

## **QSC's Financial Strength and Profitability Up Significantly in First Quarter of 2009**

- Revenues grow by 10 percent to € 107.6 million
- EBITDA advances by 71 percent to € 19.5 million
- EBITDA margin improves to 18 percent
- Net income stands at € 1.4 million
- Positive free cash flow of € 4.0 million

**Cologne, May 13, 2009.** During the first quarter of 2009, QSC strengthened its revenues and profitability significantly, while simultaneously increasing its financial strength. Concentrating on higher-margin products and services, as well as building an extremely cost-efficient Next Generation Network (NGN) early on, have now paid off in an environment that is characterized by the world's most serious post-war recession.

Revenues rose by 10 percent in the first quarter of 2009 to € 107.6 million, as opposed to € 97.5 million for the same quarter the year before. The company achieved its strongest growth rates in the Wholesale/Reseller segment, especially in Wholesale voice business, i.e. utilizing the NGN to resell IP-based voice services to providers who do not possess a nationwide infrastructure of their own.

QSC's focus on higher-margin products and services, along with strict cost discipline throughout the entire organization, produced a further significant improvement in EBITDA in the first quarter of 2009, which increased by 71 percent to € 19.5 million, as opposed to € 11.4 million for the same quarter the year before. The EBITDA margin reached 18 percent in the first quarter of 2009, as opposed to 12 percent for the first three months of fiscal year 2008.

The company's operating profit (EBIT) stood at € 2.5 million in the first quarter of 2009, as opposed to an operating loss of € -3.6 million for the comparable period the year before. All three of the company's segments earned an operating profit. Net income amounted to € 1.4 million in the first quarter of 2009; the year before, a net loss of € -4.1 million had been incurred.

### **Net debt reduced**

The positive development of operative business in the first quarter of 2009 improved QSC's financial strength: Cash flow from operating activities increased to € 21.3 million, as opposed to € 15.8 million for the corresponding period the year before. On the other hand, cash was used for capital expenditures and financing. In this connection, QSC reduced its interest-bearing liabilities – which include, in particular, liabilities to banks as well as debt under finance lease contracts – by € 8.4 million. As a result of this significant decline, QSC earned a positive free cash flow of € 4.0 million in the first quarter of 2009, enabling it to reduce net debt by the same amount. Net indebtedness as of March 31, 2009, stood at € -8.2 million, as opposed to € -12.2 million at the close of the 2008 fiscal year; QSC anticipates a further reduction in the coming quarters. Cash and cash equivalents totaled € 44.7 million as of March 31, 2009.

### **Capital expenditures down sharply**

In the first quarter of 2009, capital expenditures totaled € 11.5 million, down 60 percent from the level of the corresponding quarter the year before; at that time, the network expansion project as well as capital expenses involved in connecting new customers had resulted in capital expenditures totaling € 28.6 million. And in the coming quarters, too, only replacement investments for the nationwide infrastructure are scheduled, along with capital expenses for customer connections.

## Guidance reiterated

After getting off to a good start in fiscal year 2009, QSC will be making every effort during the coming quarters to continue to increase its financial strength and profitability in a very difficult market environment. In this connection, the company is reiterating the guidance for the full 2009 fiscal year that it announced on February 26, 2009: QSC is thus planning on a free cash flow of more than € 10 million, as well as on an EBITDA of between € 68 and € 78 million. This will go hand in hand with planned annual revenues of between € 420 and € 440 million, as well as a sustained net profit.

In EUR million	Q1 2009	Q1 2008
Revenues	107,6	97,5
- Wholesale/Reseller segment	64,3	51,7
- Products segment	24,8	27,9
- Managed Services segment	18,5	17,9
EBITDA	19,5	11,4
- Wholesale/Reseller segment	12,0	7,3
- Products segment	4,8	3,2
- Managed Services segment	2,7	1,0
EBIT	2,5	-3,6
Net income	1,4	-4,1
Free Cashflow	4,0	-10,2
CAPEX	11,5	28,6
Workforce	683	678*

\* As of December 31, 2008

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### Notes:

The quarterly report is available under [www.qsc.de/en/investor-relations.html](http://www.qsc.de/en/investor-relations.html). This corporate news contains forward-looking statements. These forward-looking statements are based on current expectations and forecasts of future events by the management of QSC AG. Due to risks or mistaken assumptions, actual results may deviate substantially from those made in such forward-looking statements. The assumptions that may involve material deviations due to unforeseeable developments include, but are not limited to, the demand for our products and services, the competitive situation, the development, dissemination and technical performance of DSL technology and its prices, the development and dissemination of alternative broadband technologies and their respective prices, changes in respect of telecommunications regulation, legislation and adjudication, prices and timely availability of essential third-party services and products, the timely development of additional marketable value-added services, the ability to maintain and enlarge upon marketing and distribution agreements and to conclude new marketing and distribution agreements, the ability to obtain additional financing in the event that management's planning targets are not attained, the punctual and full payment of outstanding debts by sales partners and resellers of QSC AG, and the availability of sufficient skilled personnel.