

QSC's Revenues and Profitability Up Sharply in Q1/2006

- Revenue growth of 31 percent
- Gross profit up by 52 percent
- EBITDA rises by 85 percent
- Accelerated network expansion

Cologne, May 15, 2006. According to preliminary results, Cologne-based QSC AG grew its revenues by 31 percent in the first quarter of 2006 to EUR 54.4 million, as opposed to EUR 41.5 million for the same quarter the year before. All four of the company's business segments contributed to this strong growth.

According to preliminary results, gross profit rose by 52 percent to EUR 16.4 million, as opposed to EUR 10.8 million for the same quarter the year before; the resulting gross margin improved to 30 percent, as opposed to 26 percent for the first quarter of 2005. The company's preliminary EBITDA rose by 85 percent to EUR 2.4 million, as opposed to EUR 1.3 million for the first three months of 2005. There was an even stronger improvement in QSC's net result, which according to preliminary results totaled EUR -3.0 million net loss, as opposed to EUR -5.1 million net loss for the first quarter of 2005.

Prompted by demand on the part of enterprise customers and wholesale partners, QSC connected 13 further cities to its DSL network during the first quarter of 2006 and invested accordingly in those areas. Working in close coordination with its wholesale partners, the company also continued to upgrade its network with ADSL2+ technology. Consequently, capital expenditures rose to EUR 7.3 million, as opposed to EUR 3.8 million in the first quarter of 2005. These capital expenditures, as well as the annual pre-payments for services and products from Deutsche Telekom for the full fiscal year that are due and payable during the first quarter of each year, resulted in a net cash burn. The company's liquid assets totaled EUR 42.9 million as of March 31, 2006.

Given the encouraging development of its operating business during the first quarter of 2006, QSC is reiterating its forecast for the full fiscal year: The company anticipates revenues of over EUR 240 million and an EBITDA of between EUR 15 and 20 million. QSC plans to cross the net income profitability threshold by year-end.

Notes:

The 3-months report of QSC AG is available starting the 30th of May at www.qsc.de. This corporate news contains forward-looking statements pursuant to the US "Private Securities Litigation Act" of 1995. 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.

Best regards,
your QSC IR team

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