

QSC: Expanding DSL Network to Nearly 2,000 Central Offices Together With TELE2

Cologne, July 10, 2006. Effective immediately, Cologne-based QSC AG and the German subsidiary of the TELE2 Group, Communication Services TELE2 GmbH, Düsseldorf, will begin operating and swiftly expanding a nationwide DSL network together; the respective contract will run until at least year-end 2013. As the network operator, the two companies are forming Plusnet GmbH & Co. KG, with QSC holding 67.5 percent of its shares and TELE2 holding 32.5 percent. The contract does not include any change of control clause and is still subject to antitrust approval.

QSC is contributing its nationwide DSL network to Plusnet; TELE2 is making a € 50 million cash contribution to finance further network expansion. This will enable Plusnet to expand the existing network with its over 1,000 central offices by an additional 900 to a total of nearly 2,000 central offices by year-end 2007. The new network will number among Germany's largest broadband networks, reaching more than half of all households nationwide, as well as some 70 percent of all corporate locations that are suited for VPN solutions. This enables QSC to once again significantly improve its market position and profitability in its core business of enterprise networking. At the same time, splitting the network expenses between the shareholders in particular will produce EBITDA cost savings of € 10 million a year at QSC from 2007 onwards.

For QSC, the joint venture with TELE2 establishes a long-term partnership with one of the largest European telecommunications service providers. In the future, the two companies will be able to procure upstream services for DSL products from the new network operator at cost and serve their respective markets with their own specific end-customer products and services.

Notes:

This ad hoc announcement 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 proliferation of alternative broadband technologies and their respective prices, changes in respect of telecommunications regulation, legislation and current rulings, 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 leverage and expand existing marketing and distribution agreements and to conclude new marketing and distribution agreements, the ability to obtain additional financing in the event that management's planned targets are not attained, the punctual and full payment of outstanding debts by sales partners and resellers of QSC AG, and the availability of sufficiently skilled personnel.

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