

QSC's Revenues and Profitability Up Sharply in 2008

Preliminary numbers for 2008:

- Revenues rise by 23% to €413.3 million
- EBITDA advances by 93% to €67.3 million
- Net income of €0.8 million

Outlook for 2009:

- Free cash flow of more than €10 million
- Revenues and profitability to rise, in spite of the recession

Cologne, February 26, 2009. According to preliminary results, QSC AG increased its revenues by 23 percent to €413.3 million in 2008, as opposed to €335.2 million in the year before, thus sustaining its fast pace of growth in spite of the recession in Germany. This strong growth, the ability to swiftly achieve synergies following the Broadnet merger and sustained cost discipline throughout the organization enabled EBITDA to nearly double to €67.3 million according to preliminary results, as opposed to €34.9 million the year before. The company also recorded a net income of €+0.8 million for 2008, as opposed to a net loss of €-12.7 million for 2007.

Growth in 2008 was fueled, in particular, by the positive development of business in the Wholesale/Resellers segment, which benefited from more than twice as many connected local DSL lines than at year-end 2007: Overall, QSC connected 306,900 additional lines during the past fiscal year, increasing their total to 555,700. However in the face of beginning saturation in the residential customer DSL market and stronger competition, the growth of the company's wholesale ADSL2+ business slowed down during the course of the year. On the other hand, there was a rise in revenues from the resale of voice and data services and in the Managed Services segment; together with non-recurring revenues in wholesale business, this produced a 17-percent rise in revenues in the fourth quarter of 2008 to €112.0 million, as opposed to €95.6 million in the fourth quarter of the year before. Due to high-margin non-recurring revenues and other factors, EBITDA increased to €23.4 million in the fourth quarter of 2008, as opposed to €7.8 million for the corresponding quarter the year before; the company's net result improved to a net income of €+4.3 million, as opposed to a net loss of €-9.5 million in the fourth quarter of 2007. QSC Chief Executive Officer, Dr. Bernd Schlobohm, explains: "In a difficult market environment, we fully achieved our own targets, which had already been increased twice during the course of the fiscal year; that was a tremendous achievement on the part of the entire QSC team."

Significant decline in capital expenditures

Completion of the network expansion project by mid-year 2008 and a subsequent reduction of capital expenditures led to a significant decline in total capital expenditures for the past fiscal year: Overall, capital expenditures totaled €91.4 million, as opposed to €122.9 million in fiscal 2007. Moreover, in 2008, customer-related capital expenses accounted for 62 percent of this total, as opposed to 44 percent the year before. Typically, QSC invoices some 90 percent of these customer-related capital expenditures to the respective customers. As planned, upon completion of the network expansion project, QSC also reduced the trade liabilities that had been related to that expansion project; as of December 31, 2008, trade accounts payable totaled €53.0 million, as opposed to €74.1 million the year before. With liquid assets of €49.1 million as of December 31, 2008, QSC sees itself as being well financed for the growth it anticipates in 2009 and beyond.

Positive development of business to be sustained in 2009

In spite of Germany's most serious post-war recession, QSC anticipates that the positive development of its business will again be sustained during the current fiscal year, with one of the company's focuses being on strengthening its financial position and profitability. QSC is planning a positive free cash flow of more than €10 million in fiscal 2009, along with an EBITDA of between €68 and €78 million. As a consequence, revenues are projected to reach between €420 and €440 million, and the company expects to earn a sustained net profit. In a difficult market environment, the company will be focusing on further improving the revenue quality and will thus be giving priority to higher profitability over higher revenues. Dr. Schlobohm explains: "Our products and solutions increase the productivity of enterprises. This will play a major role in assuring that QSC continues to remain on its growth course in 2009."

	Q4 2008	Q4 2007	2008	2007
Revenues	112.0	95.6	413.3	335.2
- Wholesale/Resellers	67.7	46.8	236.2	146.7
- Managed Services	18.8	16.9	73.3	65.1
- Products	25.5	31.9	103.8	123.4
EBITDA	+23.4	+7.8	+67.3	+34.9
Net income	+4.3	-9.5	+0.8	-12.7
Capital expenditures	22.0	59.0	91.4	122.9
Liquid assets*	49.1	79.4	49.1	79.4

* as of December 31

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