

QSC sustains its high-margin growth in the first quarter of 2007

- Revenues up by 41 percent to € 76.8 million
- Strategic segments now account for 82 percent of total revenues
- EBITDA surges by 271 percent to € 8.9 million
- Consolidated net income totals € 1.1 million

Cologne, May 16, 2007. Cologne-based QSC AG sustained its high margin-growth in the first quarter of 2007. While revenues increased by 41 percent to € 76.8 million, EBITDA surged by 271 percent to € 8.9 million. The company continued to generate particularly high revenue growth in its three strategic segments of Large Accounts, Business Customers and Wholesale/Resellers. Consequently, these strategic segments accounted for 82 percent of total revenues in the first quarter of 2007 compared to only 73 percent in the first quarter of 2006.

QSC posted especially high revenue growth in its Wholesale/Reseller segment, in particular in wholesale business with strong partners like HanseNet and freenet; revenues in this segment tripled to € 23.5 million by comparison with the first quarter of 2006. This tripling of revenues stemmed from a rise in recurring revenues whereas in the fourth quarter of 2006 non-recurring revenues with wholesale partners, as well as seasonal growth in reseller business with voice carriers, had contributed to extraordinary high revenues of € 28.9 million. With revenue growth of 30 percent year-on-year to € 18.7 million, business with large accounts also developed on a positive note.

High-margin growth sparks a surge in EBITDA

QSC's improved revenue quality produced considerable profitability growth in the first quarter of 2007: Gross profit advanced by 70 percent to € 27.8 million, as opposed to € 16.4 million for the first three months of 2006; at 36 percent, the corresponding gross margin reached a new high. And the company's EBITDA soared by 271 percent to € 8.9 million, as opposed to € 2.4 million for the first quarter of 2006. Net income improved by € 4.1 million to € 1.1 million in the first quarter of 2007.

Network expansion on schedule

Margins will strengthen even further during the current fiscal year through Plusnet's expansion of the network. By mid-year, QSC will already have a nationwide DSL network with some 1,500 central offices; expansion to nearly 2,000 central offices is planned by year-end. During the first quarter of 2007, this planned network expansion resulted first and foremost in an increase in capital expenditures to € 10.6 million, as opposed to € 7.3 million for the same quarter the year before. The entire network expansion has already been fully funded through the cash contribution in the amount of € 50 million that was made by Plusnet co-shareholder TELE2 in the autumn of 2006. This cash contribution, as well as a positive cash flow from operating activities, played a major role in increasing the company's liquid assets during the past 12 months by € 60.7 million to € 103.8 million as of March 31, 2007. The rise in the workforce by 238 people over the year before to a total of 703 people was essentially attributable to the acquisition of a majority interest in Hamburg-based broadband provider Broadnet AG in June 2006.

Forecast reiterated

Given the company's high-margin growth in the first quarter of 2007, QSC is reiterating its forecast for the full 2007 fiscal year: The company anticipates an EBITDA of between € 50 and € 60 million as well as a consolidated net income of between € 15 and € 25 million on revenues of more than € 350 million. QSC Chief Executive Officer Dr. Bernd Schlobohm comments as follows: "Our network expansion and our focus on high-margin growth will enable us to increase our profitability from quarter to quarter during the current fiscal year"

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