

# QSC AG

## Company Presentation Results Q3 2010

Cologne, November 8, 2010

## OUR MISSION STATEMENT

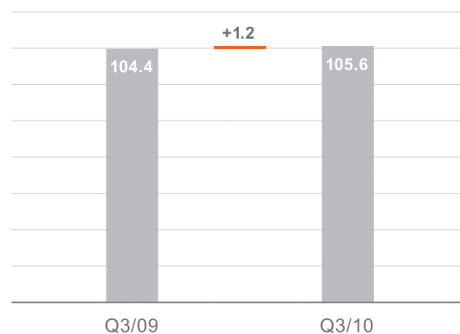
QSC is the leading medium-sized provider in the telecommunications market who creates sustainable value for medium-sized companies, cooperation partners and employees through highest quality and customer focus.

# AGENDA

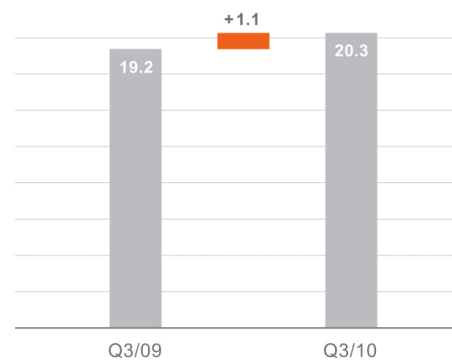
1. Highlights Q3 2010
2. Financial Results Q3 2010
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4. Questions & Answers

# Q3 2010: FURTHER IMPROVEMENT IN PROFITABILITY AND FINANCIAL STRENGTH

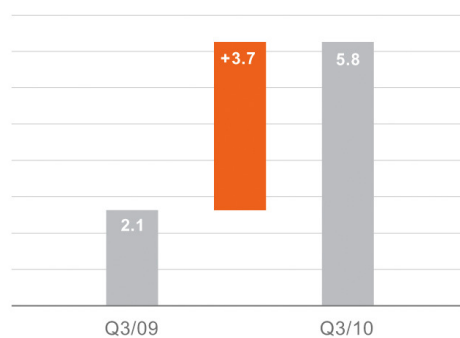
REVENUES (in € million)



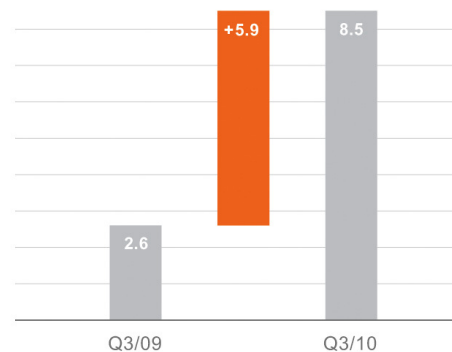
EBITDA (in € million)



NET PROFIT (in € million)



FREE CASH FLOW (in € million)

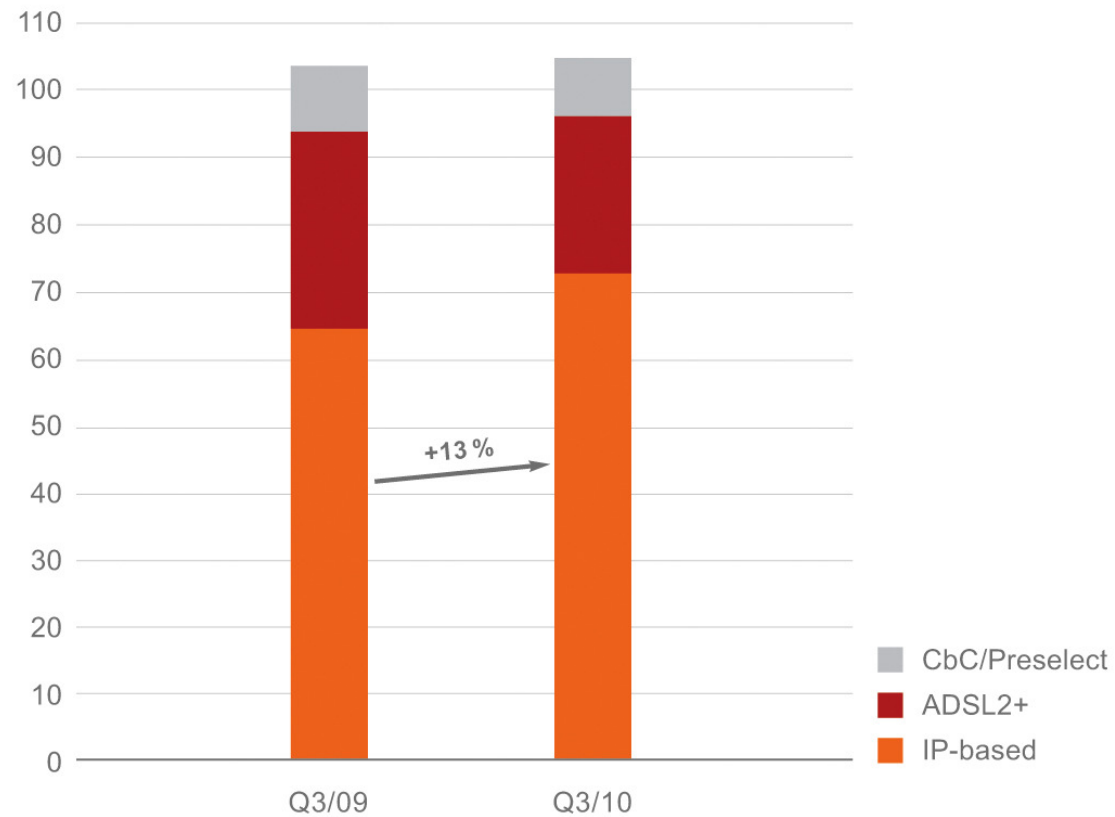


## MAJOR ACHIEVEMENTS DURING Q3 2010

- Ongoing successful transformation of QSC
- Double-digit growth in IP-based products and services
- QSC launches first nationwide Open Access platform
- QSC is integrating the narrowband network of freenet cityline – marking the start of the Managed Outsourcing line of business
- QSC launches IPfonie centraflex 3.0 – an ICT software-as-a-service product

# IP-BASED REVENUES GREW BY 13%

REVENUE MIX (in € million)



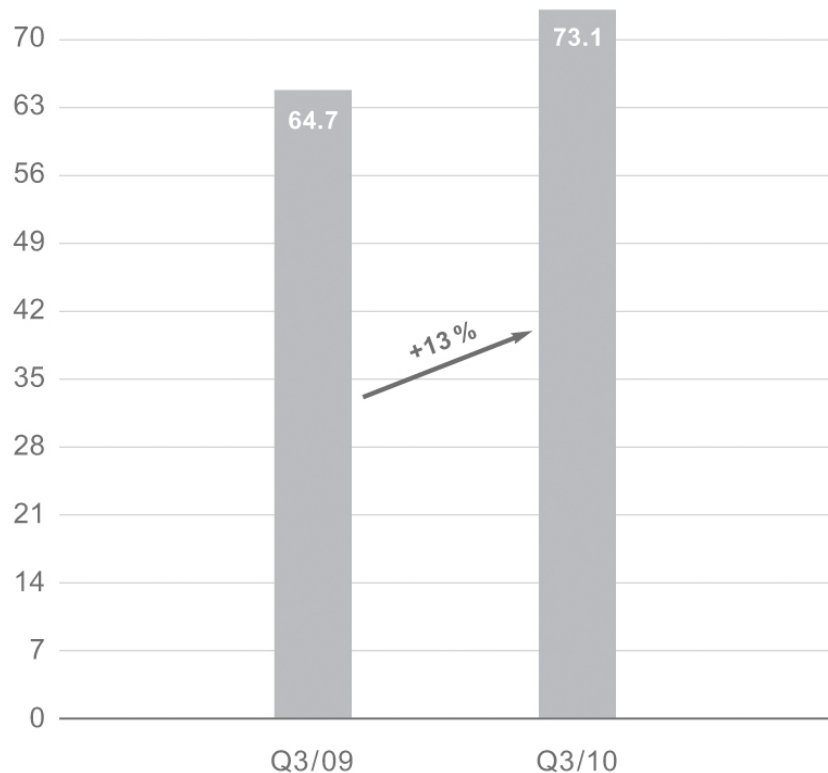
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# RISING REVENUES WITH IP-BASED SERVICES

IP-BASED (in € million)



## Main developments

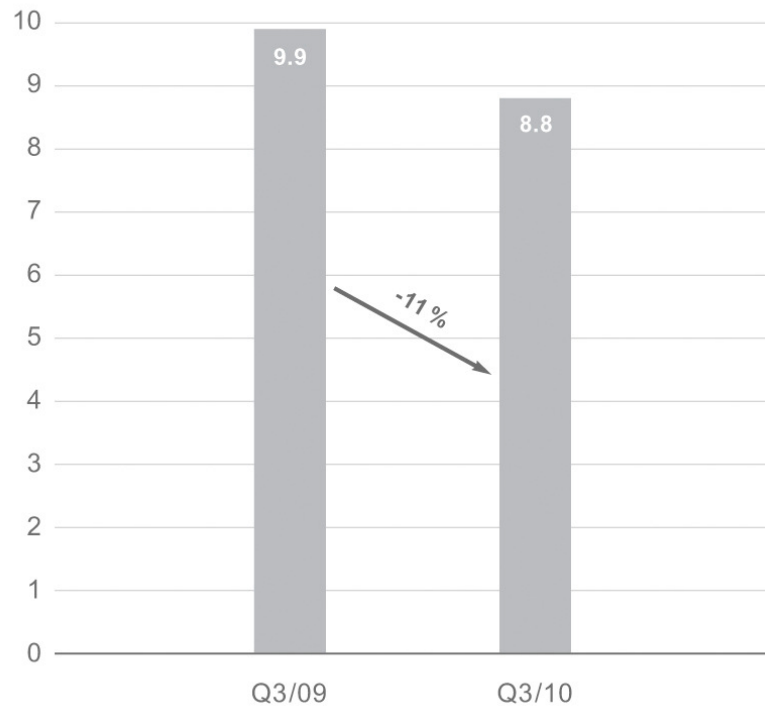
- Growing demand for “all IP” solutions
- Strong demand for VoIP services from mid-size customers and wholesalers

## Our expectation

- “IP revenues” will rise further because of
  - A growing demand from mid-size customers
  - High interest in NGN-based services on the part of wholesalers and resellers
  - Launch of further IP-based services
  - Consistent white label strategy

# OUTPERFORMING A FAST DECLINING MARKET

CBC/PRESELECT (in € million)



## Market developments

- Clear trend toward using complete connections and VoIP for voice in Germany
  - Call-by-Call: -27% for voice minutes\*
  - Preselect: -42% for voice minutes\*
- Fierce price competition

## Our expectation

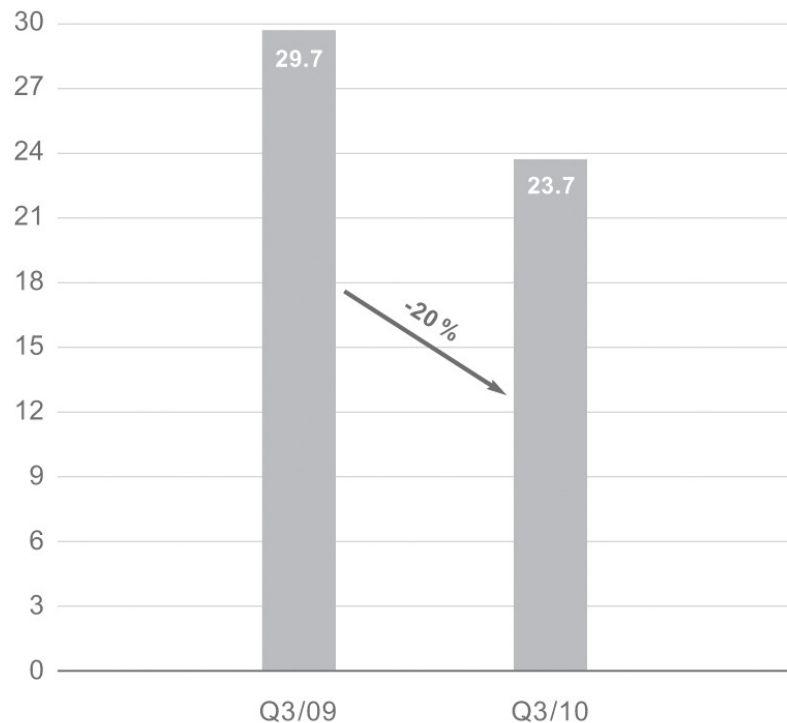
- QSC will continue to outperform the market thanks to its highly efficient cost structure
- QSC will benefit doubly from the trend towards VoIP
  - Rising revenues with IPfonie products
  - Rising revenues in Voice Wholesale

\* Source: DIALOG CONSULT / VATM, October 2010



# ADSL2+ IS LOSING IMPORTANCE

## ADSL2+ (in € million)



### Main developments

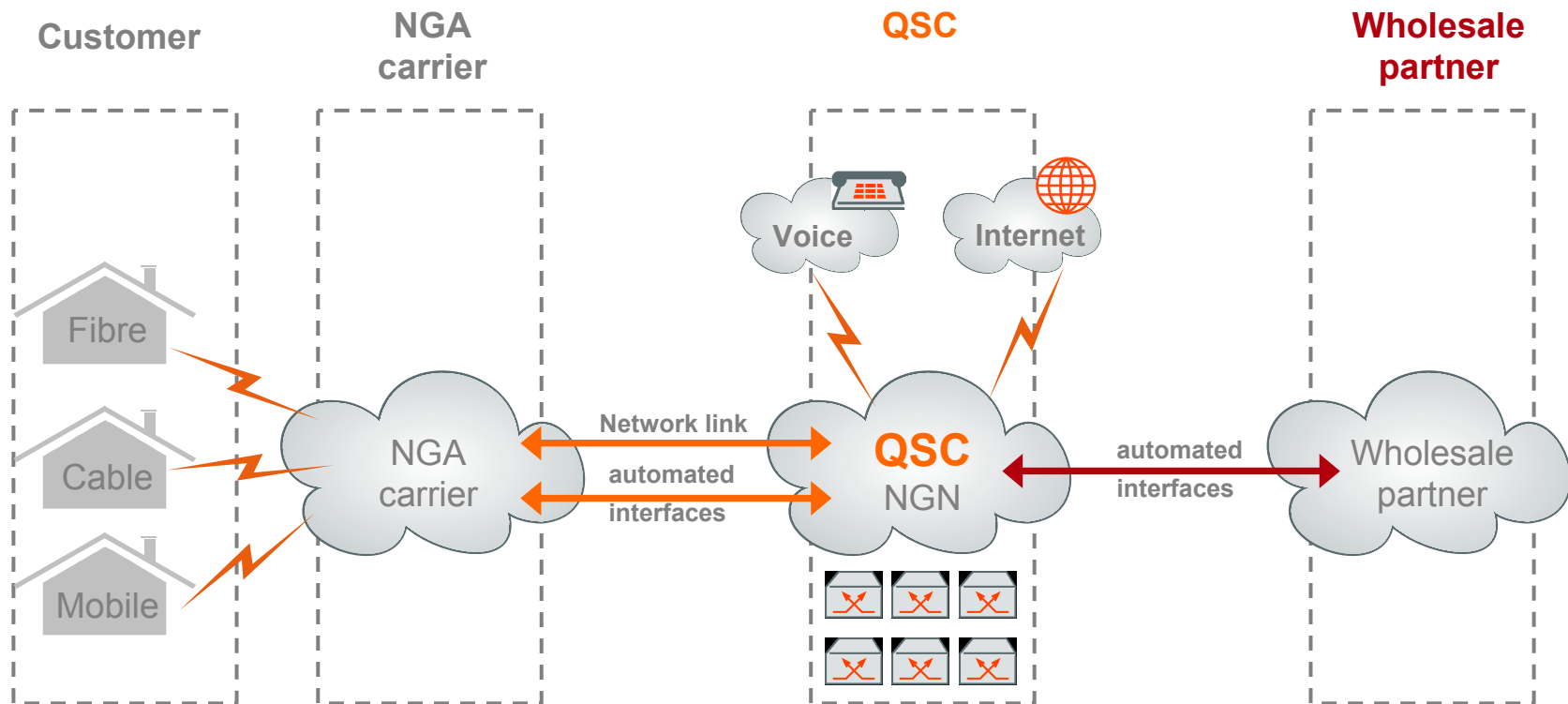
- Number of DSL lines has declined to 532,900
- Ongoing price competition
- Growing competition from cable operators and NGA providers

### Our expectation

- Further decline of approx. 20,000 to 25,000 lines per quarter because of ordinary churn

# QSC WILL PLAY A CENTRAL ROLE IN THE NGA MARKET

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

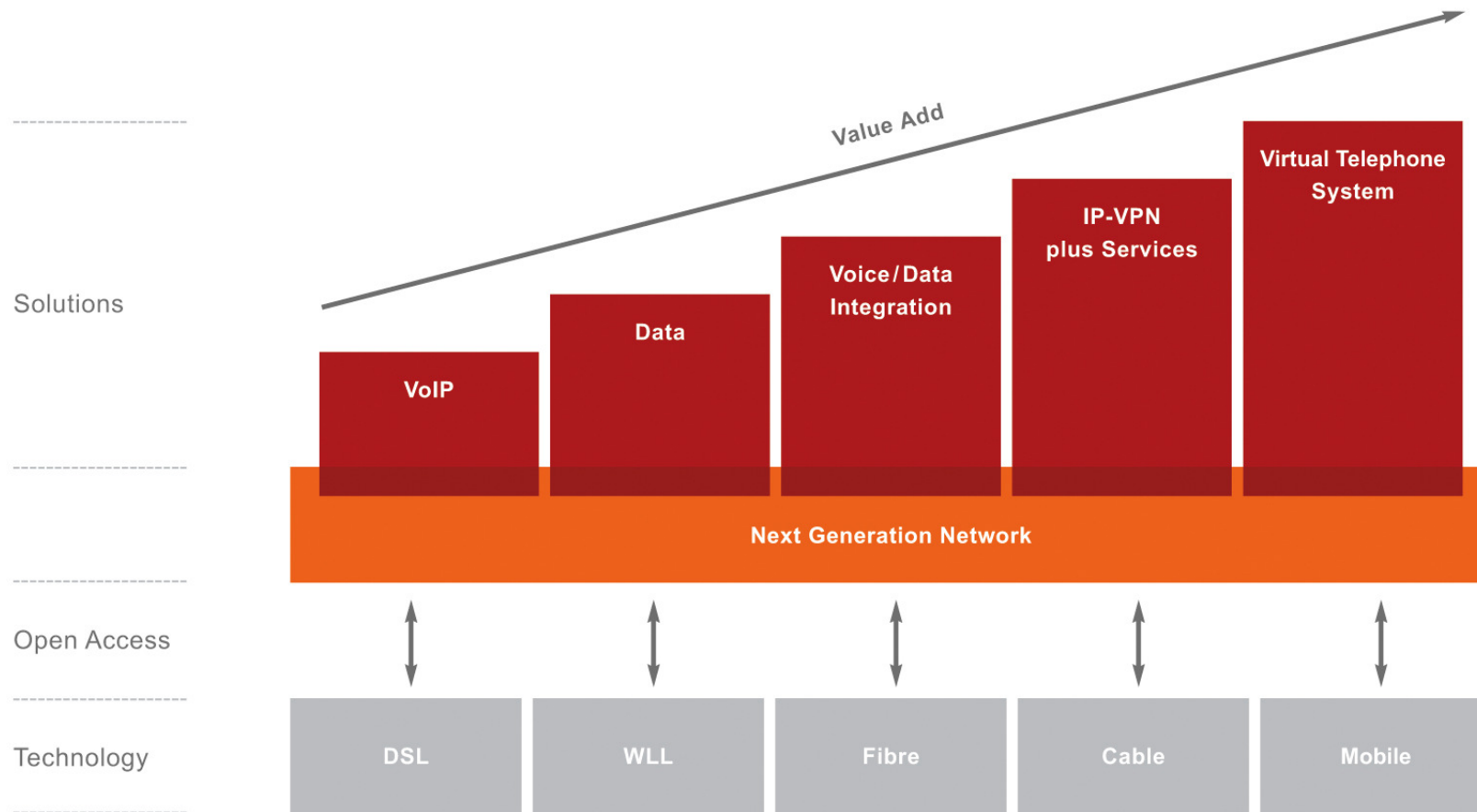


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# OPEN ACCESS IS OPENING UP NEW OPPORTUNITIES

- 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 has already won two partners
  - 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**
- QSC is entering an attractive market
  - **More than 50 further regional players** are working on NGA infrastructures
  - **Already 650,000 households** are connected to FTTX lines (2007: 110,000)

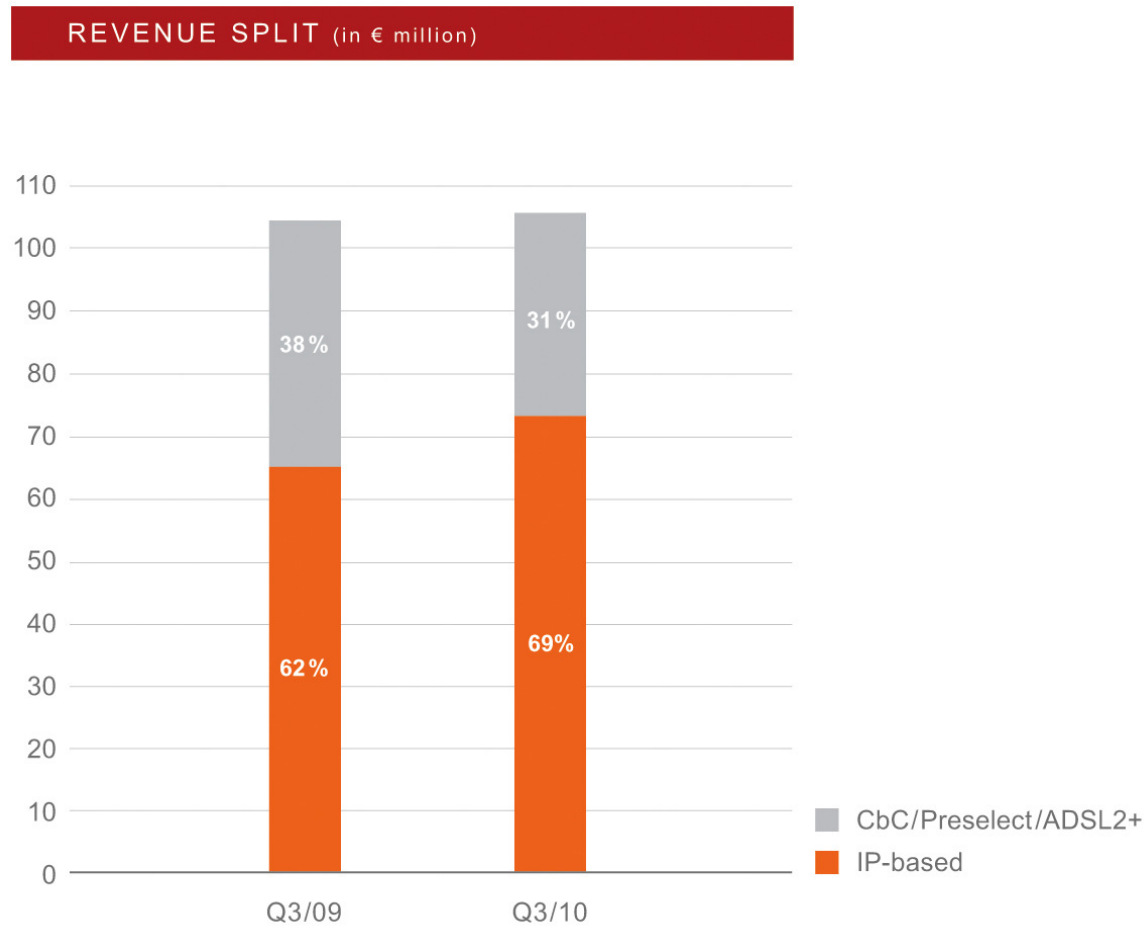
# TREND TOWARD NGA VALIDATES OUR STRATEGY



# AGENDA

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# AT YEAR-END, QSC WILL BE GENERATING > 70% OF ITS REVENUES WITH IP-BASED PRODUCTS AND SERVICES



## Q3 2010: CHARACTERIZED BY A SHARP RISE IN PROFITABILITY

In € millions	Q3 2009	Q3 2010	Δ
• Revenues	104.4	105.6	+1.1%
• Network expenses <sup>(1)</sup>	69.1	69.3	+0.3%
• <b>Gross profit</b>	<b>+35.3</b>	<b>+36.3</b>	<b>+2.8%</b>
• Other operating expenses <sup>(1)</sup>	16.1	16.0	-0.6%
• <b>EBITDA</b>	<b>+19.2</b>	<b>+20.3</b>	<b>+5.7%</b>
• Depreciation	16.1	13.8	-14.3%
• <b>EBIT</b>	<b>+3.1</b>	<b>+6.5</b>	<b>+109.7%</b>
• Financial results	-0.6	-0.4	+33.3%
• Income taxes	-0.4	-0.3	-25.0%
• <b>Net profit</b>	<b>+2.1</b>	<b>+5.8</b>	<b>+176.2%</b>

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

# FOCUS ON PROFITABILITY IS PAYING OFF

YEAR-ON-YEAR COMPARISON (in € million)



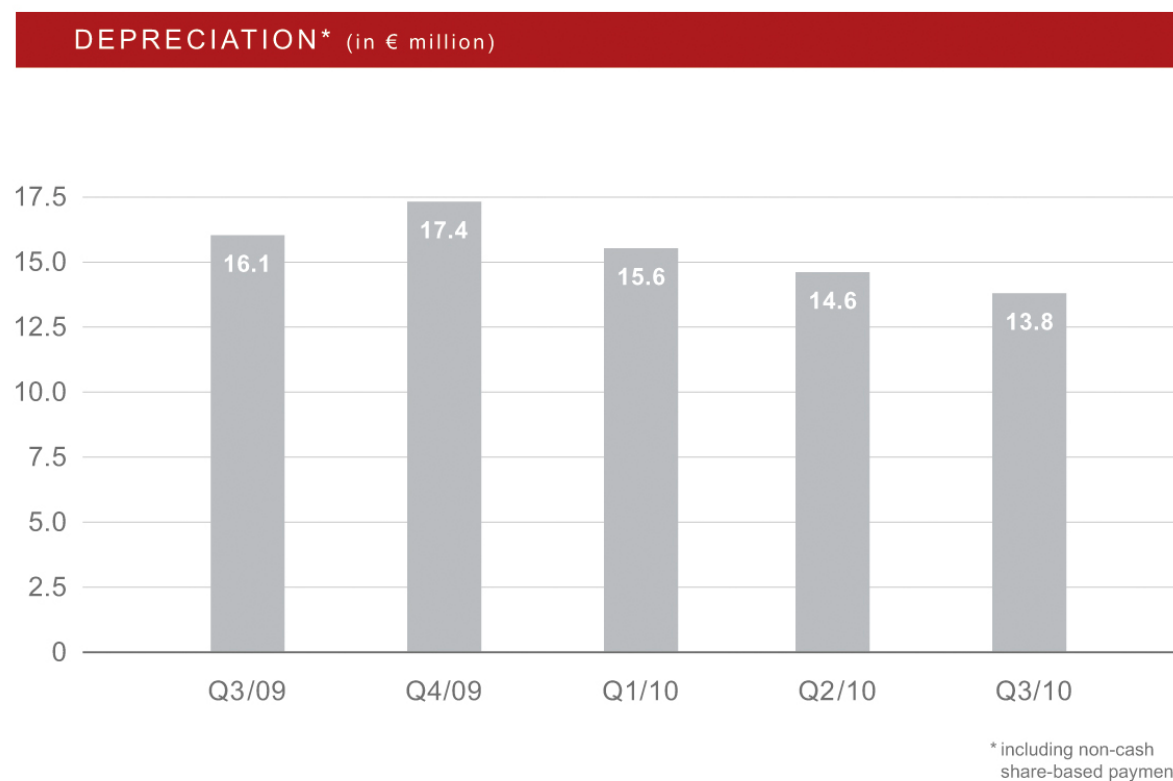
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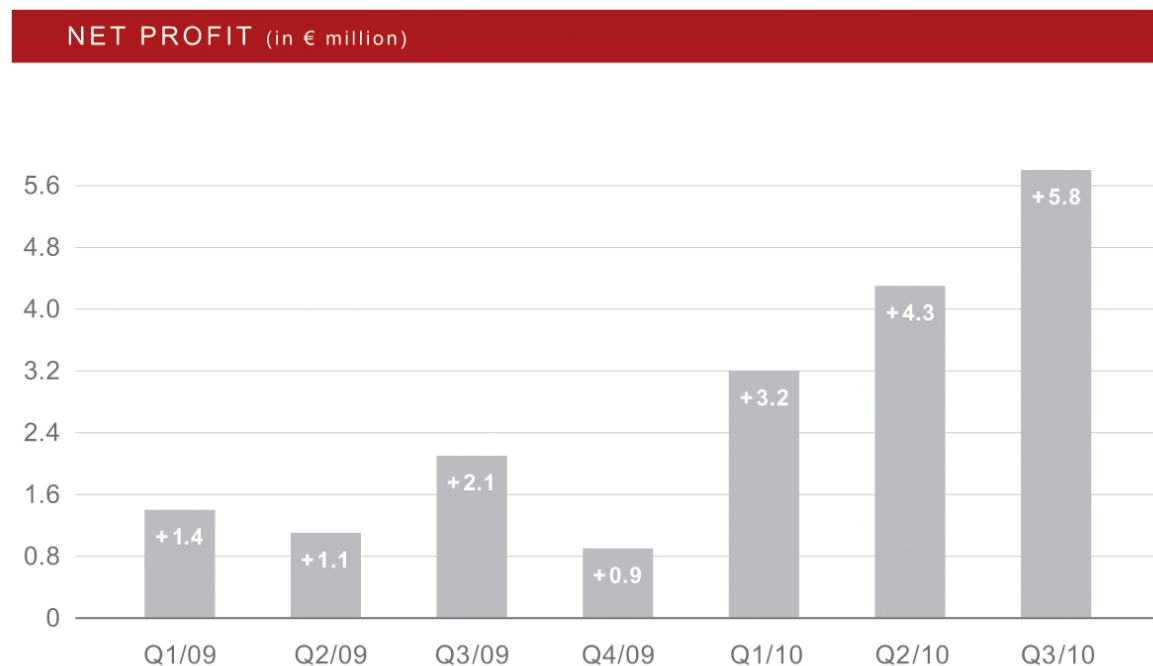


# PROFITABILITY IS POSITIVELY IMPACTED BY DECREASING DEPRECIATION



- In 2010, depreciation will decline to approx. € 57 million
- Further decline expected in 2011

# NET PROFIT IN Q3 2010 IS HIGHER THAN IN THE ENTIRE 2009 FISCAL YEAR



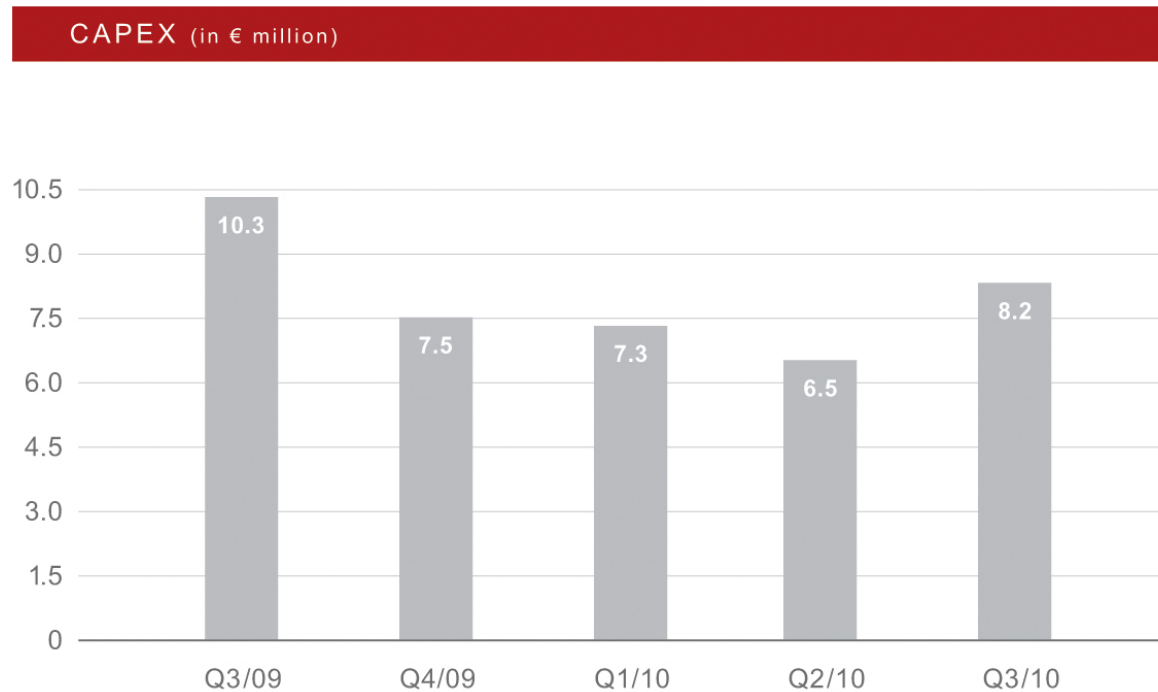
## Drivers

- High-margin IP-based growth
- Strict cost discipline
- Declining depreciation

## Consequences

- Earnings per share grew to € 0.10 per share in the first nine months of 2010
- Further rise in net profit expected
- QSC will start capitalizing its tax-loss carry forward

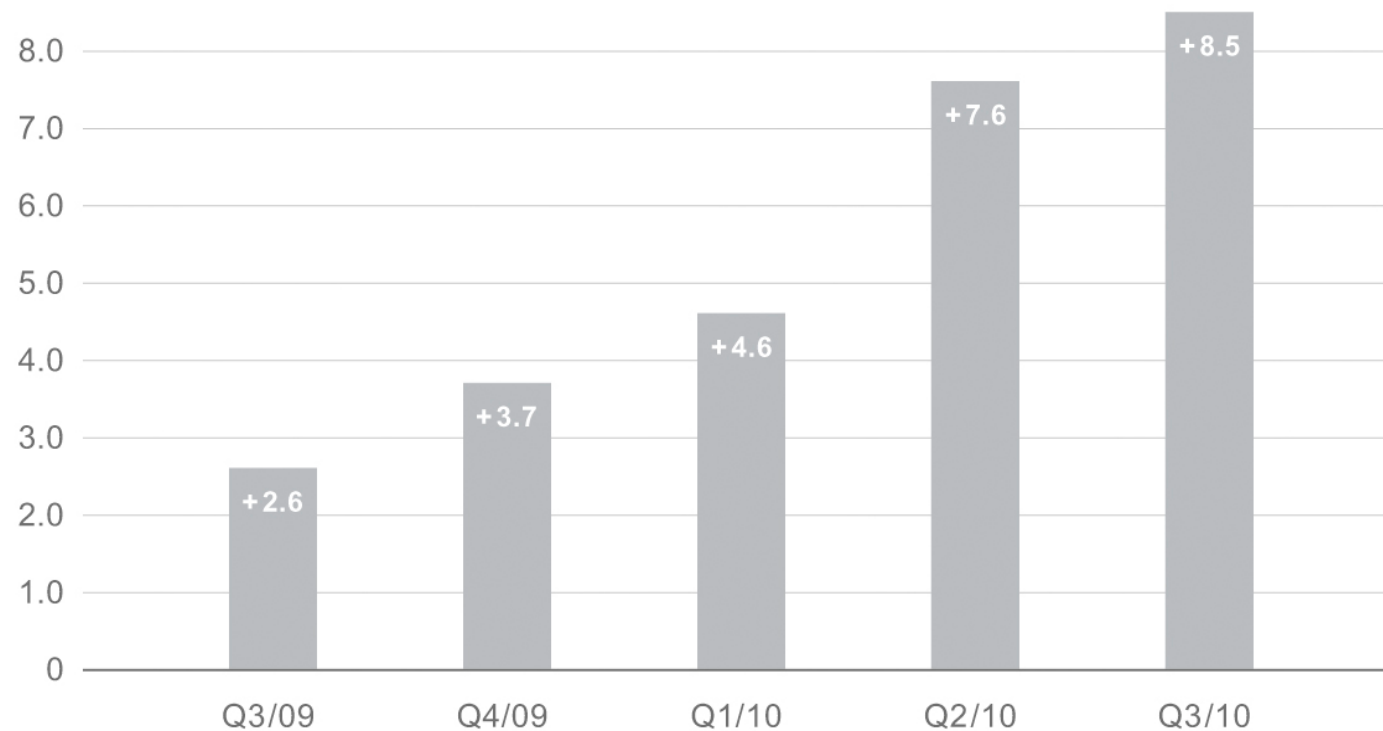
# LOW CAPEX LEVEL, CONNECTED WITH CUSTOMER-DRIVEN INVESTMENTS



- QSC will invest approx. 7-8% of its revenues in 2010
- From 2011 onwards, CAPEX will be
  - less than 10% of revenues
  - at least 50% customer-driven

# QSC IS GENERATING A RISING FREE CASH FLOW

FREE CASH FLOW (in € million)



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## QSC IS BUILDING UP A NET CASH POSITION

In € millions	Dec. 31, 2009	Sep. 30, 2010	△
+ Cash and short-term deposits	+41.0	+48.1	+7.1
+ Available-for-sale financial assets	+0.3	+0.3	-
<b>+ Liquidity</b>	<b>+41.3</b>	<b>+48.4</b>	<b>+7.1</b>
- Finance lease obligations	-22.8	-10.9	+11.9
- Other short-term liabilities	-2.8	-1.1	+1.7
- Liabilities due to banks	-15.0	-15.0	-
<b>- Financial debt</b>	<b>-40.6</b>	<b>-27.0</b>	<b>+13.6</b>
<b>= Net liquidity</b>	<b>+0.7</b>	<b>+21.4</b>	<b>+20.7</b>

# NET CASH IS BACKING FUTURE GROWTH OPPORTUNITIES

**QSC will be using its growing net cash to**

- **Pay an attractive dividend** for the 2011 fiscal year
- Potentially initiate a **share buy-back program**
- **Invest in** the development of **new services** like Q-loud
- Optionally: **acquire solution providers**, especially in the field of ICT software-as-a-service business

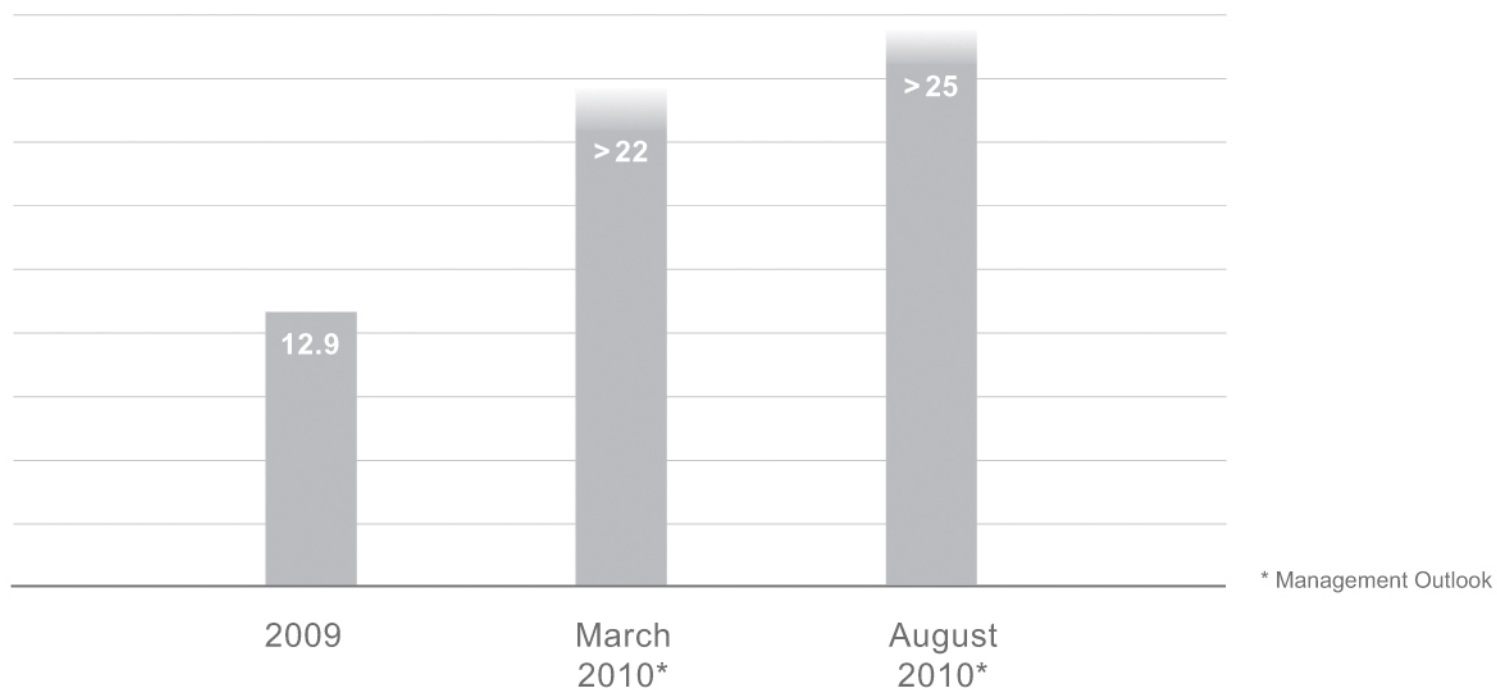
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# OUTLOOK 2010

## QSC PLANS TO DOUBLE ITS FREE CASH FLOW

FREE CASH FLOW (in € million)

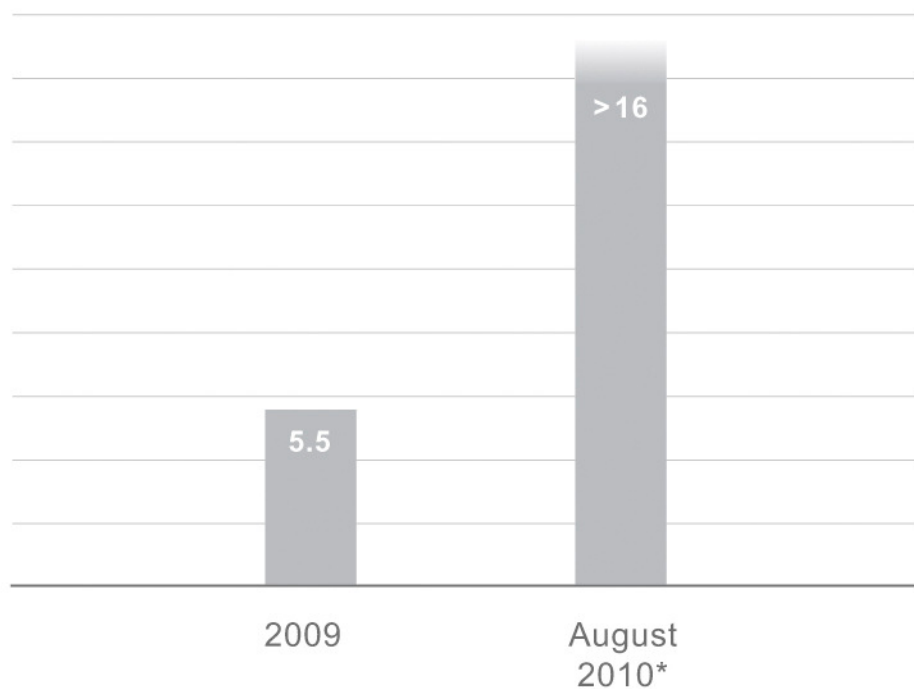




# OUTLOOK 2010

## QSC PLANS TO TRIPLE ITS NET PROFIT

NET PROFIT (in € million)



QSC expects a net profit of more than € 16 million

Further increase in

- Revenues
- EBITDA

\* Management Outlook

# OUTLOOK 2010

## SUCCESSFUL TRANSFORMATION PROCESS

- Ongoing transformation process enables QSC to
  - Generate **higher free cash flows** and **higher profitability**
  - **Focus on service business**, using existing and new network capabilities
  - Launch and market **attractive IP-based services** like Outsourcing Services for carriers
  - **Increase the share of ICT budgets** of existing and new mid-size customers
- Ongoing transformation process will continue in 2011 and sharpen the profile of QSC as the **leading medium-sized provider** in the **ICT market**

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# FINANCIAL CALENDAR

November 23, 2010

German Equity Forum Fall 2010  
Deutsche Börse, Frankfurt

December 1-2, 2010

Berenberg Bank European Conference, London

# CONTACT

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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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## GROWING PROFITABILITY OF MANAGED SERVICES

In € millions	Q3 2009	Q3 2010	Δ
• Revenues	18.8	19.0	+1.1%
• Network expenses <sup>(1)</sup>	11.4	9.3	-18.4%
• <b>Gross profit</b>	<b>+7.4</b>	<b>+9.7</b>	<b>+31.1%</b>
• Other operating expenses <sup>(1)</sup>	4.9	5.0	+2.0%
• <b>EBITDA</b>	<b>+2.5</b>	<b>+4.7</b>	<b>+88.0%</b>
• Depreciation	2.6	2.6	-
• <b>EBIT</b>	<b>-0.1</b>	<b>+2.1</b>	<b>nm</b>

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



## FOCUS ON HIGH-MARGIN PRODUCTS IS PAYING OFF

In € millions	Q3 2009	Q3 2010	Δ
• Revenues	22.8	21.4	-6.1%
• Network expenses <sup>(1)</sup>	12.2	11.2	-8.2%
• <b>Gross profit</b>	<b>+10.6</b>	<b>+10.2</b>	<b>-3.8%</b>
• Other operating expenses <sup>(1)</sup>	5.9	4.8	-18.6%
• <b>EBITDA</b>	<b>+4.7</b>	<b>+5.4</b>	<b>+14.9%</b>
• Depreciation	2.9	2.6	-10.3%
• <b>EBIT</b>	<b>+1.8</b>	<b>+2.8</b>	<b>+55.6%</b>

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

## VOICE WHOLESALE IS DRIVING WS/RS SEGMENT

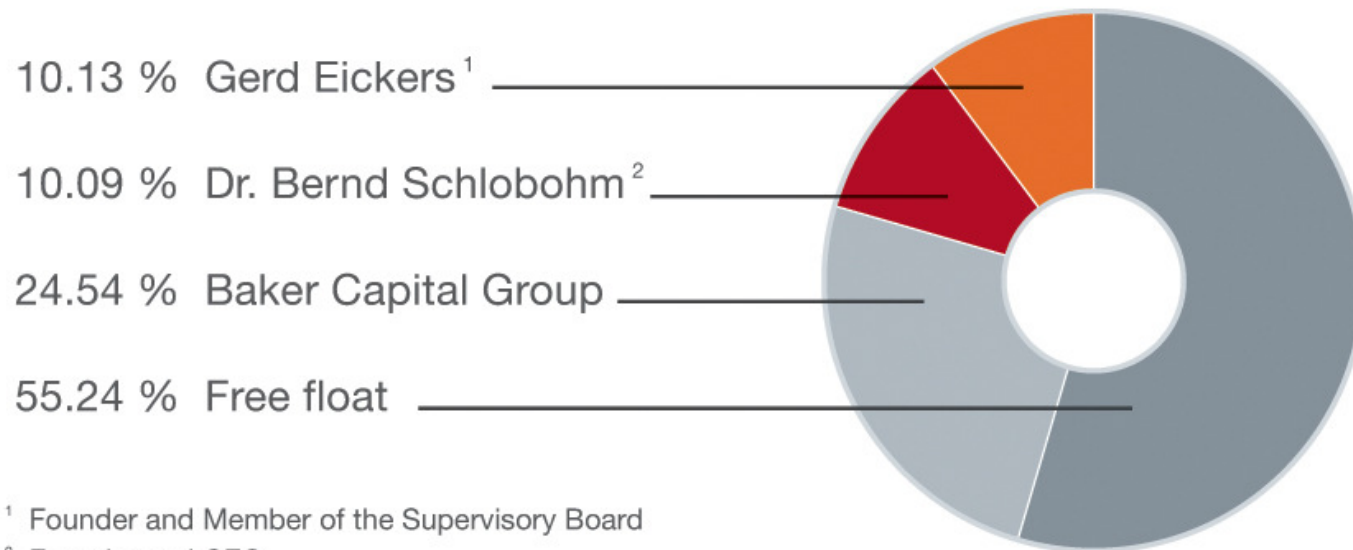
In € millions	Q3 2009	Q3 2010	Δ
• Revenues	62.8	65.2	+3.8%
• Network expenses <sup>(1)</sup>	45.5	48.8	+7.3%
• <b>Gross profit</b>	<b>+17.3</b>	<b>+16.4</b>	<b>-5.2%</b>
• Other operating expenses <sup>(1)</sup>	5.2	6.2	+19.2%
• <b>EBITDA</b>	<b>+12.1</b>	<b>+10.2</b>	<b>-15.7%</b>
• Depreciation	10.6	8.5	-19.8%
• <b>EBIT</b>	<b>+1.4</b>	<b>+1.7</b>	<b>+21.4%</b>

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

# 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: 30/09/2010