

QSC AG

Company Presentation

Close Brothers Seydler Bank AG Small & Mid Cap Conference

Frankfurt, February 3, 2011

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AGENDA

1. Strategic overview
2. Latest developments
3. Financial results Q3 2010
4. Outlook 2010
5. 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.

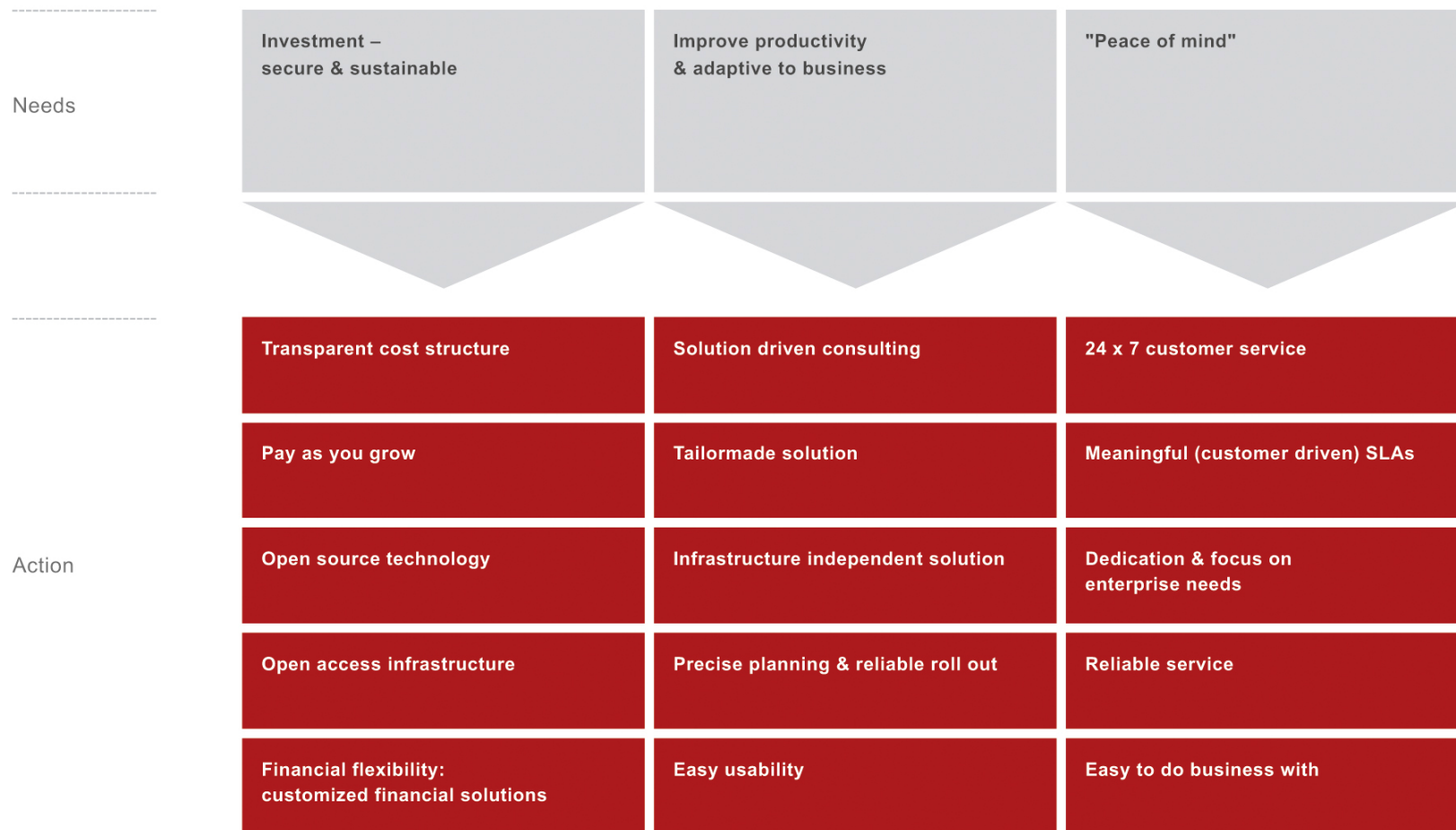
QSC IS THE LEADING MEDIUM-SIZED PROVIDER IN THE TELECOMMUNICATIONS MARKET ...

- **Unique positioning:** QSC is a telecommunications provider for enterprise customers with a focus on medium-sized customers
- **Next generation pioneer:** As the first telco company in Germany, QSC has built a Next Generation Network and therefore enjoys long years of experience in connection with IP-based telephony solutions
- **Attractive EBITDA margin:** In 2009, QSC generated revenues of € 420.5 million and earned an EBITDA of € 76.9 million
- **Solid financing:** QSC is net-debt free and has an equity ratio of 58% as of September 30, 2010
- **Committed workforce:** 700 employees, roughly 500 are based in the Cologne headquarters

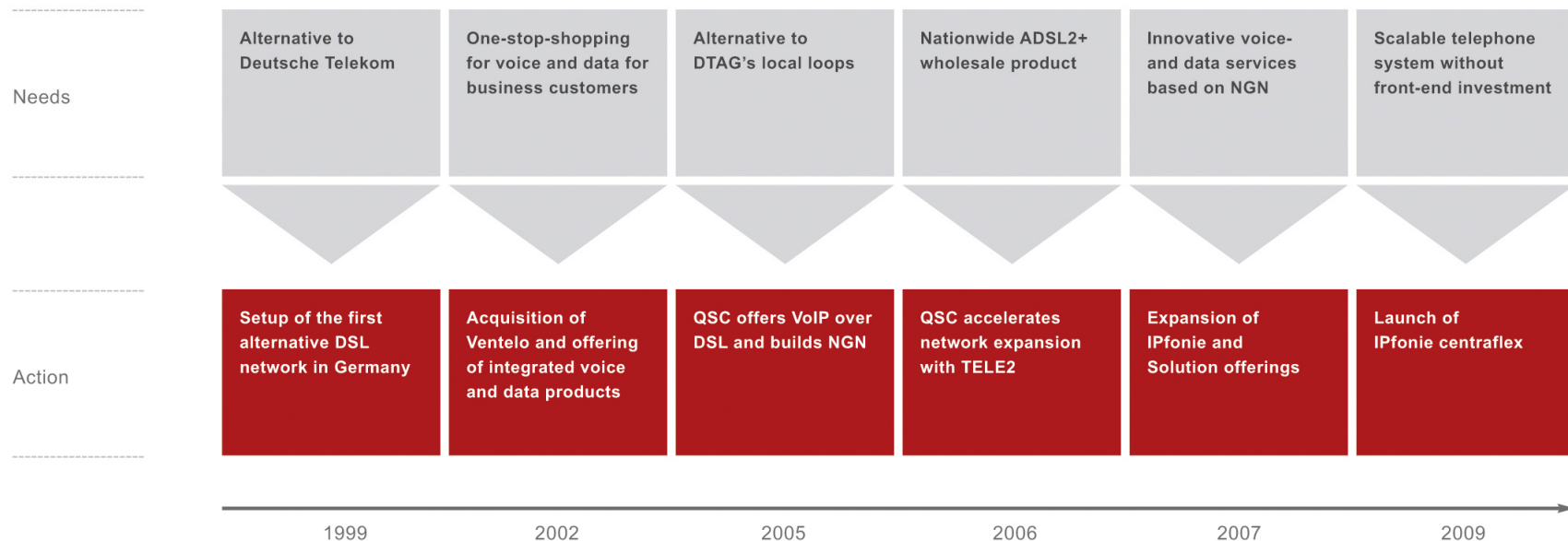
... FOR MEDIUM-SIZED COMPANIES

Larger Accounts	SMEs	ISPs/Carriers/Wholesaler
Approx. 8,300 enterprises with revenues > € 50 million	Approx. 900,000 SMEs with revenues < € 50 million	Resellers with a focus on: - business customers (112 ISPs, 35 national and international carriers)
		- residential customers (6 wholesale partner)
<ul style="list-style-type: none"> - Tailor-made solutions for the entire voice and data communications - Full service - Individual service level agreements 	<ul style="list-style-type: none"> - Modular portfolio of solutions and products for voice and data communications - Customizable to suit every need - Tremendous experience in connection with IP-based telephony solutions 	<ul style="list-style-type: none"> - Sophisticated portfolio of pre-products - Automated interfaces

QSC UNDERSTANDS THE NEEDS OF MEDIUM-SIZED COMPANIES

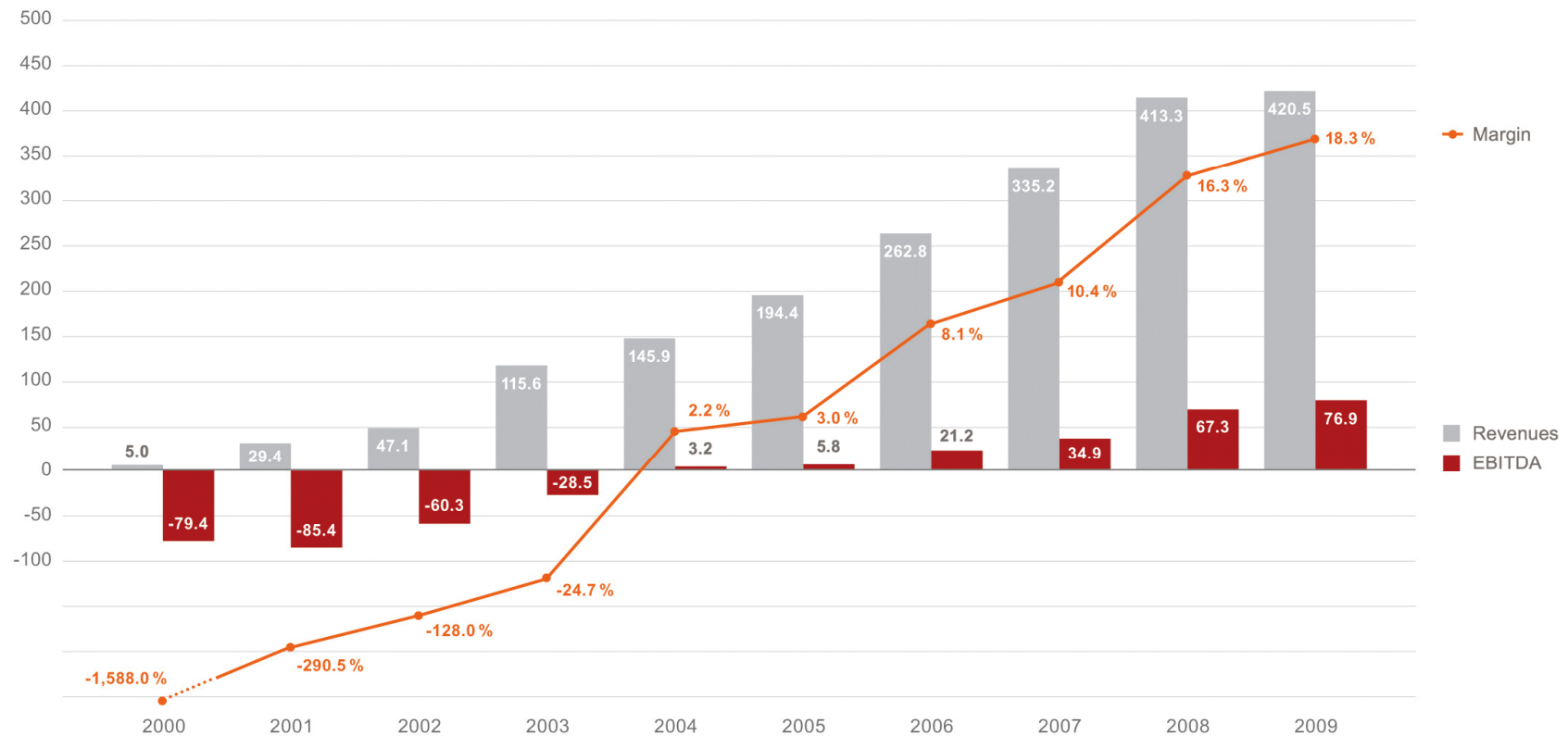


A LONG TRADITION OF CUSTOMER FOCUS AND INNOVATIVE SERVICES

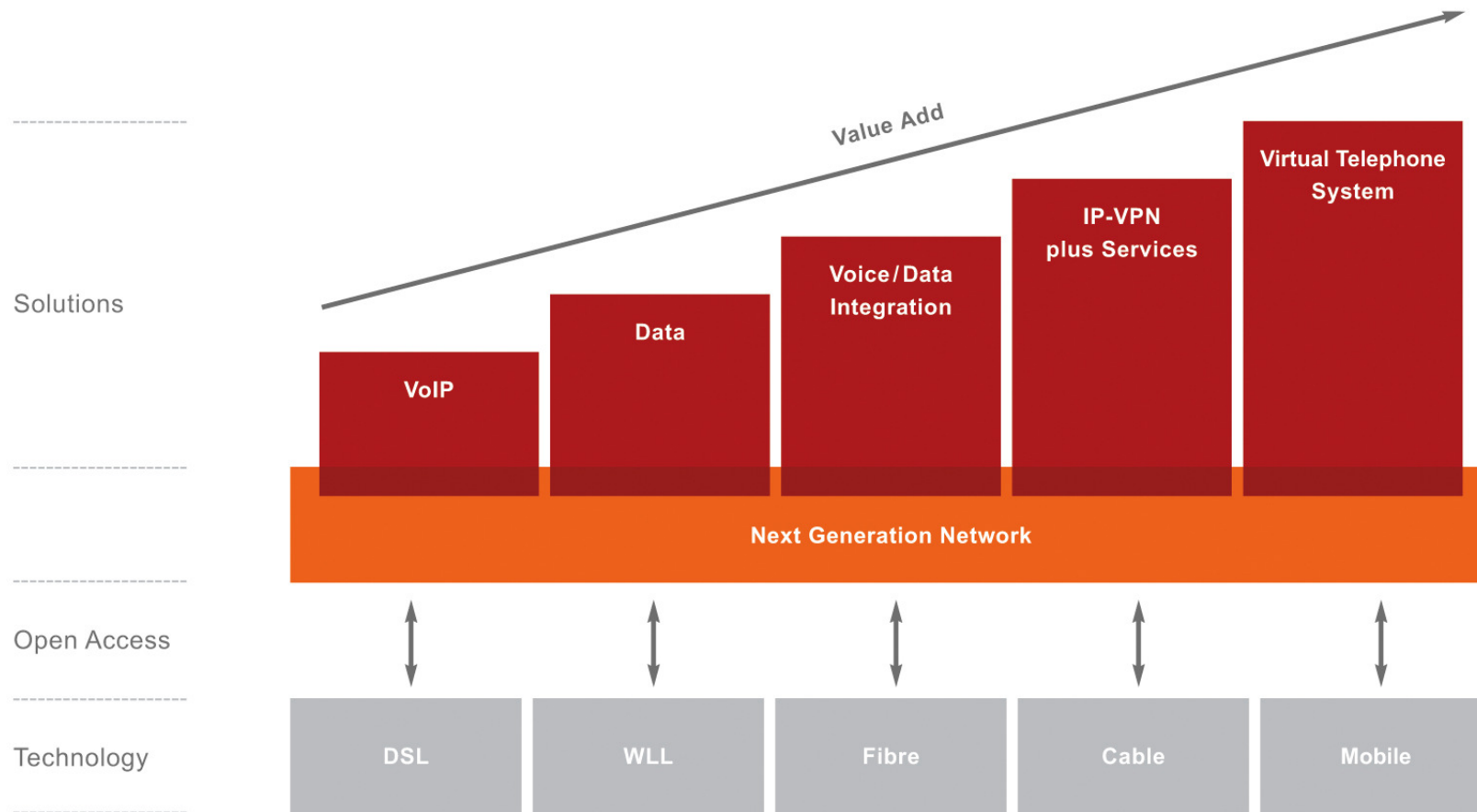


CUSTOMER-FOCUSED STRATEGY LED TO PROFITABLE GROWTH

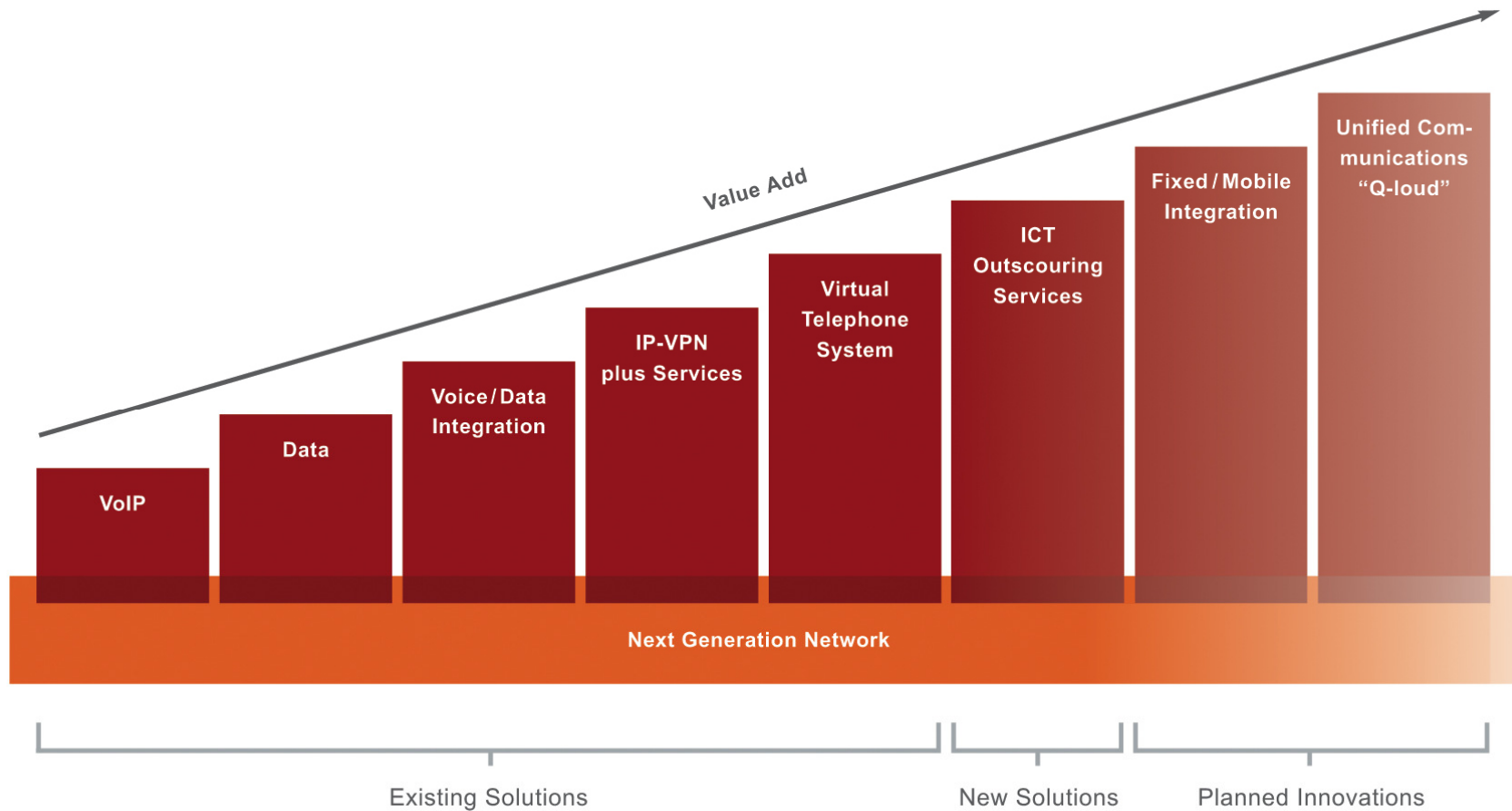
REVENUES AND EBITDA DEVELOPMENT (in € million)



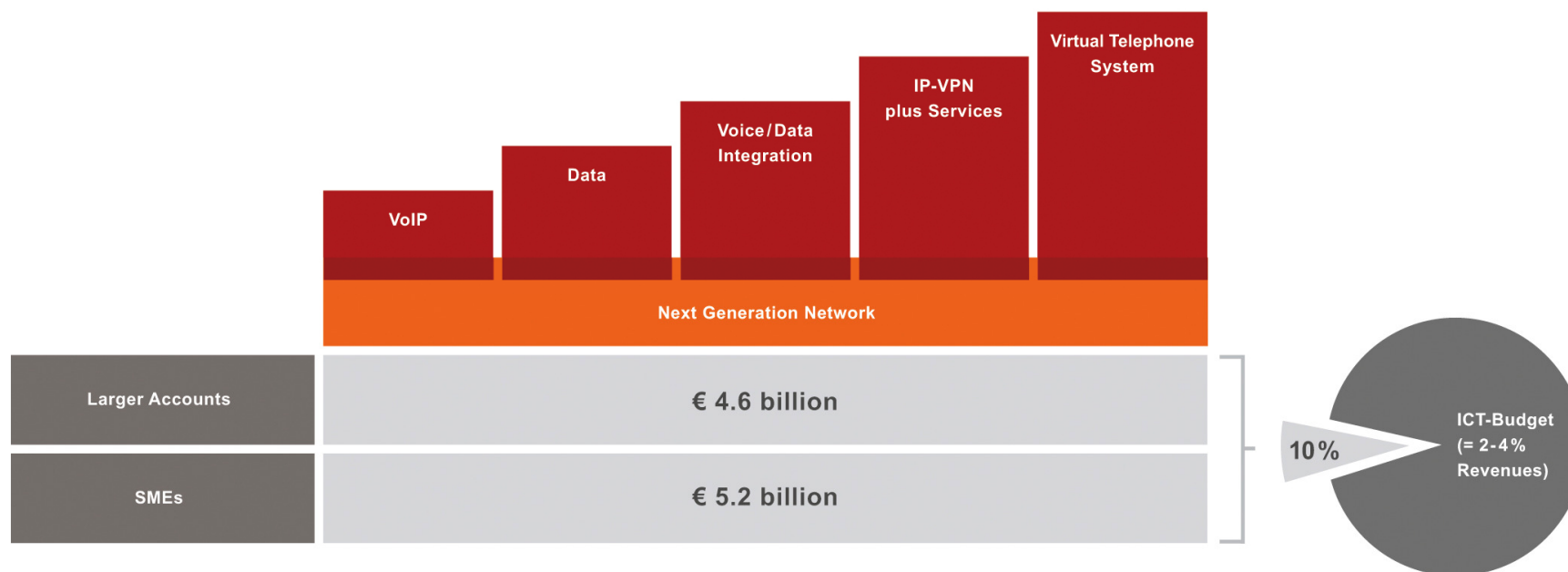
QSC'S BUSINESS MODEL: FOCUS ON SERVICES BASED ON OUR NEXT GENERATION NETWORK



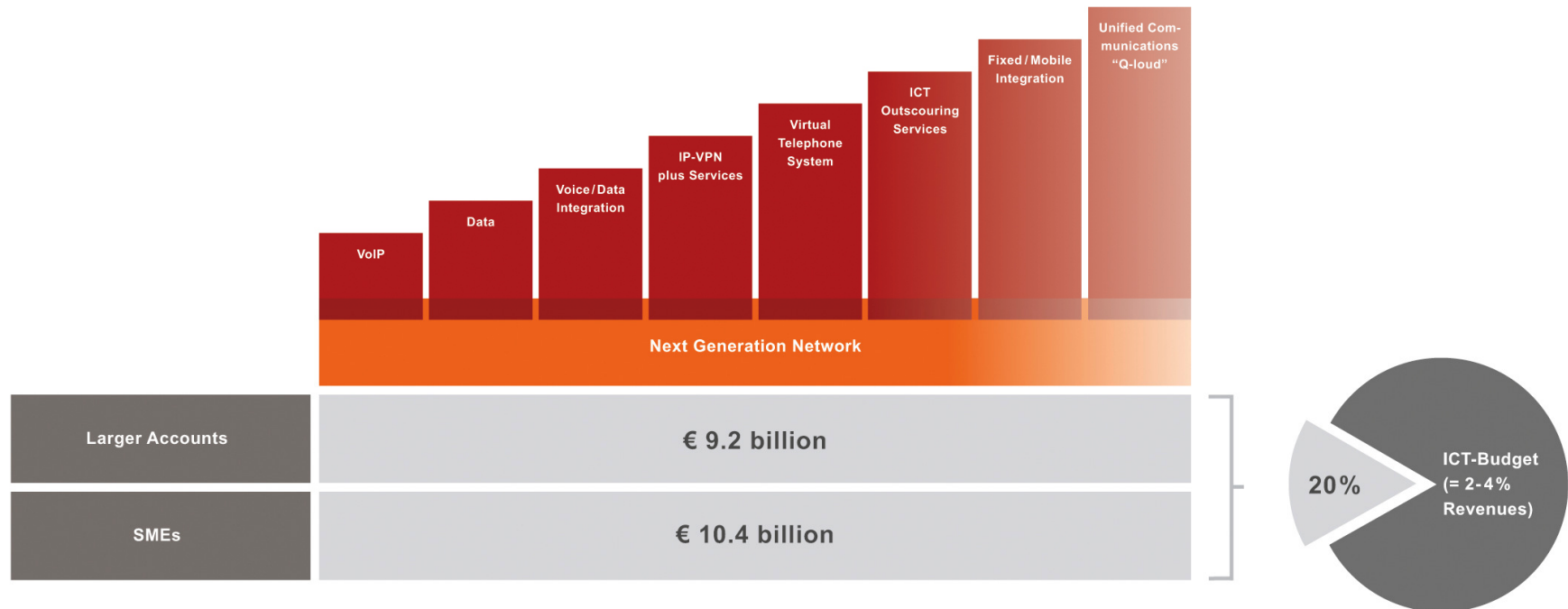
NGN – THE PERFECT TOOLBOX FOR NEXT GENERATION TELCO SERVICES



QSC IS TARGETING AN ATTRACTIVE MARKET TODAY ...



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



AGENDA

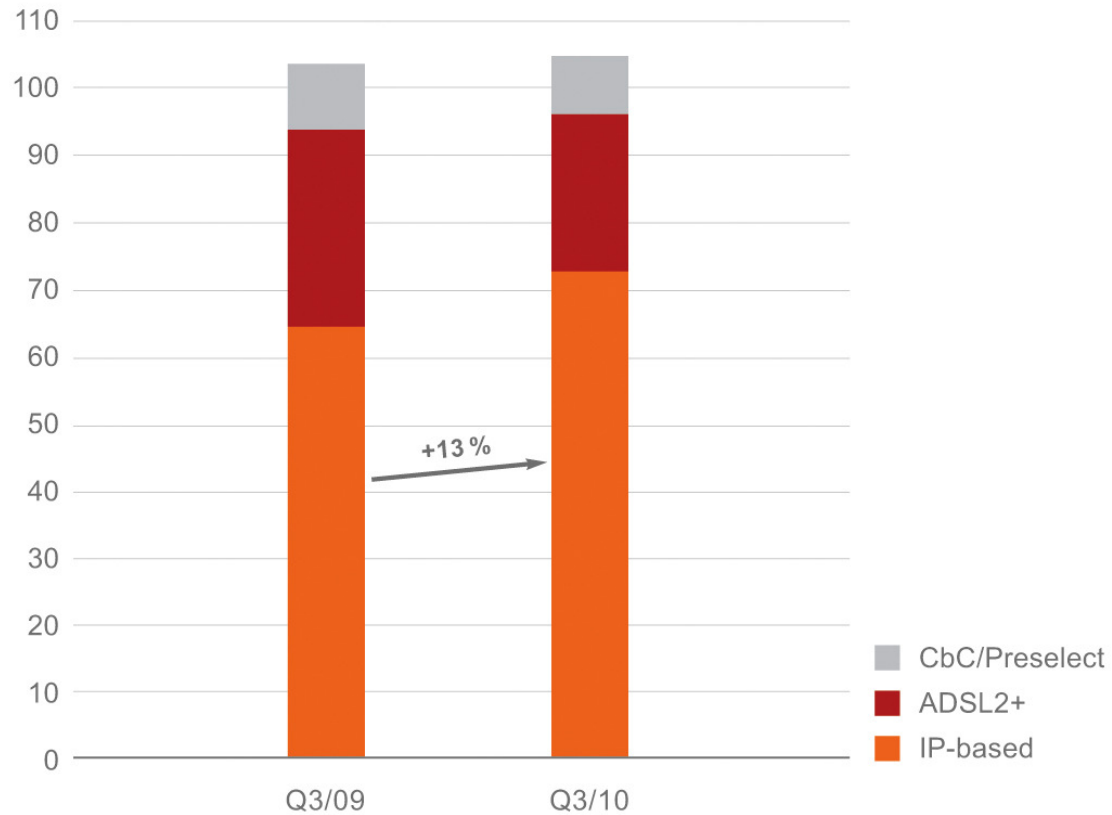
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MAJOR ACHIEVEMENTS DURING H2 2010

- Ongoing successful transformation
- Double-digit growth in IP-based products and services
- Launch of the first nationwide Open Access platform
- New agreements with former Plusnet partner TELE2
- Acquisition of fast-growing Hosting and IT-Outsourcing provider IP Partner

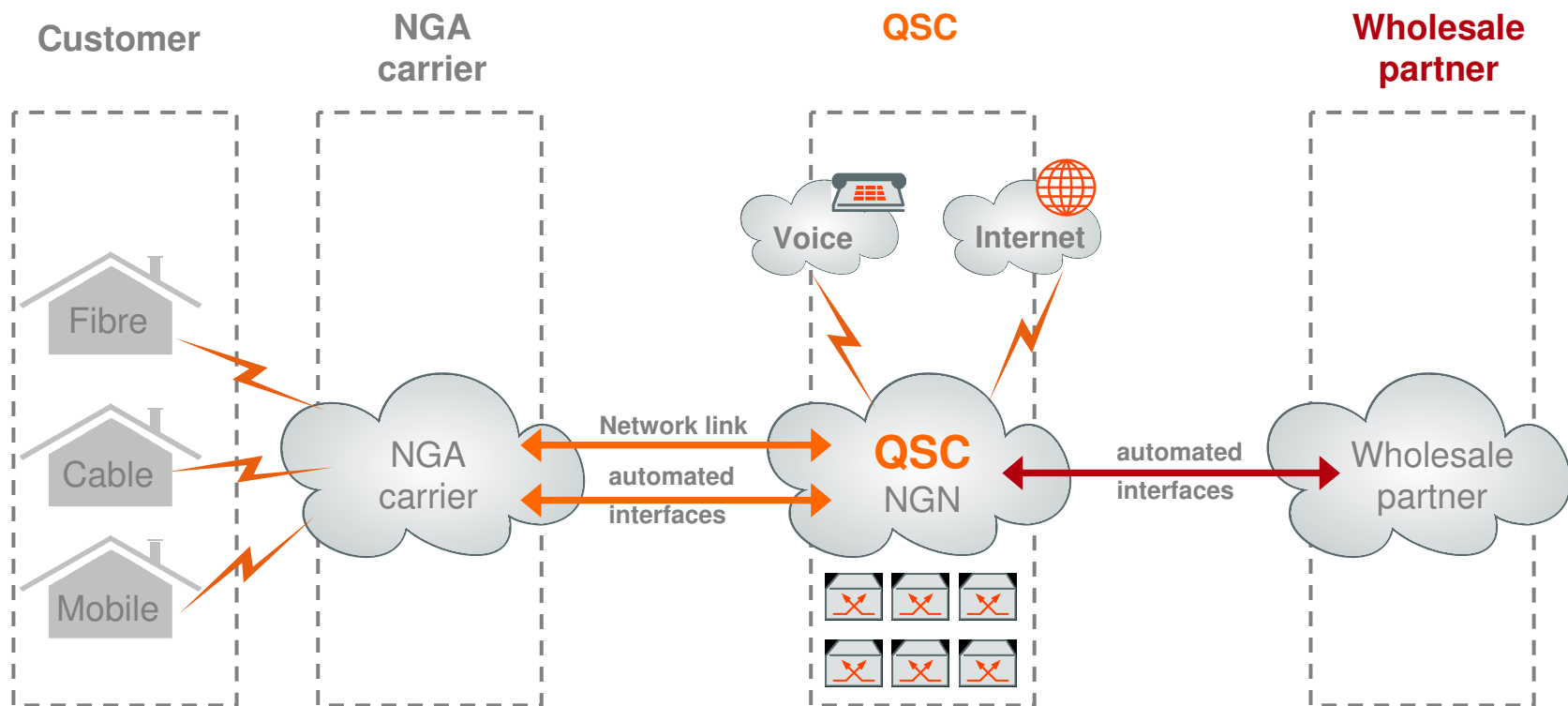
DOUBLE-DIGIT GROWTH OF IP-BASED REVENUES

REVENUE MIX (in € million)



NGN ENABLES QSC TO INTEGRATE NEXT GENERATION ACCESSSES (NGA) WITH A UNIQUE PLATFORM

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



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)

NEW AGREEMENTS WITH TELE2

- **Premature termination of the collaboration agreement:**
TELE2 is paying € 66.2 million for the premature termination of the collaboration agreement, which would otherwise have run through December 31, 2013
- **QSC acquires 32.5% of Plusnet:**
QSC is paying € 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:**
Following freenet, TELE2 is the second customer of QSC for its new Managed Outsourcing business
- **10-year DSL wholesale partnership:**
With TELE2, QSC is gaining another branded DSL wholesale partner (current partners include 1&1, Congstar, HanseNet)

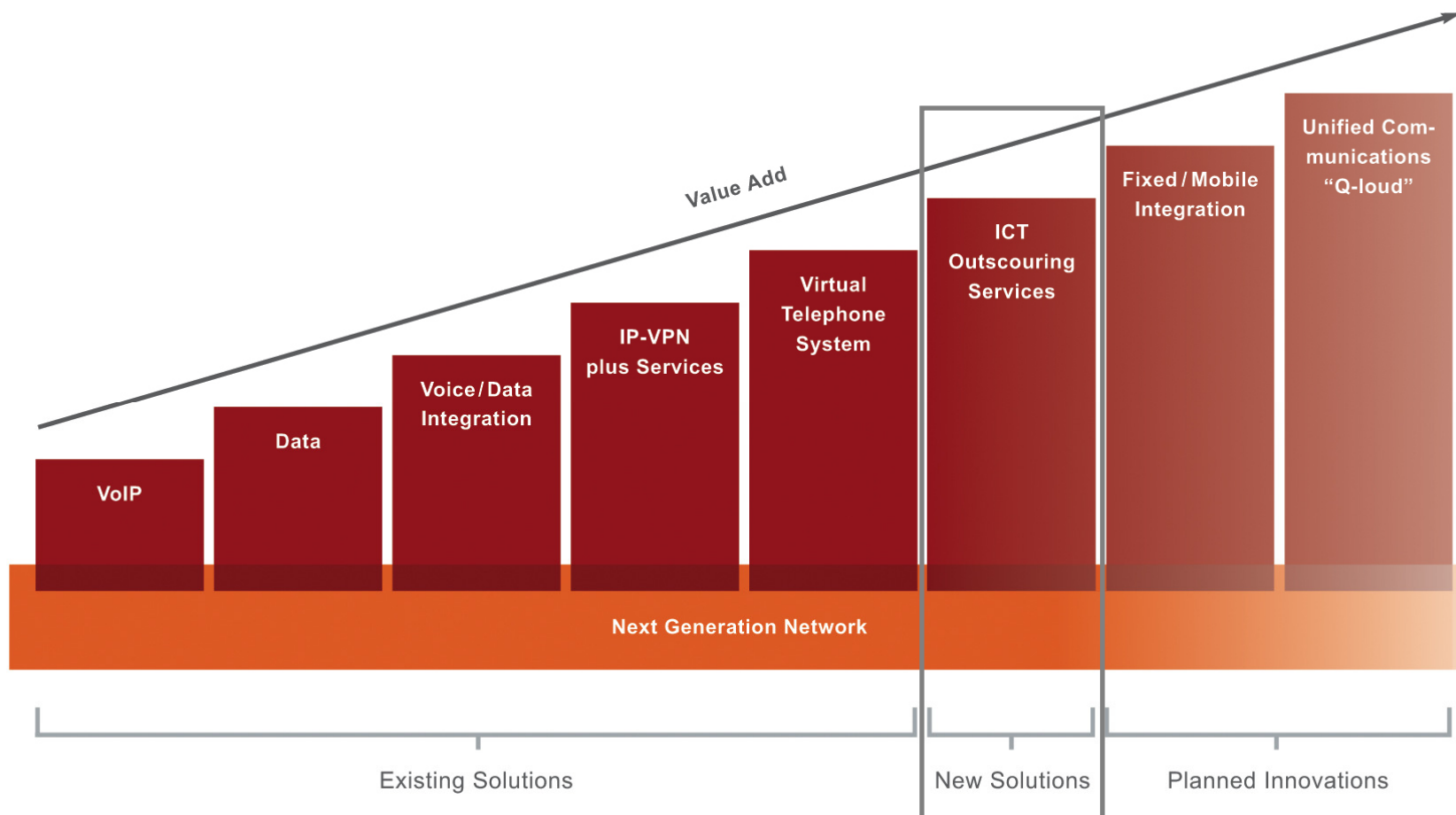
ACQUISITION OF IP PARTNER WILL ACCELERATE TRANSFORMATION PROCESS

- On December 21, 2010, QSC acquired all shares of IP Partner, Nuremberg
- IP Partner is a fast-growing provider of hosting and IT outsourcing services
- The company operates two data centers with more than 10,000 servers for over 1,000 business customers
- The purchase price involves two components: € 15 million in cash and € 10 million by April 2012 latest, contingent upon various prerequisites

⇒ **Acquisition strengthens IT competence of QSC**

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

WITH IP PARTNER, QSC NOW REALIZES ICT OUTSOURCING SERVICES

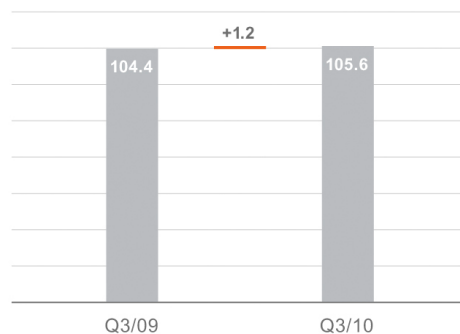


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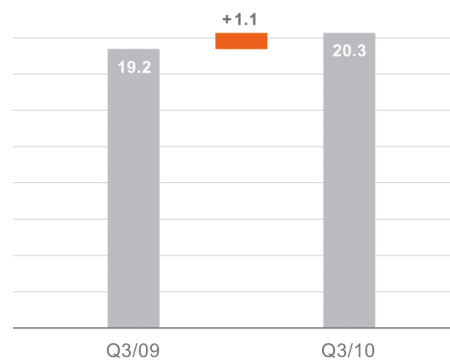
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Q3 2010: FURTHER IMPROVEMENT IN PROFITABILITY AND FINANCIAL STRENGTH

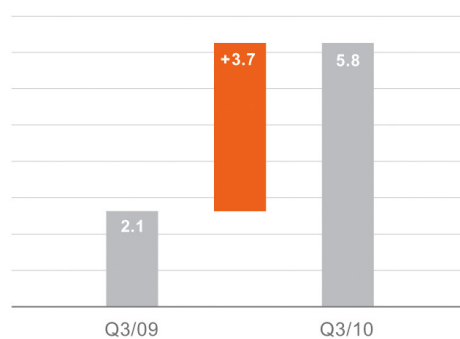
REVENUES (in € million)



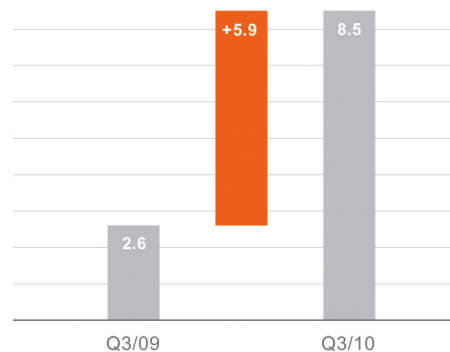
EBITDA (in € million)



NET PROFIT (in € million)

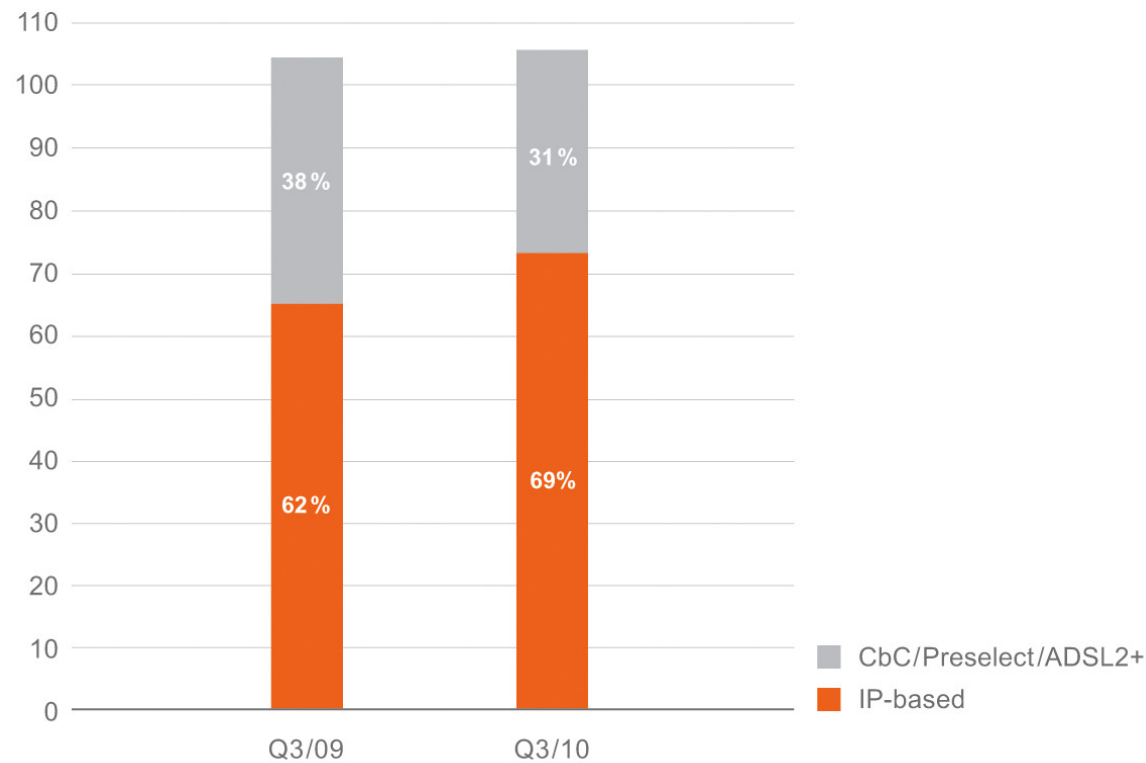


FREE CASH FLOW (in € million)



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

REVENUE SPLIT (in € million)



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 ⁽¹⁾	69.1	69.3	+0.3%
• Gross profit	+35.3	+36.3	+2.8%
• Other operating expenses ⁽¹⁾	16.1	16.0	-0.6%
• EBITDA	+19.2	+20.3	+5.7%
• Depreciation	16.1	13.8	-14.3%
• EBIT	+3.1	+6.5	+109.7%
• Financial results	-0.6	-0.4	+33.3%
• Income taxes	-0.4	-0.3	-25.0%
• Net profit	+2.1	+5.8	+176.2%

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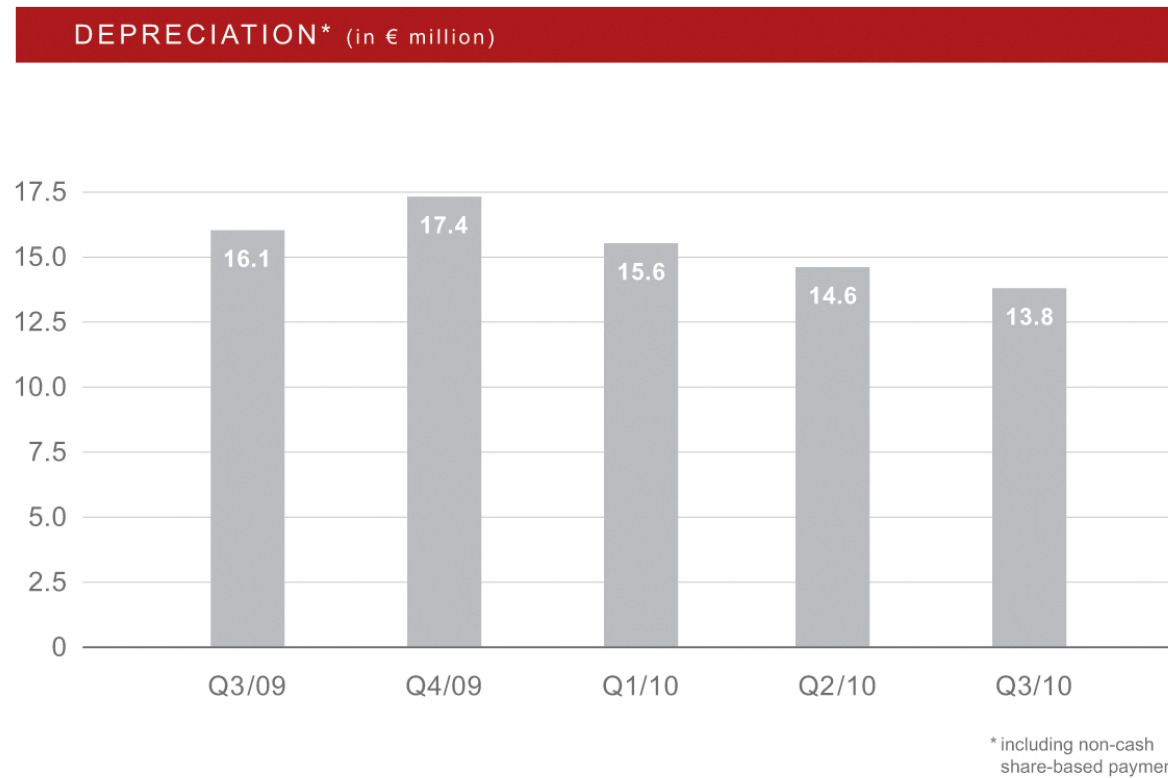
(1) Excluding depreciation and non-cash share-based payments

FOCUS ON PROFITABILITY IS PAYING OFF

YEAR-ON-YEAR COMPARISON (in € million)

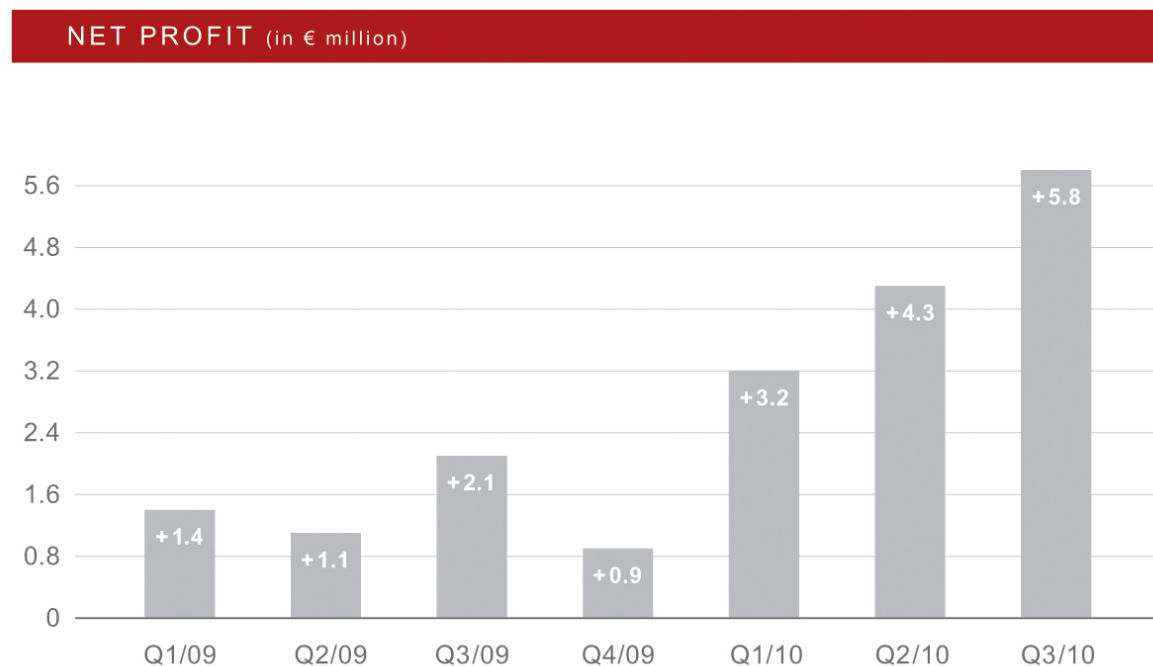


PROFITABILITY IS POSITIVELY IMPACTED BY DECREASING DEPRECIATION



- 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



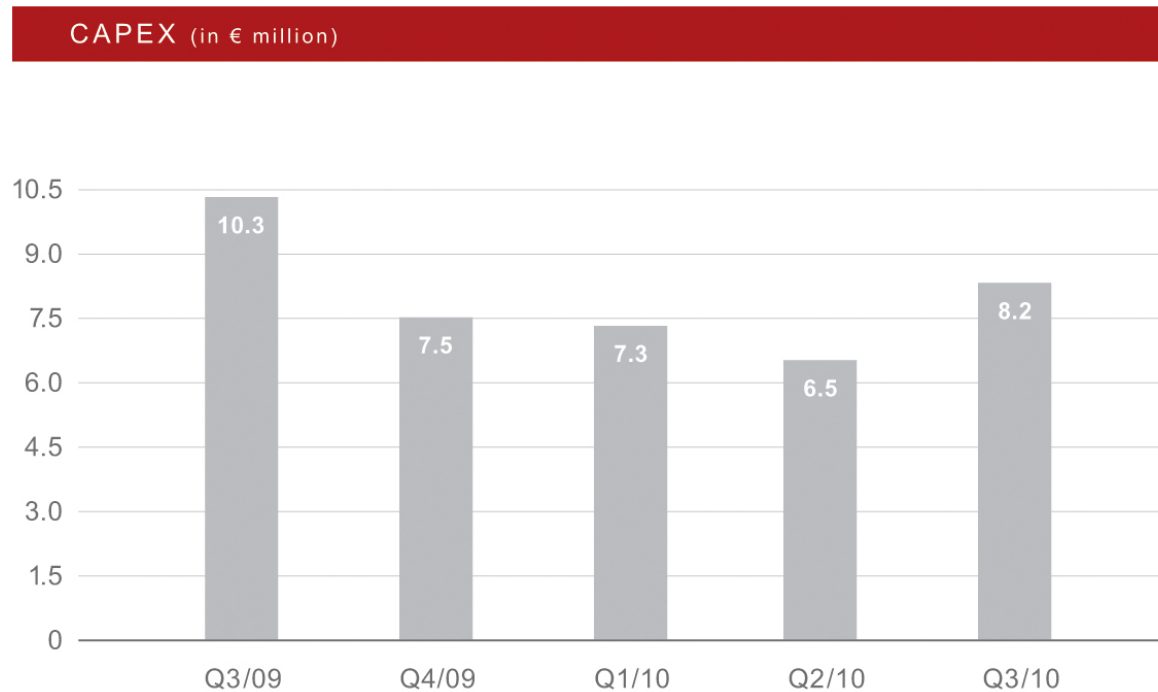
Drivers

- 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

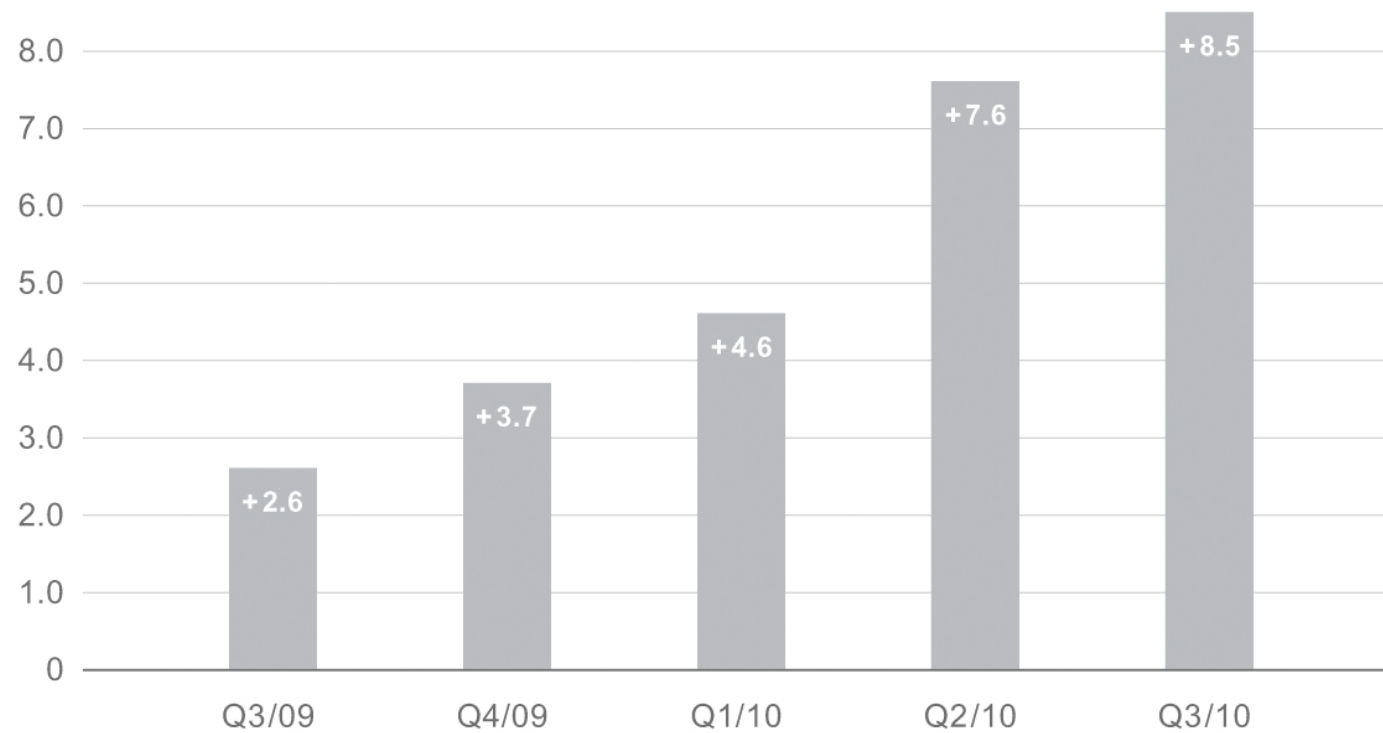
LOW CAPEX LEVEL, CONNECTED WITH CUSTOMER-DRIVEN INVESTMENTS



- 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)



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	-
<i>+ Liquidity</i>	<i>+41.3</i>	<i>+48.4</i>	<i>+7.1</i>
- 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	-
<i>- Financial debt</i>	<i>-40.6</i>	<i>-27.0</i>	<i>+13.6</i>
<i>= Net liquidity</i>	<i>+0.7</i>	<i>+21.4</i>	<i>+20.7</i>

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 further solution providers**, especially in the field of ICT software-as-a-service business

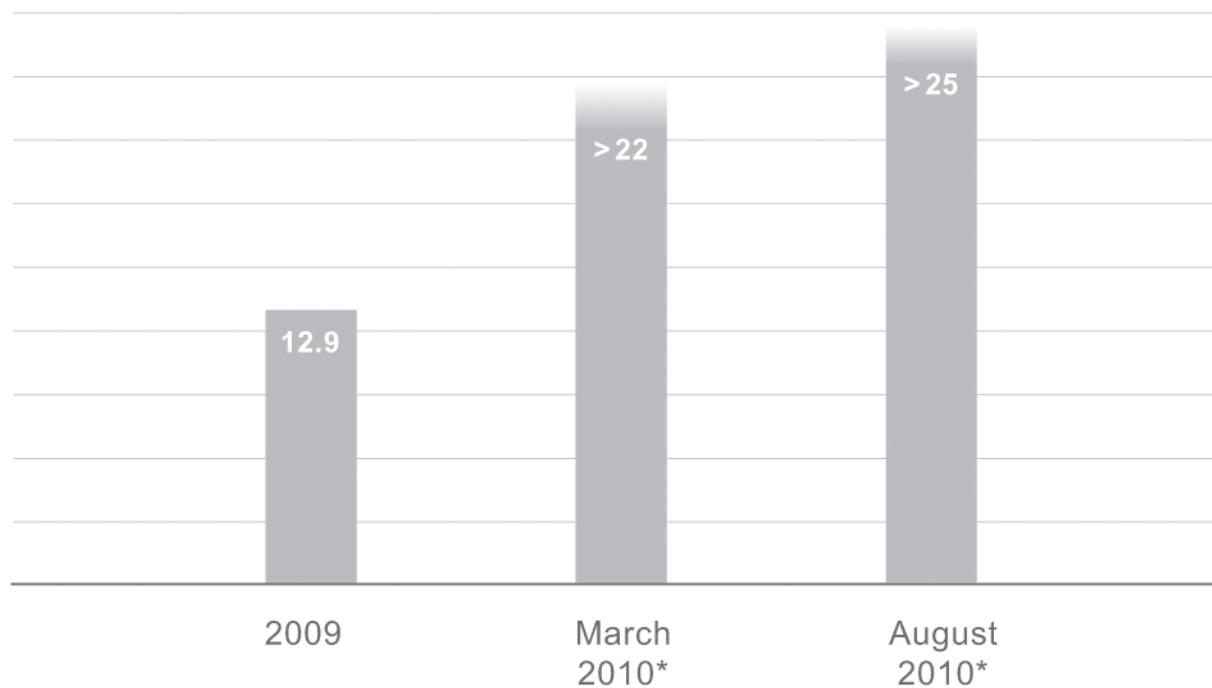
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OUTLOOK 2010

QSC PLANS TO DOUBLE ITS FREE CASH FLOW

FREE CASH FLOW (in € million)

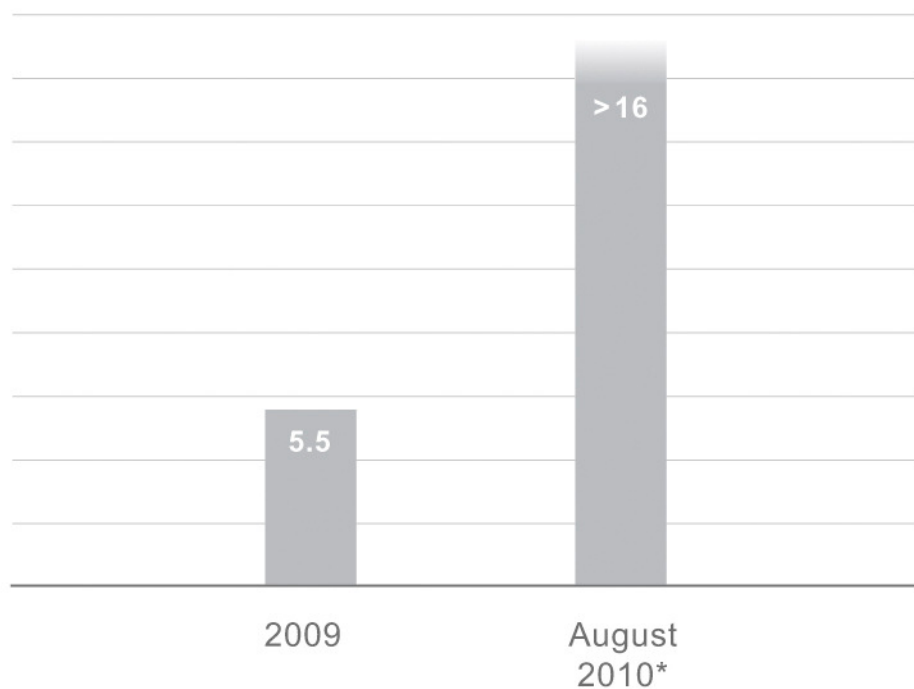


* Management Outlook

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

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FINANCIAL CALENDAR

February 28, 2011	Publication of preliminary results for FY 2010 Publication of outlook for FY 2011 Analyst Conference
March 31, 2011	Publication of Annual Report 2010
May 9, 2011	Publication of Quarterly Report I/2011
May 19, 2011	Annual Shareholders Meeting
August 8, 2011	Publication of Quarterly Report II/2011
November 7, 2011	Publication of Quarterly Report III/2011

CONTACT

QSC AG
Arne Thull
Head of Investor Relations
Mathias-Brüggen-Strasse 55
50829 Cologne

Phone +49-221-6698-724
Fax +49-221-6698-009
E-mail invest@qsc.de
Web www.qsc.de



twitter.com/QSCIRde



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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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GROWING PROFITABILITY OF MANAGED SERVICES

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

FOCUS ON HIGH-MARGIN PRODUCTS IS PAYING OFF

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

VOICE WHOLESALE IS DRIVING WS/RS SEGMENT

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

QSC IMPLEMENTS THE FIRST OPEN ACCESS PLATFORM IN GERMANY

Telekomanbieter QSC schafft erste offene Plattform für Glasfasernetze

Der Bau von superschnellen Internetanschlüssen ist extrem teuer. Damit er sich lohnt, will das kleine Unternehmen Anbieter und Nachfrager zusammenbringen.

Sandra Louven
Düsseldorf

Der Telekomanbieter QSC will die erste offene Plattform für Glasfasernetze schaffen. Damit könnten die zahlreichen kleinen Netzbetreiber ihre Dienste bundesweit anbieten und die großen Spieler die schnellen Glasfaserleitungen der Kleinen in den Gegenden nutzen, wo ein eigener Ausbau sich nicht rechnet. „Wir schaffen eine Drehscheibe für regionale Anbieter von Glasfasernetzen und die Nachfrager nach Kapazitäten dort“, sagte QSC-Chef Bernd Schlobohm dem Handelsblatt. Als erste Kooperationspartner hat er den Leipziger Anbieter HLkomm und United Internet gewonnen. „Wir führen Gespräche mit einem Dutzend weiteren Infrastrukturanbietern“, sagte Schlobohm.

QSC ist mit einem Umsatz von 420 Mio. Euro und rund 700 Mitarbeitern einer der kleineren Anbieter in Deutschland mit weniger als fünf Prozent Marktanteil im Geschäftskundenmarkt. Die Kölner bauen für mittelständische Unternehmen Telekommunikationsnetze und bieten Dienste wie Speicherkapazitäten im Internet an.

„QSC ist prädestiniert für die Makler-Rolle zwischen Netzanbietern und Nachfragern, weil sie selbst keine Privatkunden bedienen und damit kein Konkurrent für die anderen sind“, sagt Frank Rothauge, Te-



Bernd Schlobohm: Der QSC-Chef verhandelt bereits mit mehreren potenziellen Partnern.

lekomexperte bei der Berenberg Bank.

Hintergrund des in der Branche einzigartigen Vorstoßes einer offenen Netze-Plattform sind die extrem hohen Investitionen in schnelle Glasfaserleitungen, die bis in die Häuser reichen, im Fachjargon „Fibre to the Home“ genannt. Bei den herkömmlichen DSL-Netzen enden die Glasfaserkabel an einer zentralen Stelle in den Wohngebieten. Die letzten Meter bis in die Wohnzimmer der Kunden laufen über Kupferkabel, die die Deutsche Telekom in Monopolzeiten bis in jeden Haushalt gelegt hat. Kupfer verlangsamt aber die Übertragungsgeschwindigkeit. Neue Anwendungen wie Online-Spiele oder Film-Downloads aus dem Internet sind

deshalb mit den gängigen Bandbreiten oft mühsam.

Für die Anbieter rechnen sich die Glasfaserprojekte nur, wenn sie die Netze möglichst schnell mit vielen Kunden füllen können. Deshalb wird es zumindest außerhalb der Metropolen nur einen Anbieter geben, der das Kabel bis ins Haus legt.

Diesen einen Anbieter verbindet QSC über seine neue Plattform mit dem Rest der Bundesrepublik. Die Deutsche Telekom etwa könnte ihren Kunden in Leipzig schnelle Leitungen anbieten, ohne selbst vor Ort zu bauen oder sich mit HLkomm einigen zu müssen.

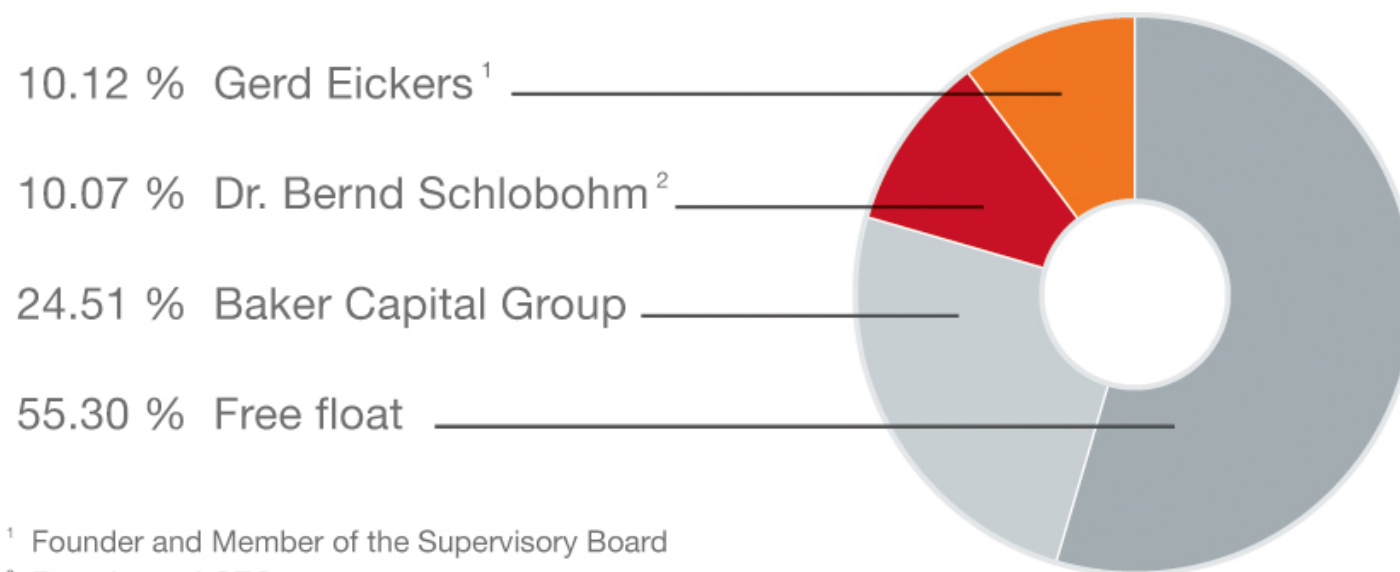
Investitionen werden erleichtert

Branchenkennner begrüßen die Initiative von QSC. „Dadurch werden Investitionen in Infrastruktur erleichtert“, sagte Rothauge. So könnten etwa Kommunen sich entscheiden, Glasfaser zu verlegen und QSC den Betrieb der Leitungen überlassen.

Eine schnelle Internet-Anbindung ist zum wichtigen Standortfaktor geworden. Die großen Netzbetreiber zieren sich aber mit dem Ausbau, weil sie die Kosten scheuen. In abgelegeneren Regionen, die bislang zum Teil gar keinen Internetanschluss hatten, haben dagegen zahlreiche Anbieter in die schnellen Kabel investiert. „Alleine würde es ihnen nicht gelingen, ausreichend Kunden für ihr Netz zu gewinnen“, sagt Schlobohm.

STABLE SHAREHOLDER STRUCTURE SINCE IPO

SHAREHOLDER STRUCTURE



¹ Founder and Member of the Supervisory Board

² Founder and CEO

Status quo: 31/01/2011