QSC AG

Company Presentation

Analyst Conference, February 28, 2011

AGENDA

- **13.30h** **Strategic Overview**
  Dr. Bernd Schlobohm, Founder & CEO
- **14.00h** **Preliminary Results FY 2010**
  Jürgen Hermann, CFO
- **14.30h** **Outlook 2011**
  Dr. Bernd Schlobohm, Founder & CEO
- **14.45h** **Q&A**
- **15.15h** **Coffee Break**
- **15.30h** **Huge opportunity in the ICT market: “Q-loud”**
  Roland Hänel, Head of Project “Q-loud”
  Andreas Schmidt, Team Member “Q-loud”

Strategic Overview

Dr. Bernd Schlobohm, Founder & CEO

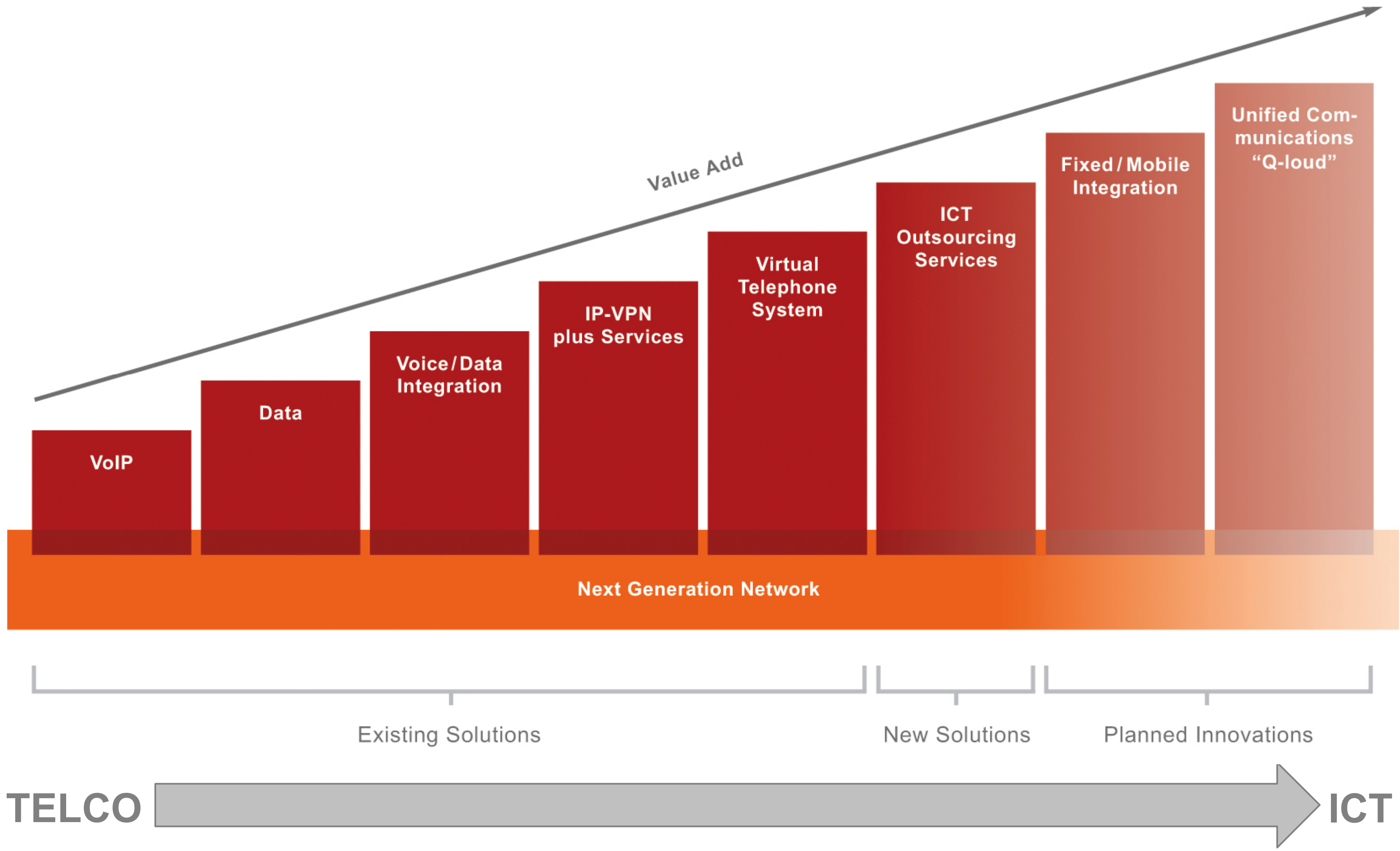
OUR MISSION STATEMENT 2.0

ICT

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

In 2010, QSC took a big step forward to becoming the leading medium-sized provider in the ICT market for medium-sized companies

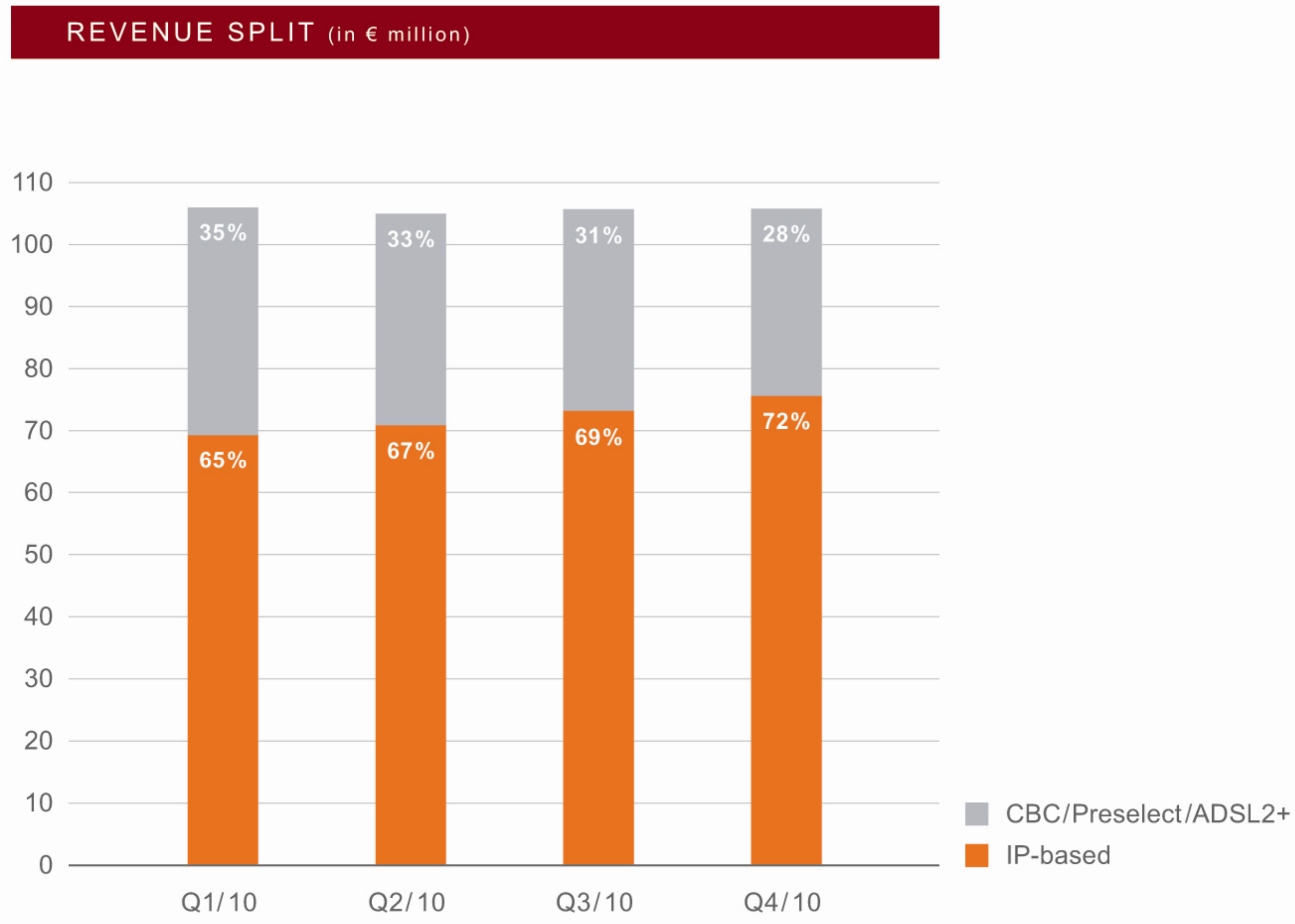
2010: ONGOING TRANSFORMATION PROCESS …



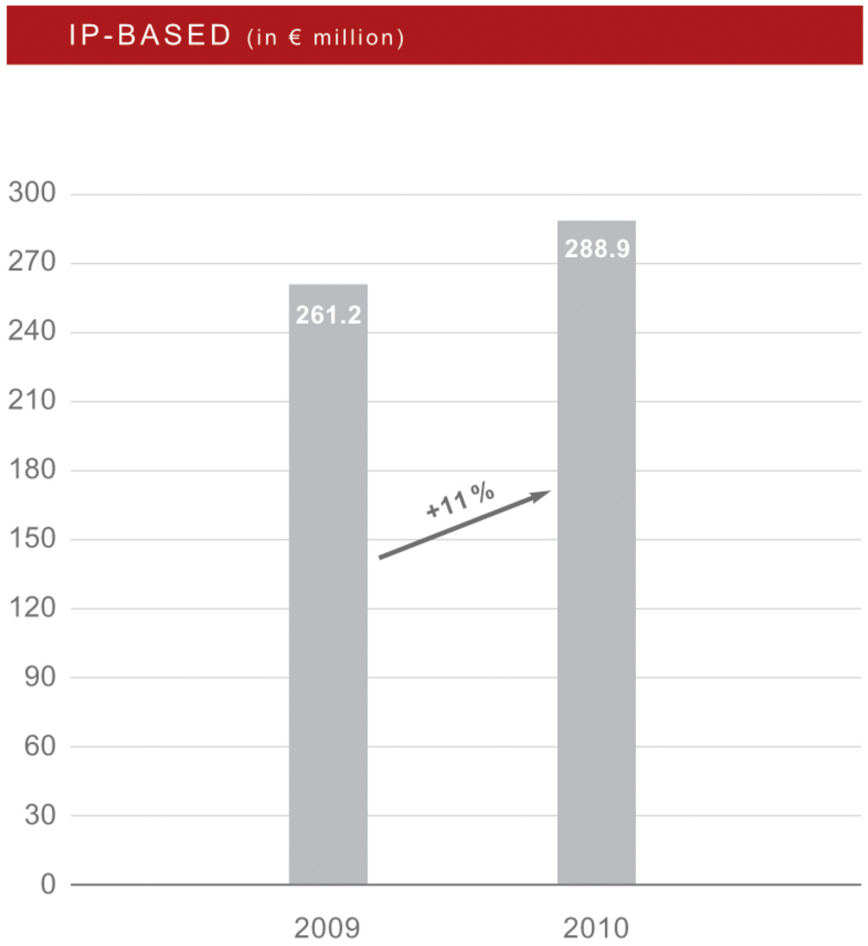
… WITH ATTRACTIVE RESULTS

- In 2010, QSC **raised the share of IP-based revenues to 68%** and improved its revenue mix
- Overall, QSC generated **revenues of € 422.1 million** and earned an **EBITDA of € 78.1 million**
- QSC more than **doubled its EBIT** to € 20.9 million
- QSC more than **quadrupled its Net Profit** to € 24.2 million
- QSC more than **doubled its Free Cash Flow** to € 27.7 million

RISING SHARE OF IP-BASED REVENUES PROVES PROGRESS IN TRANSFORMATION PROCESS



WHAT'S BEHIND THE DOUBLE-DIGIT GROWTH IN IP-BASED REVENUES?



Two main developments:

- Growing demand for “all IP” service solutions
- Success in new lines of business

MAIN DRIVERS FOR GROWTH IN ALL IP SERVICE SOLUTIONS

- **Next Generation Network**
  Thanks to its **high cost-efficiency**, the IP-based NGN has led to a significant growth in Voice Wholesale in 2010 (e.g. KPN, sipgate, Tata Communications)
- **Successes in new business**
  As a mid-sized ICT-provider, QSC won **attractive mid-sized customers** like Mövenpick, DERAG and Paper Union in 2010
- **Progress in upselling**
  QSC has managed **to increase its share of wallet** with existing customers by e.g. integrating VoIP to existing IP-VPN solutions (e.g. Borussia Dortmund, Deutsche Post CSC, GAGFAH)
- **Product and process innovations**
  In 2010, QSC launched IPfonie centraflex 3.0, and the IPfonie App

SUCCESS IN THREE NEW LINES OF BUSINESS – QSC HAS LAUNCHED ICT OUTSOURCING SERVICES

ICT Outsourcing Services	Initial Customers
Managed Outsourcing	freenet, TELE 2
Open Access	HLkomm, 1&1
Housing and Hosting	IP Partner with > 1,000 SME customers

MANAGED OUTSOURCING FOR VOICE NETWORKS

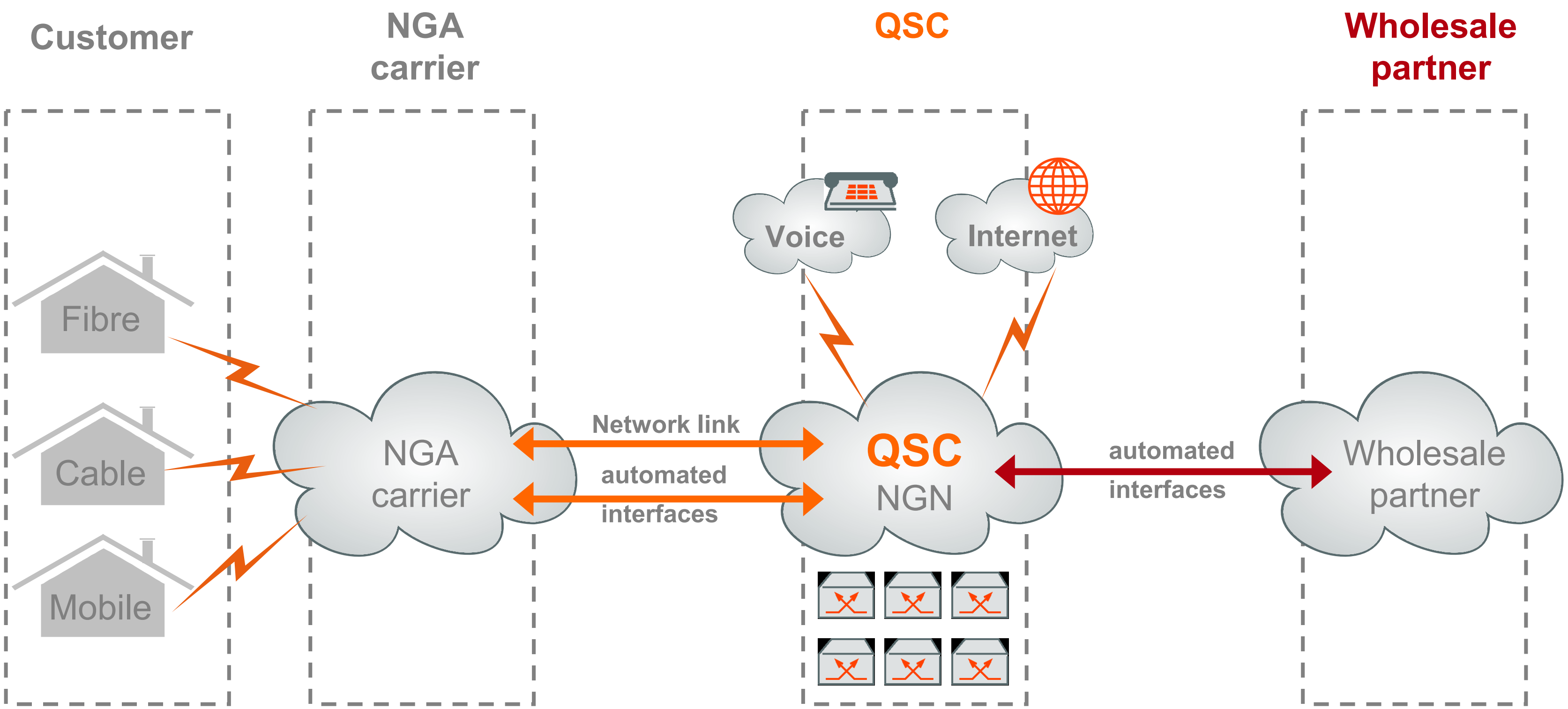
- In 2010, **freenet and TELE2** each signed 10-year **Managed Outsourcing partnership** contracts
- QSC **integrates narrowband networks** and handles the voice traffic of its telco partners; end-customers will stay with the partner
- Managed Outsourcing will produce **smaller margins** than other new lines of business

⇒ **NGN is the perfect toolbox** for cost-efficient IP-based voice outsourcing services

⇒ **Approx. 6 players** still run a small or outdated infrastructure in Germany

OPEN ACCESS
THE KEY TO NEXT GENERATION ACCESS

QSC has launched **the first nationwide Open Access 'Integrator' platform** in Germany



INTEGRATION PLATFORM BASED ON OPEN ACCESS

- The **new platform** will enable regional carriers **to market their NGAs**, mostly based on fibre optic networks, beyond regional borders and to **increase utilization**
- QSC is entering an attractive market
  - **More than 50 regional players** are working on NGA infrastructures
  - **650,000 households** are already connected to FTTX lines (2007: 110,000)
- QSC gained two partners in 2010:
  - Leipzig-based **HL komm** is the **first infrastructure provider**
  - **1&1 Internet AG** is the **first user** of the Open Access platform and will add NGA connections of up to 100 Mbit/s to its product range in 2011

HOUSING AND HOSTING
QSC HAS ACQUIRED A FAST-GROWING PLAYER

- In December 2010, **QSC acquired 100% of IP Partner**, Nuremberg, a fast-growing provider of housing and hosting services
- The company already operates two data centers with more than 10,000 servers for over **1,000 SME customers**
- In 2010, the company **increased its revenues** by approx. 30% to € 14 million and earned a positive EBITDA, EBIT and Net Profit
- QSC bought **“Product & Talent”** with IP Partner

⇒ **Acquisition accelerates transformation into an ICT service provider**

IP PARTNER
ACTIVE IN THREE KINDS OF BUSINESS

IP Partner AG
Board: Christian Seitz, Thorsten Grosse, Joachim Trickl

IP Exchange GmbH

- High quality housing and collocation services
- Sweet spot: SMEs and enterprises
- Direct sales team
- ARPU: € 30k monthly of top 20 customers

IPX-Server GmbH

- Cloud services, dedicated server and virtual hosting
- Sweet spot: smaller SMEs
- Online sales
- ARPU: € 1.5k monthly of top 20 customers

IP Colocation GmbH

- Tailor-made data center planning, construction and operations
- Sweet spot: enterprises

CORE ASSET OF IP PARTNER – DATA CENTERS

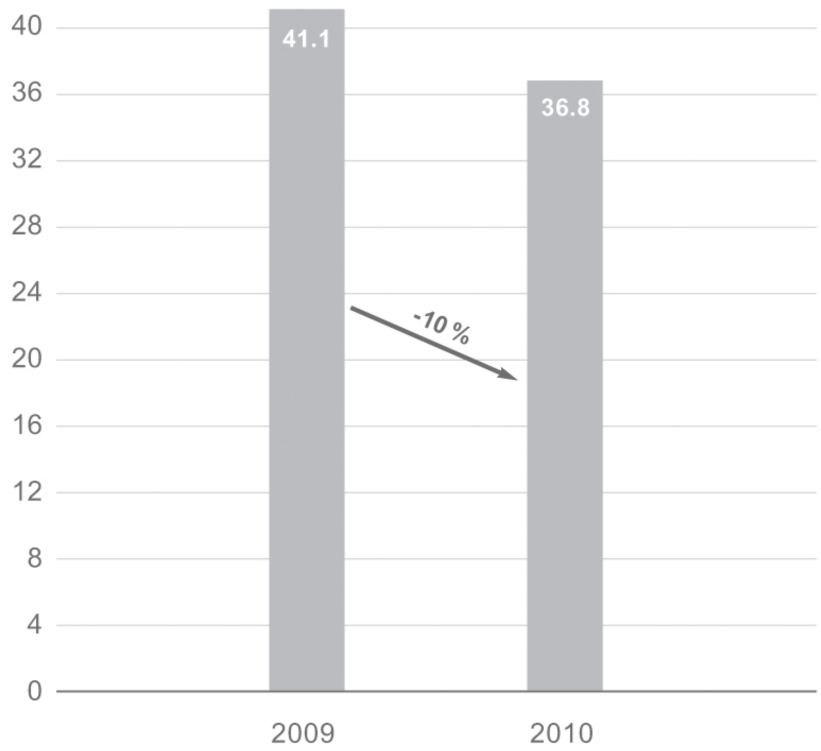
- IP Partner today
  - **Data centers** in Nuremberg and Munich **with 3,000 sqm** and **more than 10,000 servers** under management
  - Usage >90%
  - **TÜV-certificates** for the data center (Tier III – IV) for energy efficiency and service quality

- In 2011, IP Partner will **double its capacity**
  - 2,000 sqm in Nuremberg under construction
  - 1,200 sqm in Munich under construction

- CAPEX of € 7 million already part of QSC's forecast for 2011

FOCUS ON IP-BASED REVENUES
DECLINE OF OTHER REVENUES LIKE CALL-BY-CALL

CBC/PRESELECT (in € million)

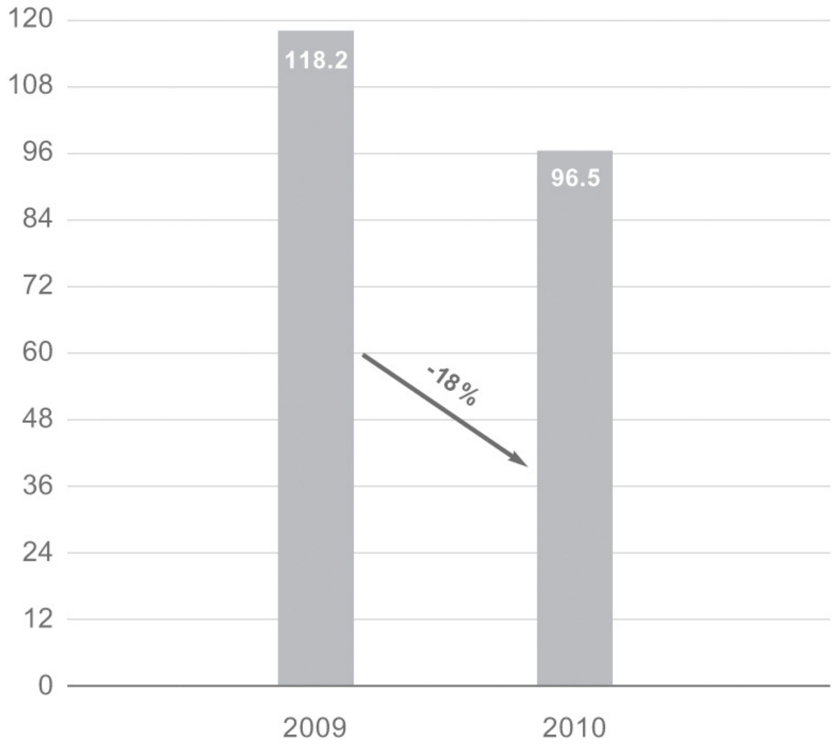


- Market development: Clear trend toward using complete connections and VoIP for calls in Germany
  - Call-by-Call: -27% for voice minutes*
  - Preselect: -42% for voice minutes*
- Ongoing fierce price competition

* Source: DIALOG CONSULT / VATM, October 2010

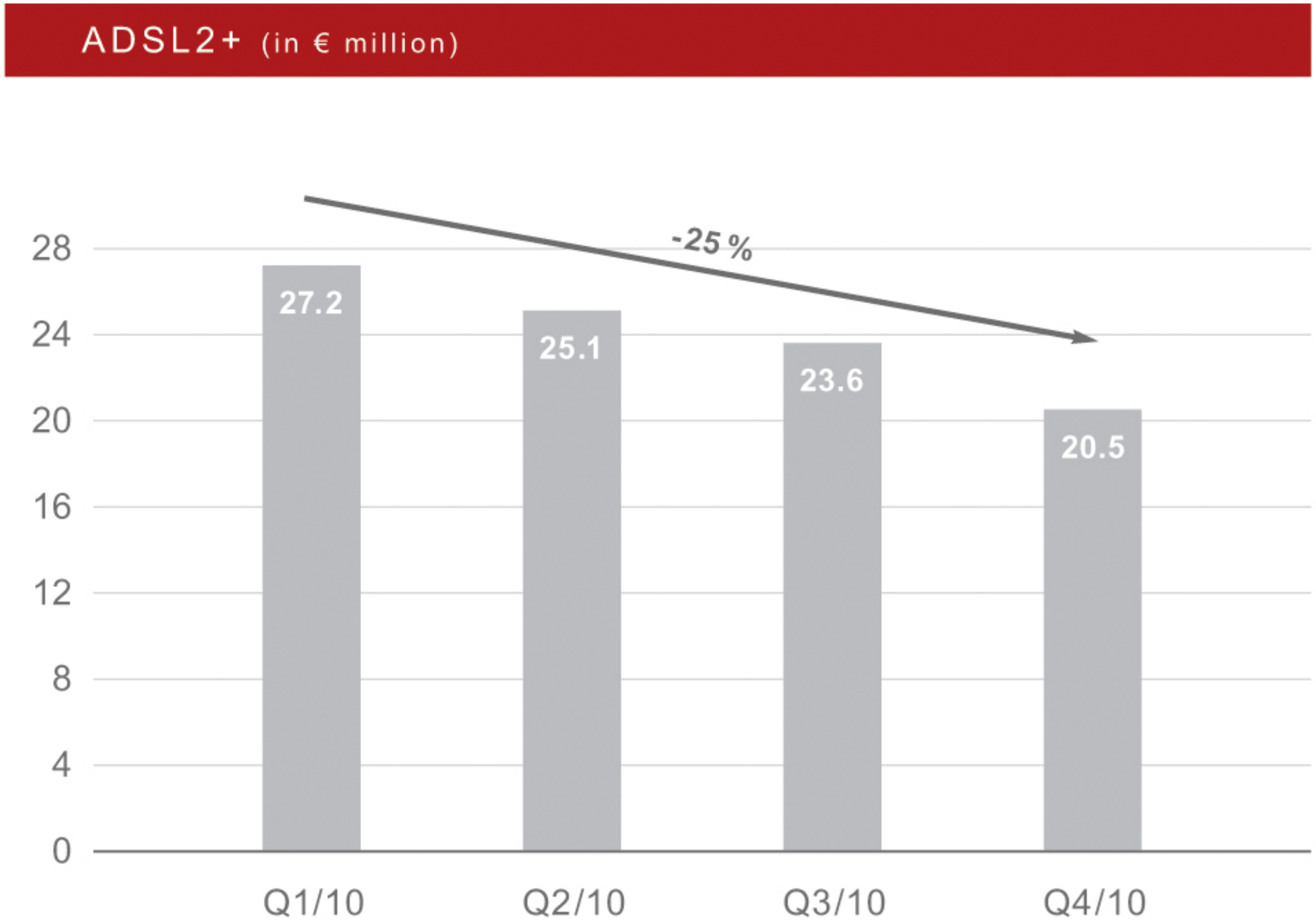
FOCUS ON IP-BASED REVENUES
DECLINE OF ADSL2+ BUSINESS

ADSL2+ (in € million)



- Number of DSL lines has declined from 588,800 to 512,400
- Ongoing price competition
- Growing competition from cable operators
- HanseNet has shifted new business to new parent company Telefónica

ADSL2+ REVENUES DECLINED QUARTER BY QUARTER IN 2010 AND WILL CONTINUE TO DECLINE IN 2011



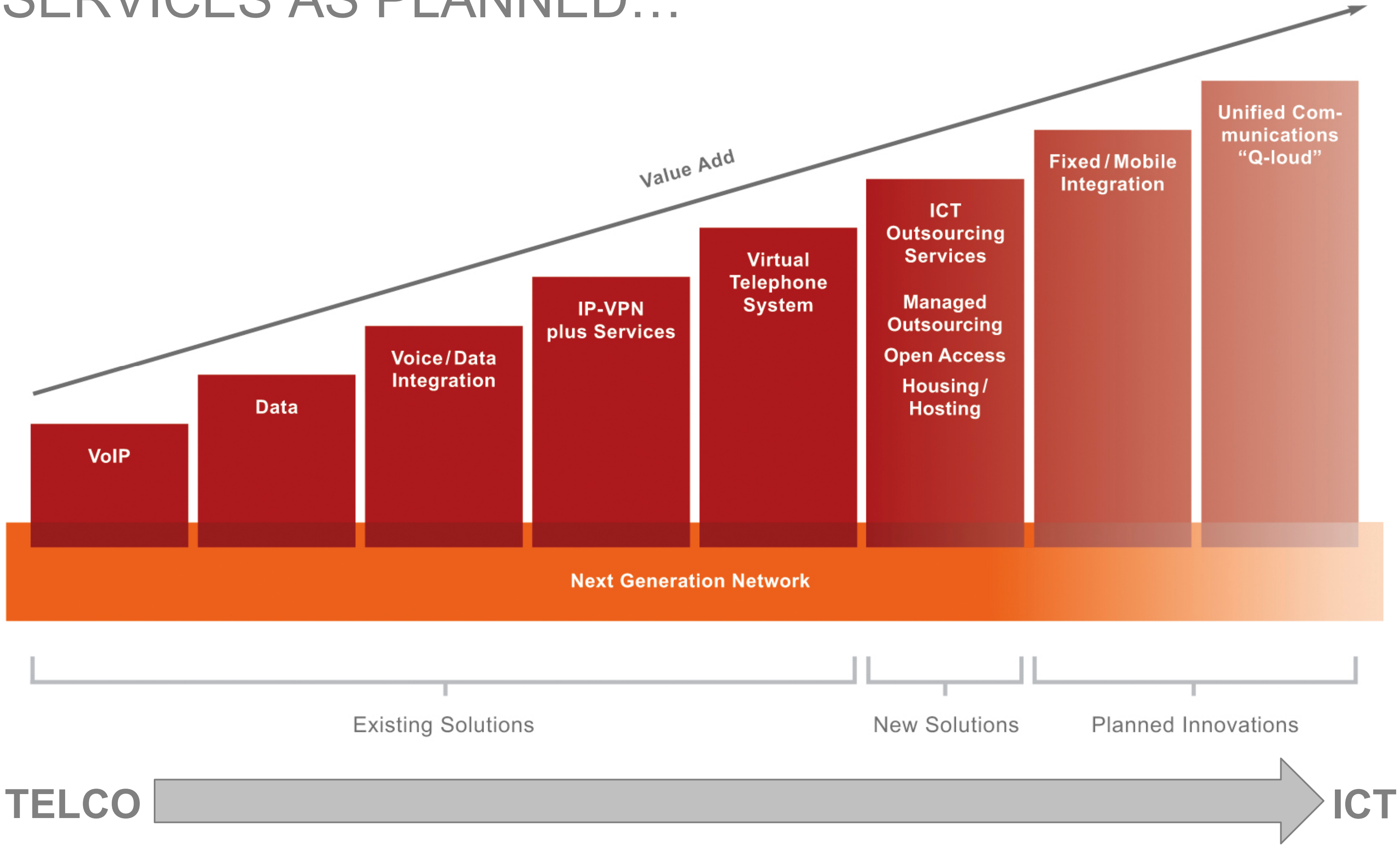
FURTHER HIGHLIGHT OF 2010
AGREEMENTS WITH TELE2

- **Premature termination of the Plusnet collaboration**
  TELE2 paid € 66.2 million for the premature termination of the collaboration agreement, which would otherwise have run through December 31, 2013
- **QSC acquired 32.5% of Plusnet**
  QSC paid € 36.7 million to acquire the 32.5%-stake of TELE2 in Plusnet, equivalent to the current book value of the stake
- **10-year Managed Outsourcing contract**
- **10-year DSL wholesale partnership**

⇒ **100% Plusnet ownership makes it much easier to grasp network synergies**

- Optimizing DSL infrastructure
- Expanding Managed Outsourcing business

IN 2010, QSC LAUNCHED NEW ICT OUTSOURCING SERVICES AS PLANNED…



QSC AG Premium Telecommunication

… AND TOOK A BIG STEP FORWARD TO BECOMING AN ICT SERVICE PROVIDER

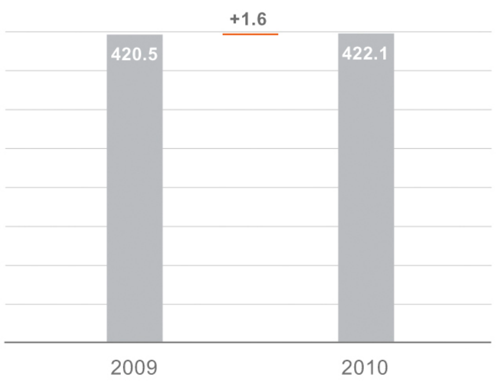
- QSC has raised the **share of IP-based revenues to 68%** from 62% in 2009
- QSC has managed to offset the decline in ADSL2+ and CbC/Preselect with an **increase of 11% in IP-based** lines of businesses
- QSC has developed **three new lines of business:**
  - Managed Outsourcing
  - Open Access
  - Housing and Hosting

Preliminary Results FY 2010

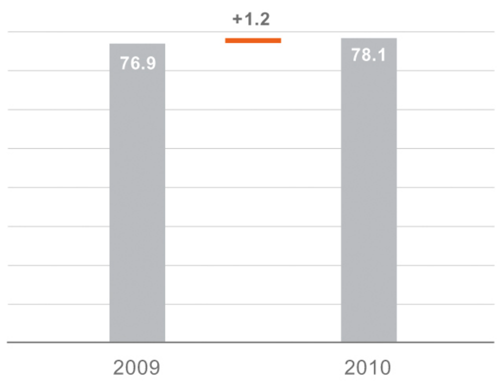
Jürgen Hermann, CFO

QSC IMPROVED PROFITABILITY IN 2010

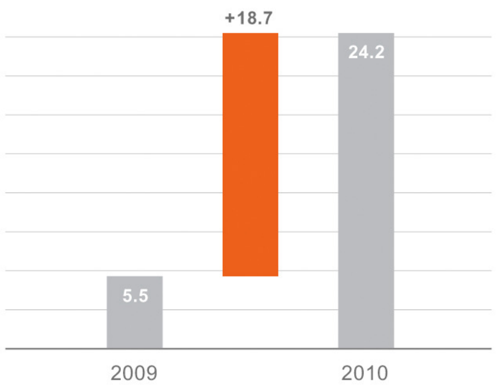
REVENUES (in € million)



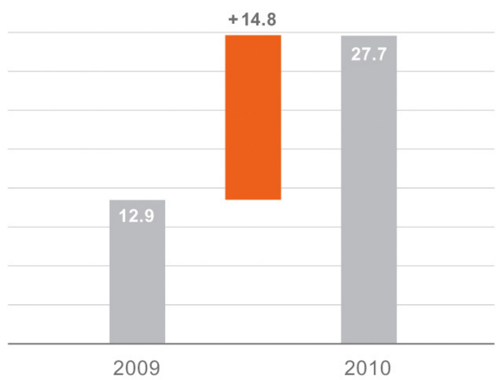
EBITDA (in € million)



NET PROFIT (in € million)



FREE CASH FLOW (in € million)



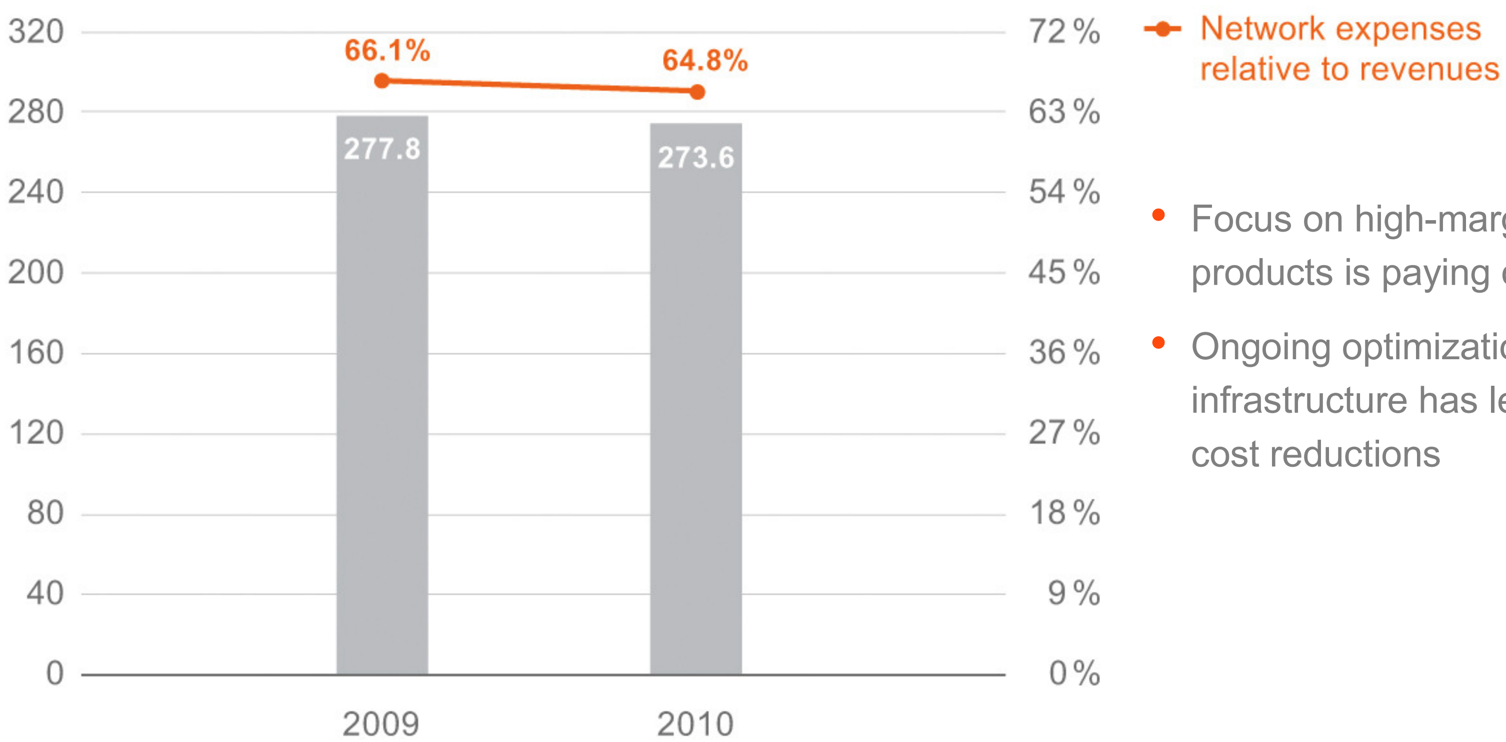
QSC MORE THAN QUADRUPLED ITS NET PROFIT

In € millions	2009	2010	Δ
• Revenues	420.5	422.1	+0.4%
• Network expenses [(1)]	277.8	273.6	-1.5%
• *Gross profit*	*+142.7*	*+148.5*	*+4.1%*
• Other operating expenses [(1)]	65.8	70.4	+7.0%
• *EBITDA profit*	*+76.9*	*+78.1*	*+1.6%*
• Depreciation	67.2	57.2	-14.9%
• *EBIT profit*	*+9.7*	*+20.9*	*+115.5%*
• Financial results	-2.5	-2.0	-20.0%
• Income taxes	-1.7	+5.3	nm
• *Net profit*	*+5.5*	*+24.2*	*+340.0%*

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

NETWORK COSTS ARE DECLINING….

NETWORK EXPENSES (in € million)



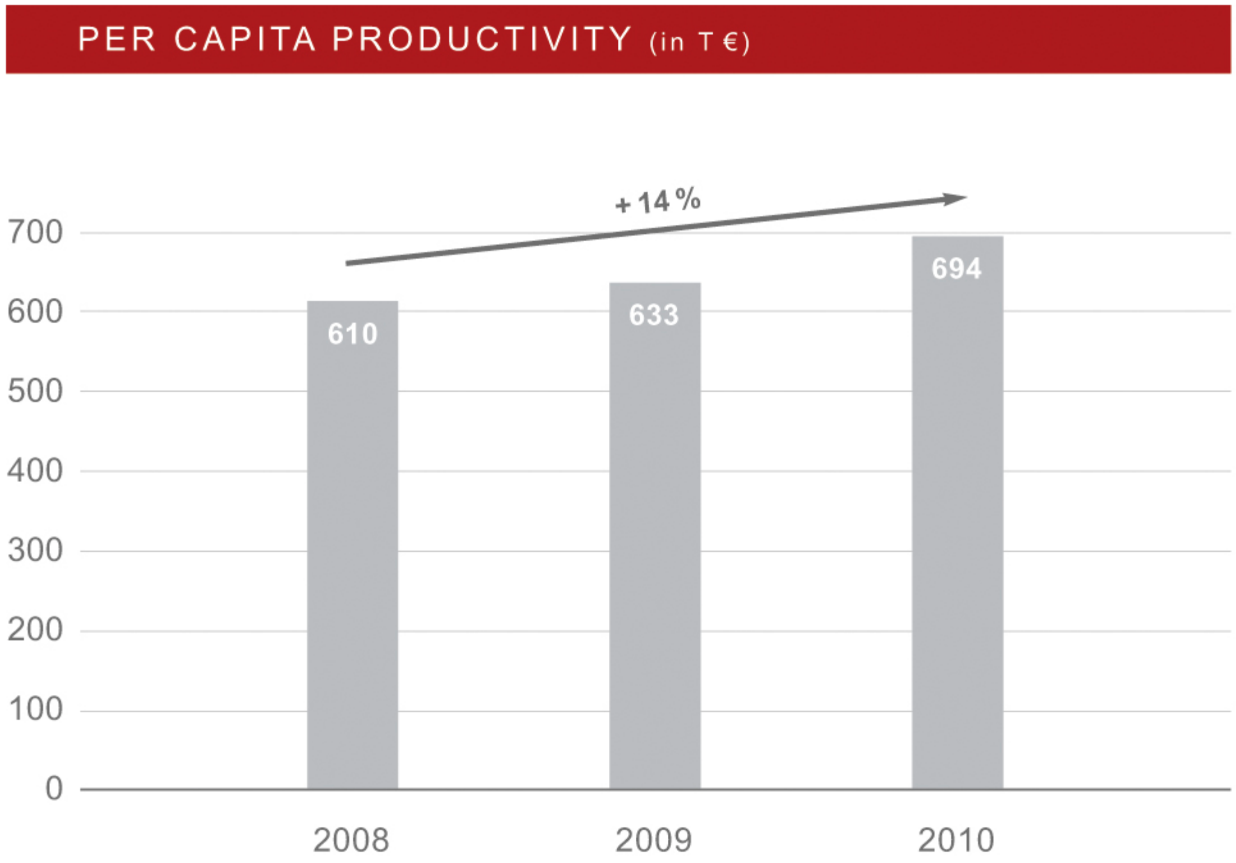
- Focus on high-margin products is paying off
- Ongoing optimization of infrastructure has led to cost reductions

… AND WILL DECLINE OVER THE COMING YEARS

Main Drivers

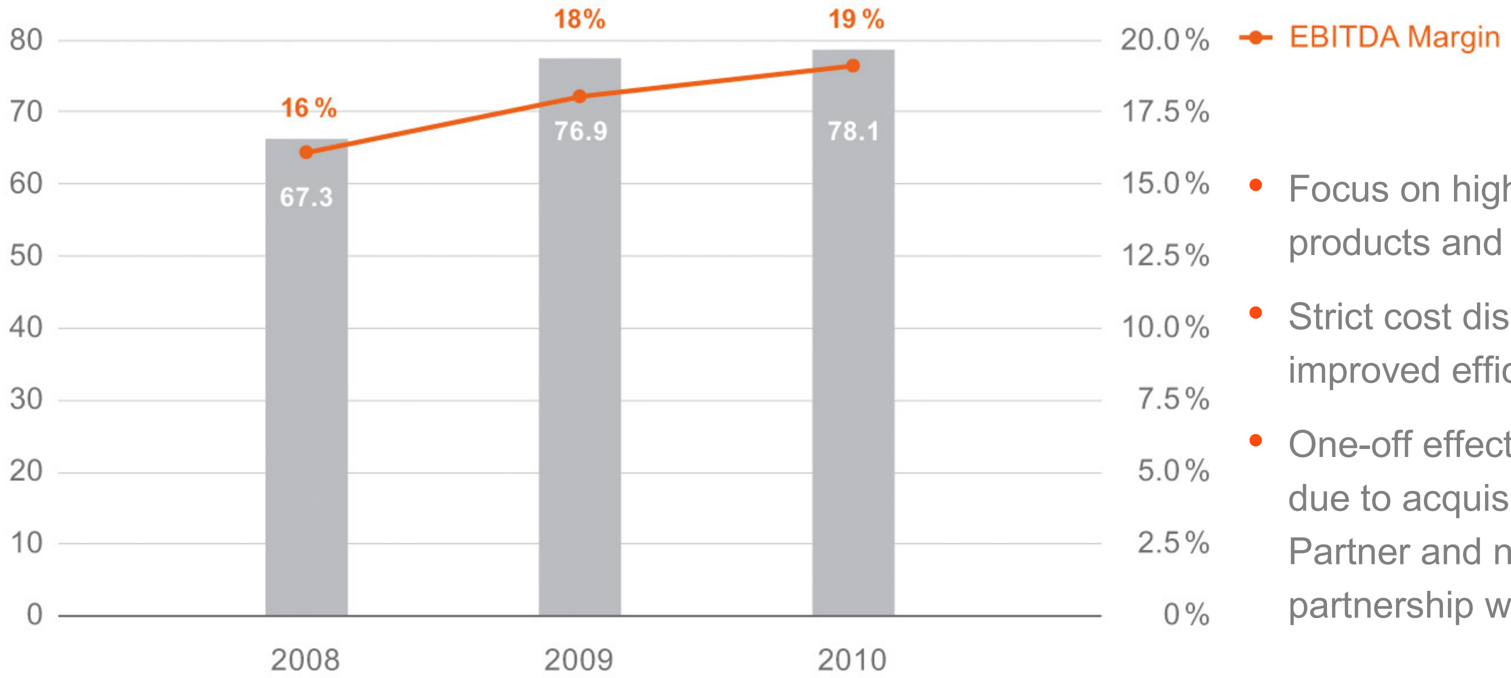
- **Optimization** in **COs** and **backbone** by
    - Renegotiation of contracts
    - Streamlining of Metropolitan Service Centers (MSC)
    - Streamlining of COs
    - Cooperation with other network operators
- **Ongoing optimization** of **network capacities** to lower costs per unit

STRICT COST DISCLIPLINE HAS LEAD TO HIGHER PRODUCTIVITY



QSC NOW HAS AN EBITDA MARGIN OF 19%

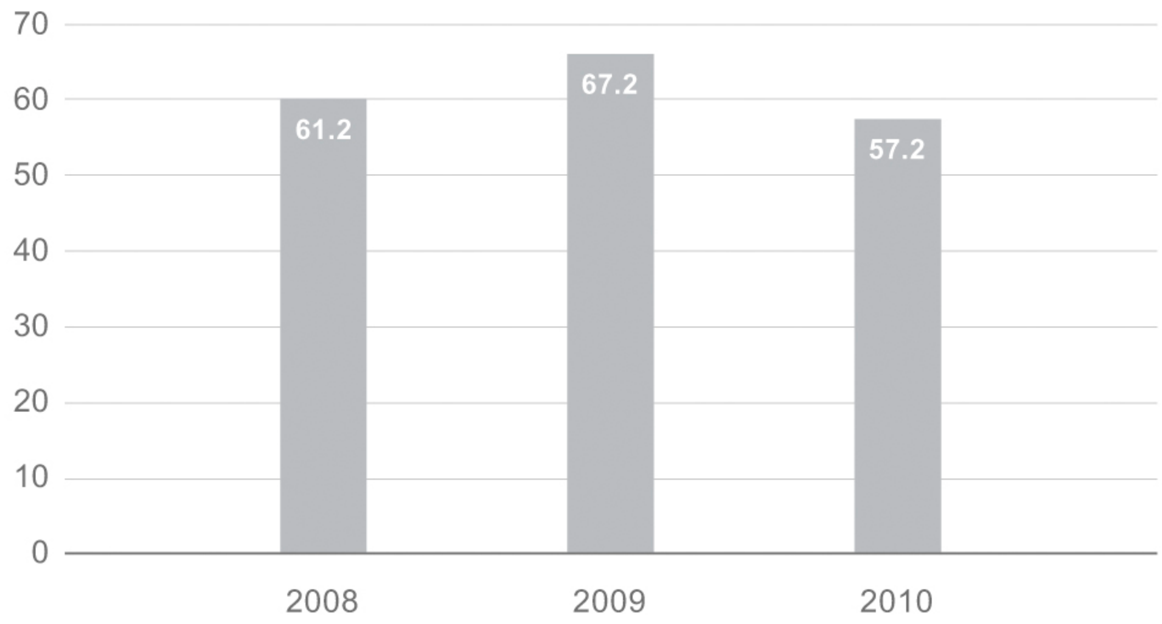
EBITDA (in € million)



- Focus on high-margin products and services
- Strict cost discipline and improved efficiency
- One-off effect in Q4 2010 due to acquisition of IP Partner and new partnership with TELE2

DEPRECIATION STARTED TO DECLINE IN 2010

DEPRECIATION* (in € million)



- Growth of ADSL2+ business in 2007 – 2009 is over
- Network rollout has been completed

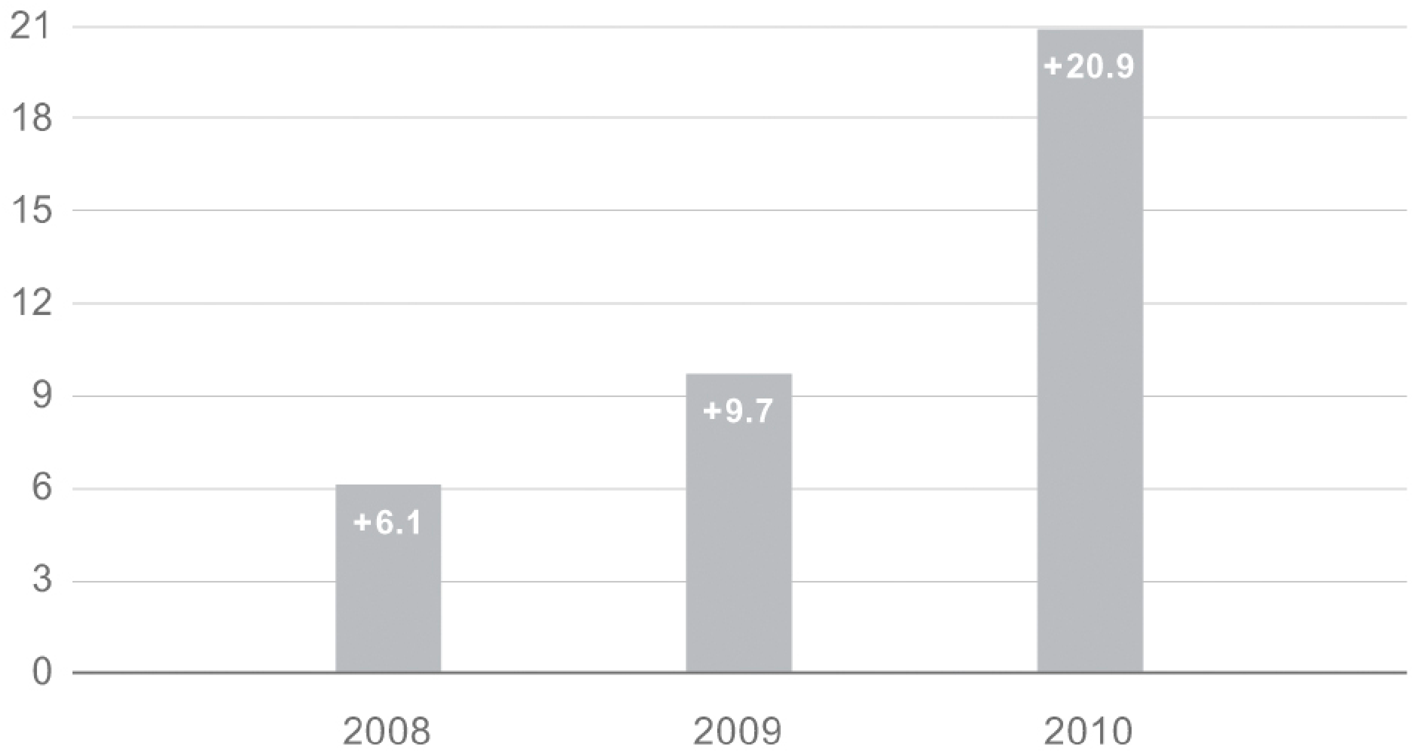
* including non-cash share-based payments

… AND WILL DECLINE OVER THE COMING YEARS

- QSC expects depreciation expense to decline over the coming years for three main reasons
  - As an ICT service provider, **QSC will invest much less** than as a pure Telco network player
    => QSC will not invest in fibre access infrastructure
  - QSC will focus on mid-sized business customers, **avoiding huge investments in customer connections**
  - More and more **long-term assets have fully depreciated**

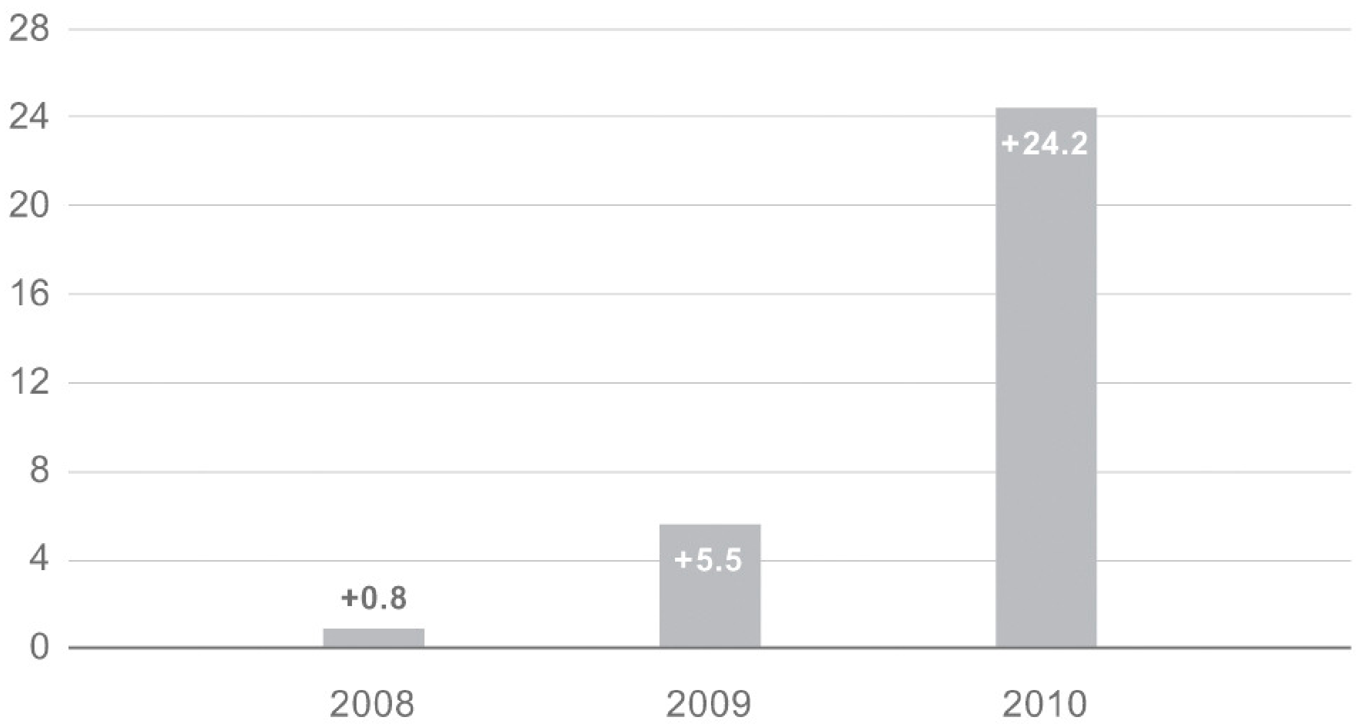
QSC HAS DOUBLED ITS EBIT

EBIT (in € million)



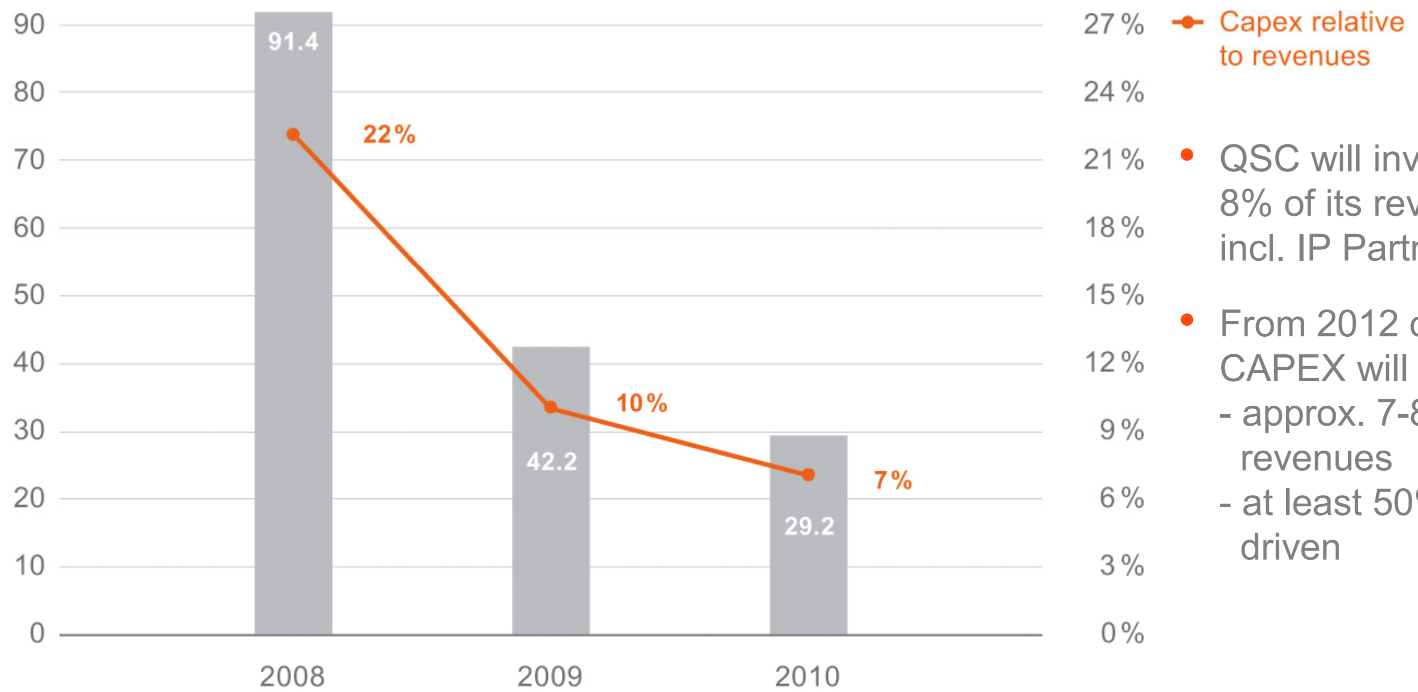
QSC IS EARNING A SUSTAINABLE NET PROFIT

NET PROFIT (in € million)



THE INVESTMENT PERIOD IS OVER – ICT SERVICE PROVIDER QSC INVESTS JUST 7-8% OF REVENUES

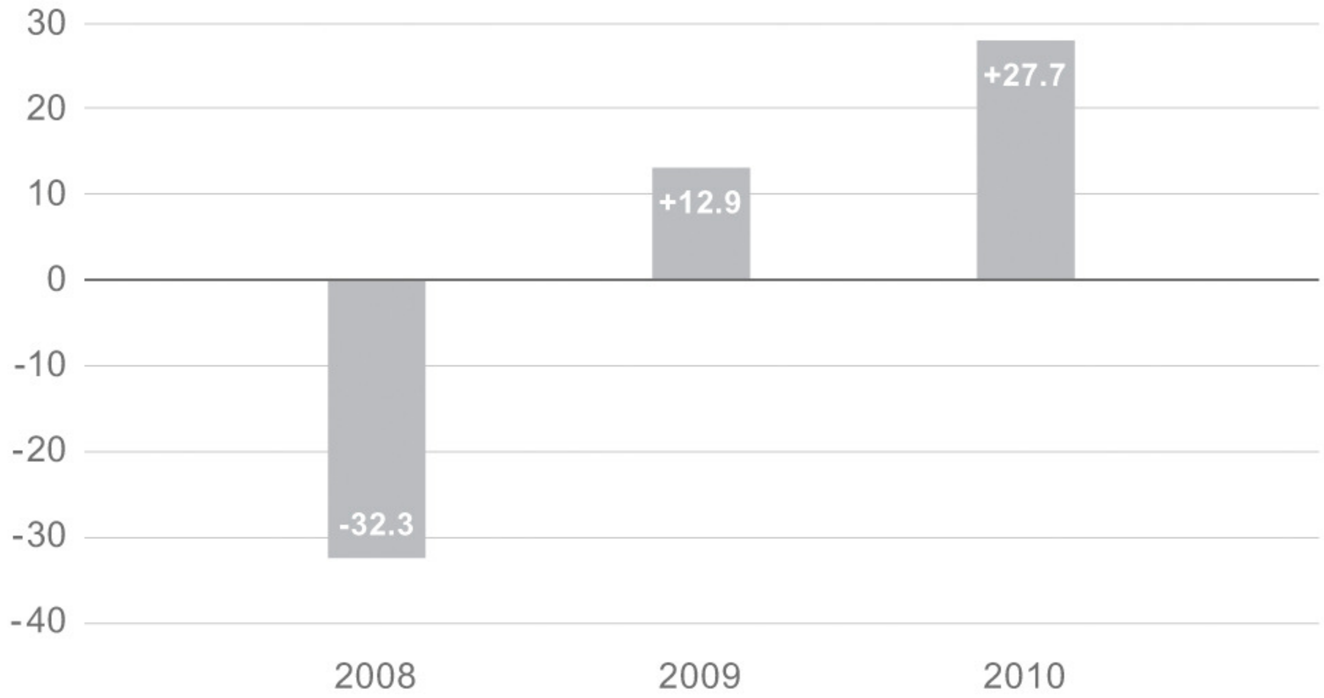
CAPEX (in € million)



- QSC will invest approx. 8% of its revenues in 2011 incl. IP Partner
- From 2012 onwards, CAPEX will be
  - approx. 7-8% of revenues
  - at least 50% customer-driven

SHARP INCREASE IN FREE CASH FLOW

FREE CASH FLOW (in € million)

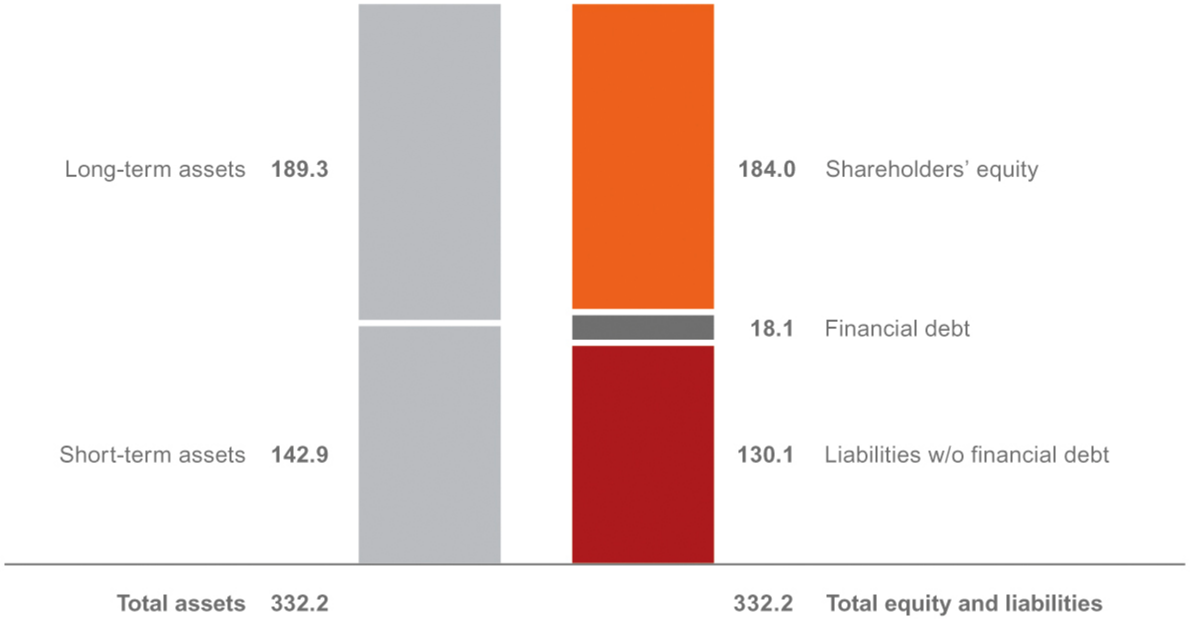


QSC IS BUILDING UP A NET CASH POSITION

In € millions	Dec. 31, 2009	Dec. 31, 2010	Δ
+ Cash and short-term deposits	+41.0	+46.2	+5.2
+ Available-for-sale financial assets	+0.3	+0.3	-
+ Liquidity	*+41.3*	*+46.5*	*+5.2*
- Finance lease obligations	-22.8	-7.5	+15.3
- Other short-term liabilities	-2.8	-0.6	+2.2
- Liabilities due to banks	-15.0	-10.0	+5.0
- Financial debt	*-40.6*	*-18.1*	*+22.5*
= Net liquidity	*+0.7*	*+28.4*	*+27.7*

SOLID FINANCING

CONSOLIDATED BALANCE SHEETS AS OF DEC. 31, 2010 (in € million)



$$\frac{\text{Liabilities w/o debt}}{\text{Short-term assets}} < 1$$

$$\frac{\text{Equity + debt}}{\text{Long-term assets}} > 1$$

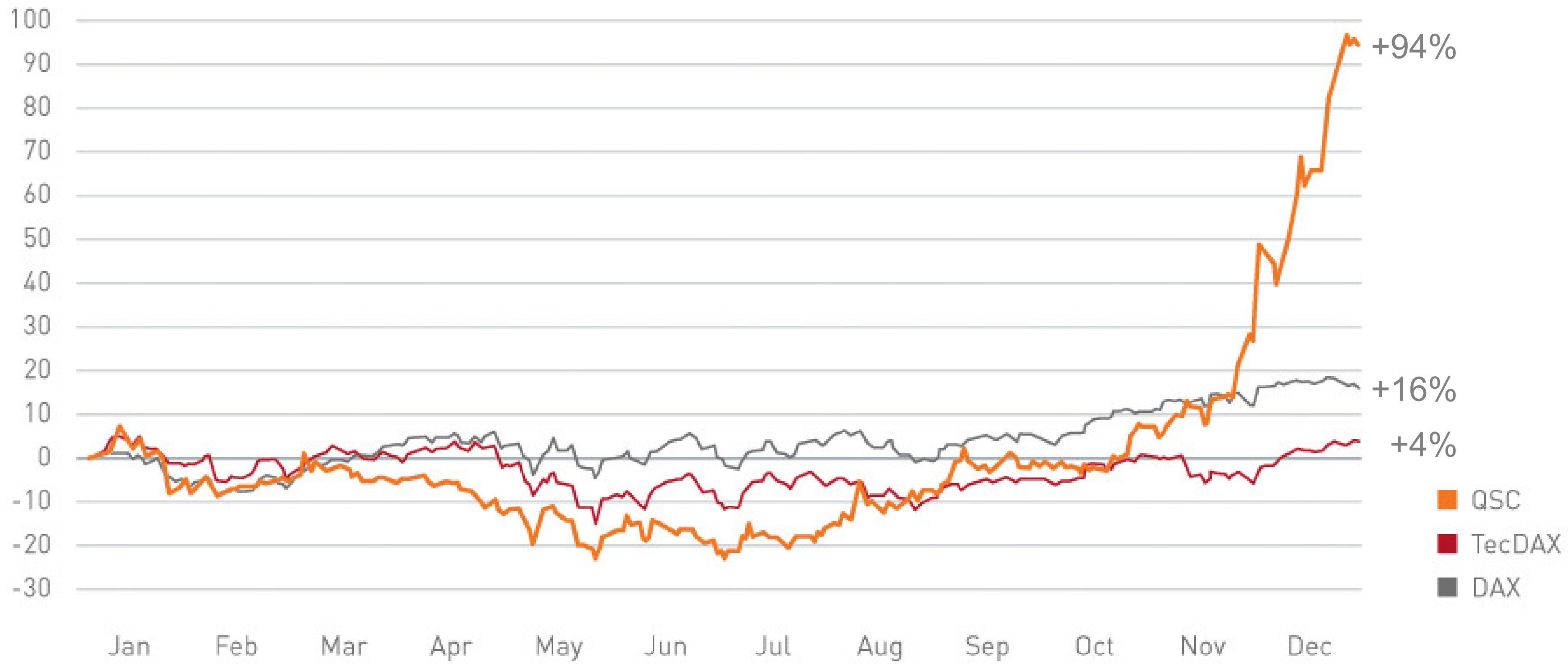
$$\frac{\text{Debt}}{\text{EBITDA}} = 0.2$$

QSC ACHIEVED ITS GOALS IN 2010

GUIDANCE 2010 VS. RESULTS IN 2010

Free Cash Flow > € 25 million	**Free Cash Flow: € 27.7 million**	✓
Net Profit > € 16 million	**Net Profit: € 24.2 million**	✓
Revenues > € 420.5 million	**Revenues: € 422.1 million**	✓
EBITDA > € 76.9 million	**EBITDA: € 78.1 million**	✓

… AND MANAGED TO OUTPERFORM THE STOCK MARKET SIGNIFICANTLY



IN FEBRUARY 2011, LONG-TERM INVESTOR BAKER CAPITAL TRANSFERRED QSC SHARES

- In 1999, closed-end funds of Baker Capital invested in QSC
- 1999 – 2011, neither Baker Capital nor the founders sold a single QSC share
- In 2011, Baker Capital transferred some 8.3 million QSC shares to its mainly institutional investors in conjunction with a distribution

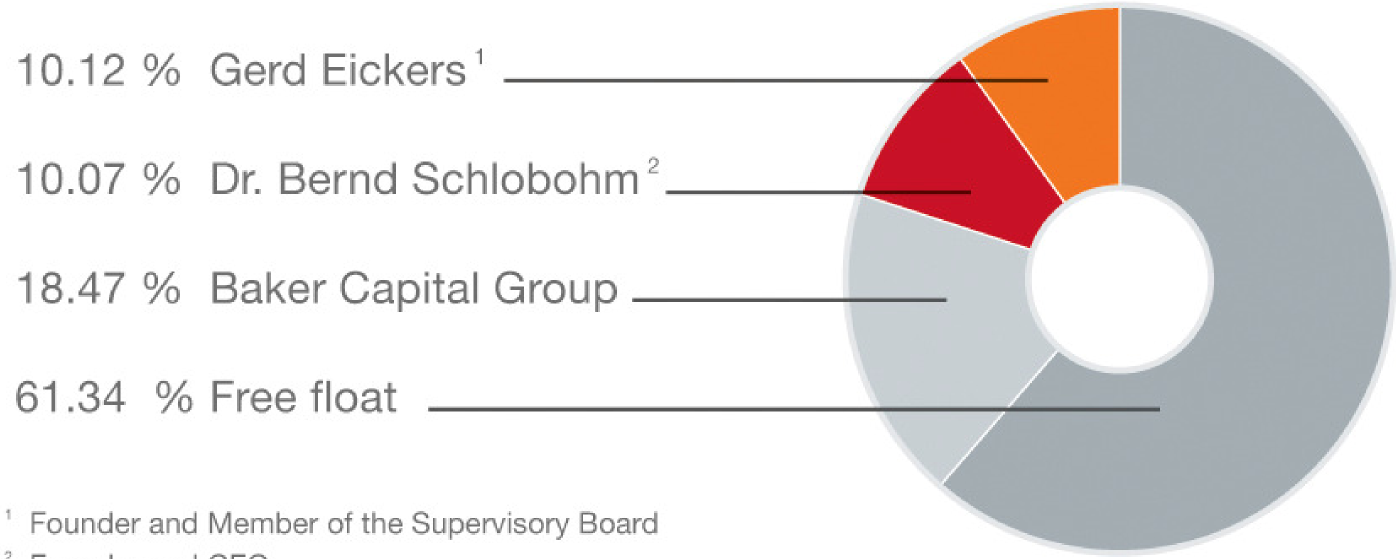
⇒ QSC has enlarged its investor base in the U.S.

⇒ QSC has proven again its ability to manage major changes in ownership of shares without large fluctuations in price

⇒ QSC has enlarged its free float

QSC RAISED ITS FREE FLOAT TO 61.3%

SHAREHOLDER STRUCTURE



[1] Founder and Member of the Supervisory Board
[2] Founder and CEO

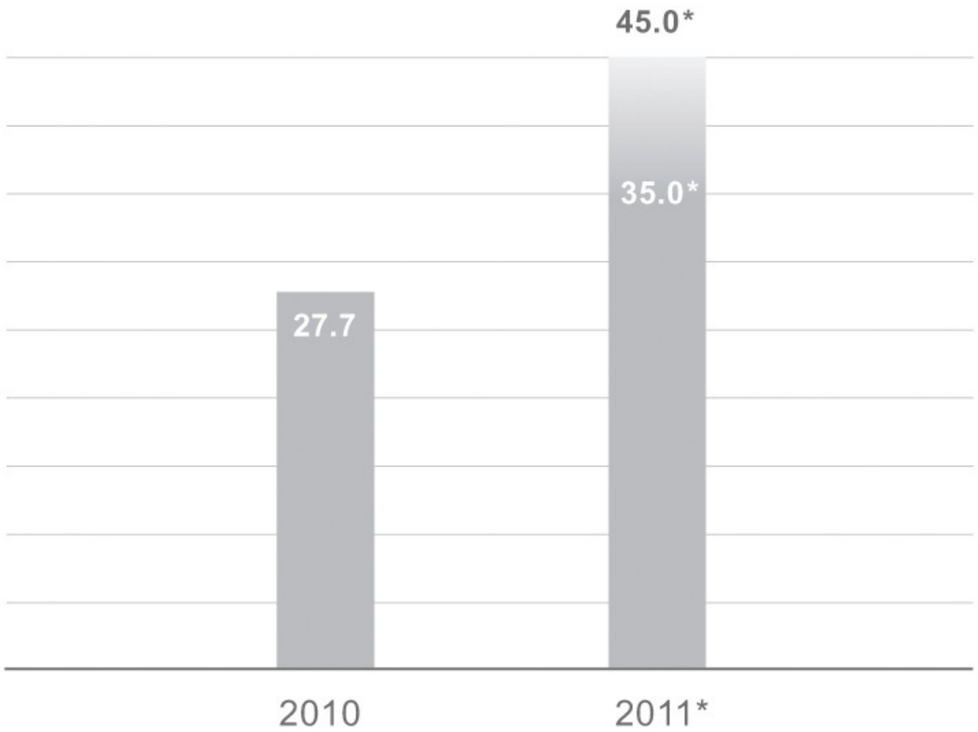
Status quo: 09/02/2011

Outlook 2011

Dr. Bernd Schlobohm, Founder & CEO

OUTLOOK 2011
FOCUS ON FINANCIAL STRENGTH

FREE CASH FLOW (in € million)



* w/o acquisitions

QSC WILL START TO PAY A DIVIDEND FOR FY 2011

- **Rising Free Cash Flow** and **net liquidity** have paved the way for paying a dividend
- FY 2011 will be the starting point for **regular dividend payments**
- Depending on operative development and the development of capital markets, QSC does **not exclude a share-buyback program** as well

ONGOING TRANSFORMATION PROCESS

- Split development of QSC's markets

  (-) Ongoing price pressure in legacy voice

  (-) Market saturation and price pressure in ADSL2+

  (-/+) Lower mobile termination fees

  versus

  (+) Rising market share of VoIP services & applications

  (+) Stronger demand for IP-VPN and value-added services

  (+) Growing interest in ICT services (e.g. Housing, Hosting, Cloud Services)

FOCUS ON HOUSING AND HOSTING – QSC WILL LEVERAGE IP PARTNER

IP Colocation
Tailor-made
data center construction

IP Exchange
Colocation Services
Managed Services

IPX-Server
Cloud services

QSC
BU-MS

~30 Key Accounts
~10 Sales Consultants

QSC
BU-PRO/WS

~150 Sales &
integration partners

Customer base
~1,000 enterprises

Market potential
~7,300 enterprises

Customer base
~30,000 SMEs

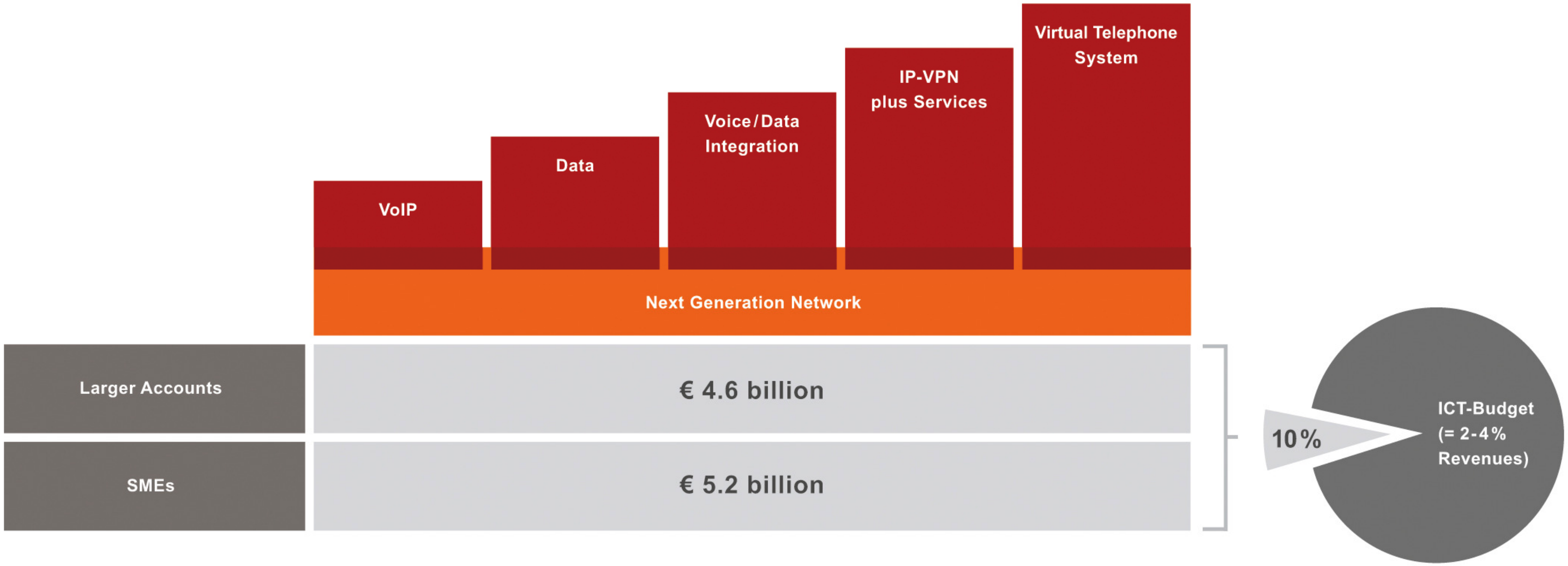
Market potential
~870,000 SMEs

TWO PLANNED INNOVATIONS IN 2011

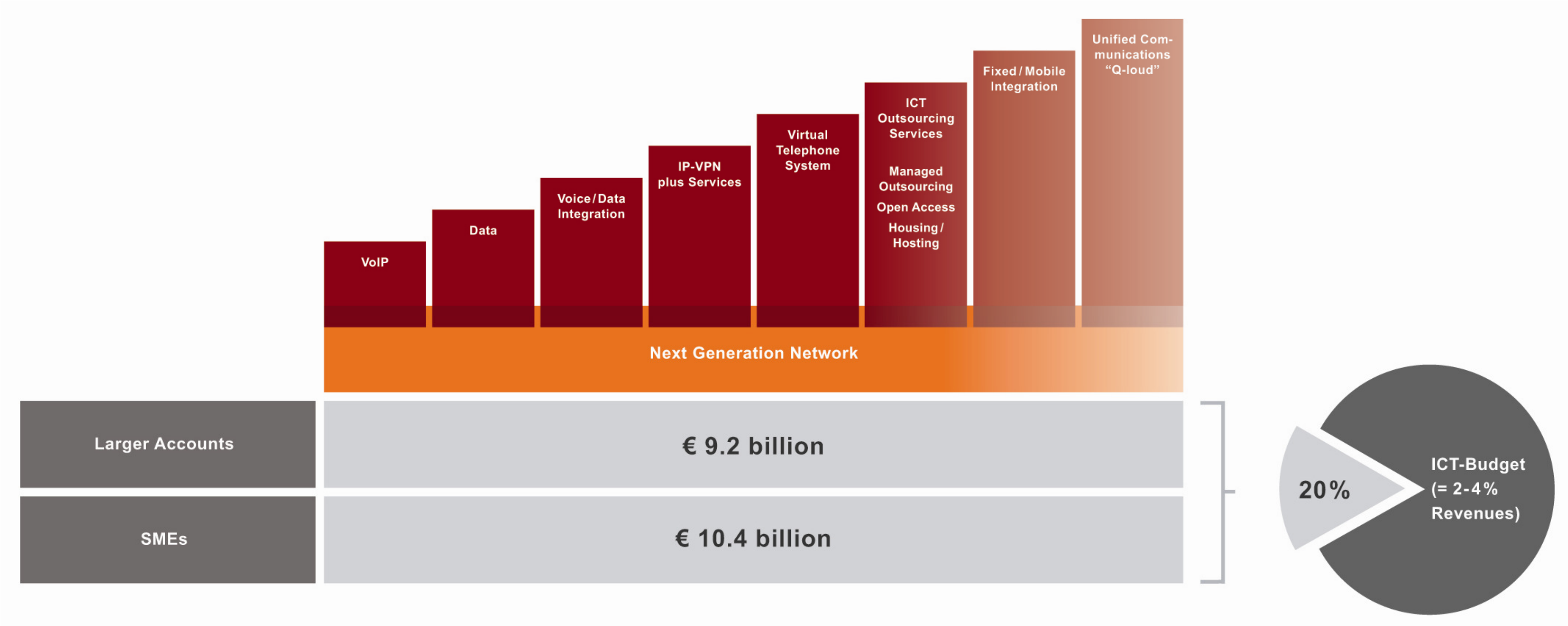
- QSC is focusing on **two planned innovations**
  - **Fixed mobile integration**
  - **Unified communications “Q-loud”**
- QSC is working on **fixed Mobile Products** for business customers
- QSC will extend the NGN by launching the **“Q-loud service platform”** => **first application**: unified communications

⇒ **QSC’s NGN becomes a “Cloud”**

TRANSFORMATION PROCESS WILL INCREASE QSC'S MARKET BY…



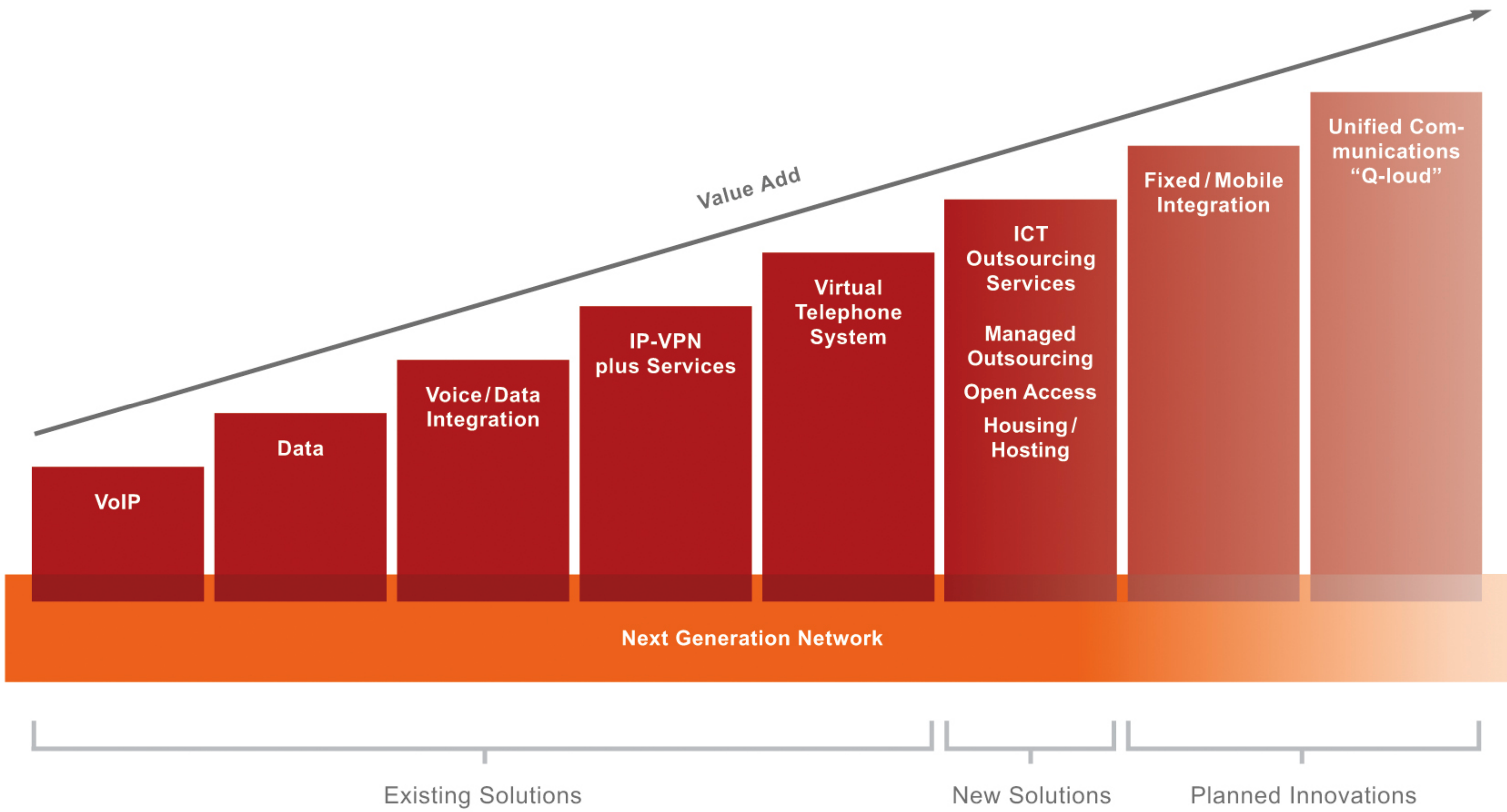
… 100% AS QSC WILL OFFER MORE INNOVATIVE ICT SERVICES AND BENEFIT FROM THE "CLOUD"



ACCELERATION OF TRANSFORMATION PROCESS THROUGH DEDICATED ACQUISTION STRATEGY

- QSC is considering acquiring further ICT players who
  - **Fit into QSC's strategy** and corporate culture
  - **Accelerate transformation** => moving up the value chain in the "Cloud"
  - Are **reasonably priced**
- QSC is in a good position for acquisitions – it has:
  - **One of the healthiest balance sheets** in the European telco industry
  - **Net liquidity of € 28.4 million** as of December 31, 2010
  - **A proven track record of successful integration** of new subsidiaries since IPO

QSC's TRANSFORMATION WILL CONTINUE IN 2011



Questions & Answers

FINANCIAL CALENDAR

March 24, 2011	10th Annual Telecoms Conference, Société Générale, Paris
March 31, 2011	Publication of Annual Report 2010
May 9, 2011	Publication of Quarterly Report I/2011
May 19, 2011	Annual Shareholders Meeting
May 20, 2011	German & Austrian Corporate Conference, Deutsche Bank, Frankfurt
August 8, 2011	Publication of Quarterly Report II/2011
November 7, 2011	Publication of Quarterly Report III/2011

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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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