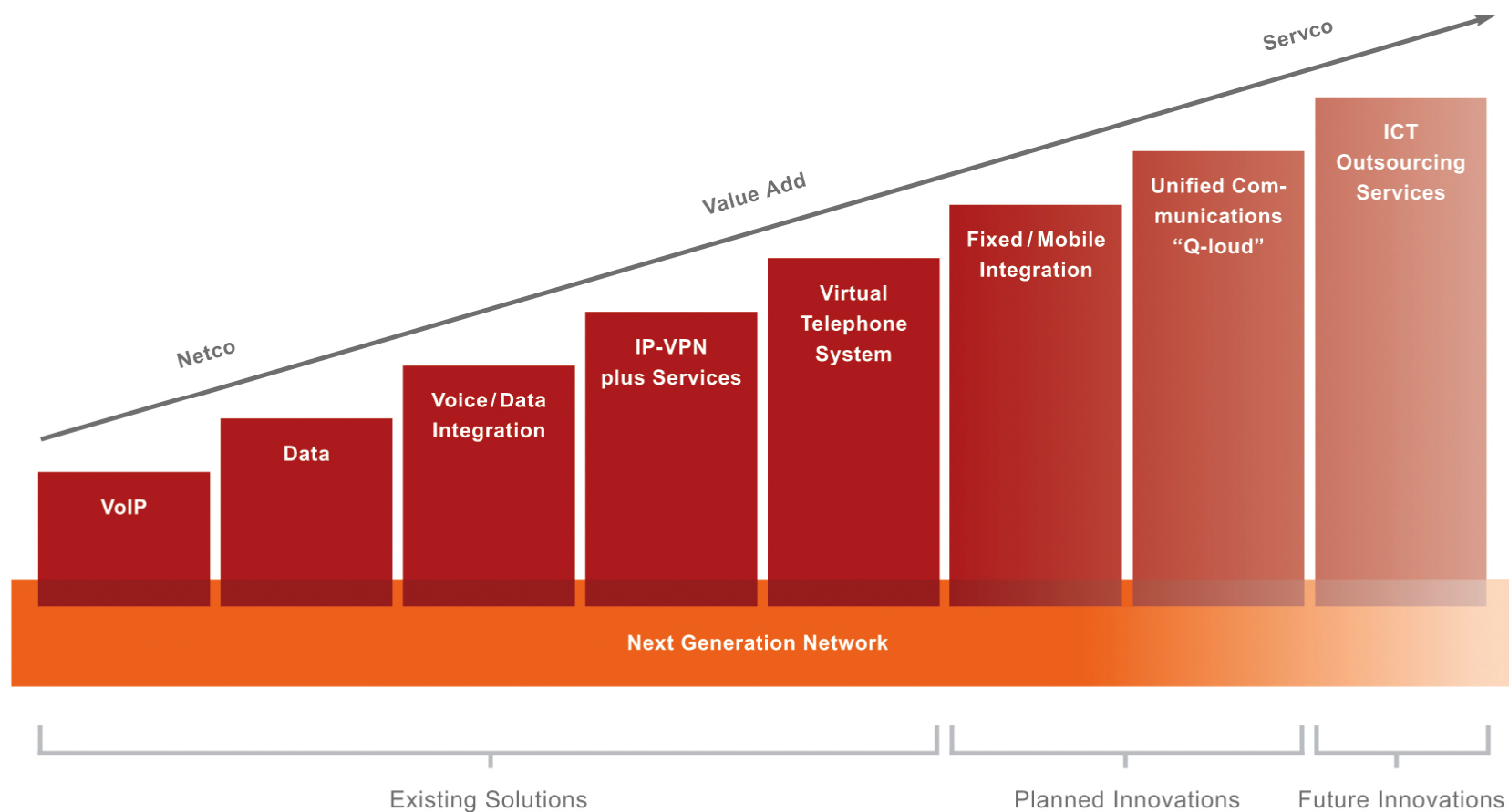
FINANCIAL STRENGTH TAKES CENTER STAGE

- 70% increase in free cash flow driven by
 - Improved efficiency
 - Strict cost discipline
 - Low and stable level of CAPEX (approx. 10% of revenues)

but mostly driven by

- **Transformation to higher-margin products and services**

THE FUTURE OF QSC FROM A NETCO TO A SERVCO



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FINANCIAL CALENDAR

May 20, 2010	Annual Shareholders Meeting
May 21, 2010	German & Austrian Corporate Conference Deutsche Bank, Frankfurt
August 9, 2010	Publication of Quarterly Report II/2010
November 8, 2010	Publication of Quarterly Report III/2010
November 22-24, 2010	German Equity Forum Fall 2010 Deutsche Börse, Frankfurt

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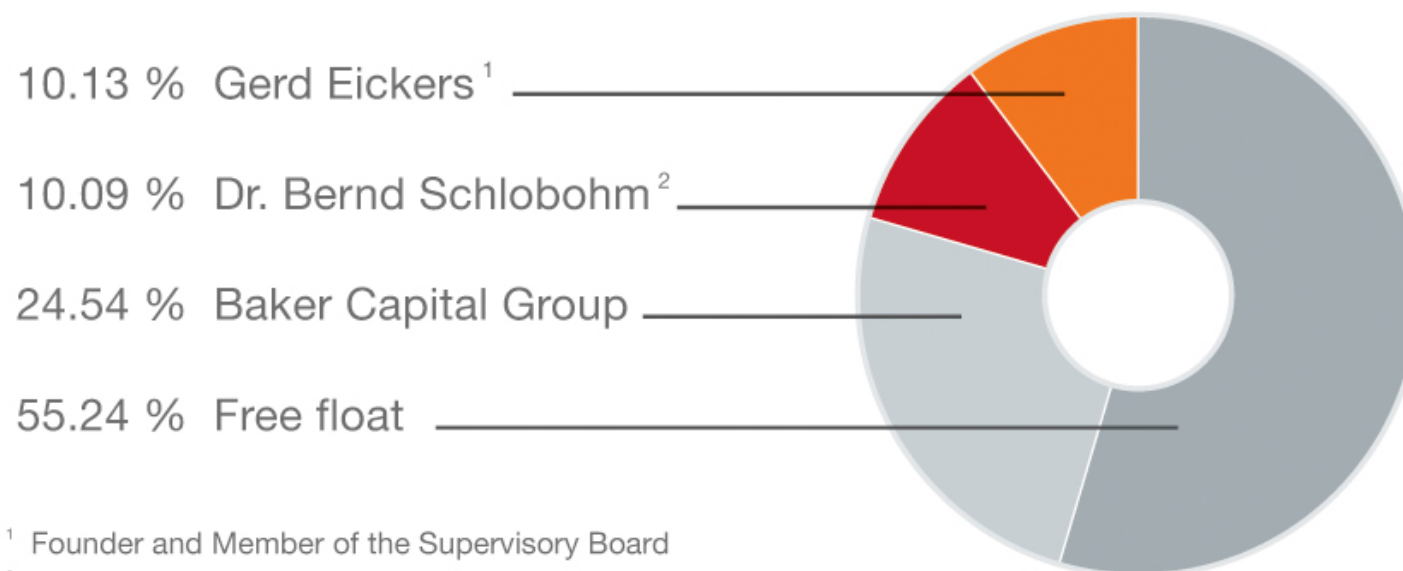
A complete list of the risks, uncertainties and other factors facing us can be found in our public reports and filings with the U.S. Securities and Exchange Commission.

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STABLE SHAREHOLDER STRUCTURE SINCE IPO

SHAREHOLDER STRUCTURE



¹ Founder and Member of the Supervisory Board

² Founder and CEO

Status quo: 30/04/2010