

QSC revenues and profitability surge in 2nd quarter of 2007

- Revenues advance by 41 percent to €79.6 million
- Strategic segments rise to account for 84 percent of total revenues
- EBITDA grows by 166 percent to €10.9 million

Cologne, August 15, 2007. According to preliminary results, QSC AG sustained its high-margin growth in the second quarter of 2007, increasing its EBITDA by 166 percent to €10.9 million on a revenue rise of 41 percent to €79.6 million. This strong increase in profitability stemmed from growth in the company's strategic segments of Large Accounts, Business Customers and Wholesale/Resellers; these strategic segments accounted for a 84 percent of total revenues in the second quarter of 2007, as opposed to 77 percent for the same quarter the year before. QSC recorded its strongest revenue growth in the Wholesale/Reseller segment, in particular with its wholesale partners; revenues in this segment rose by 162 percent to €27.8 million in the second quarter of 2007, although this quarter had seen a delay in new unbundled connections due to the strike at Deutsche Telekom. QSC also felt the effect of the strike in connection with processes and new connections for large accounts and business customers; at the same time, price competition in conventional voice telephony increased sooner than had been expected as a result of Voice over IP and flat rate telephony offerings. Nevertheless, QSC succeeded in increasing revenues with large accounts by 16 percent to €17.7 million in the second quarter of 2007; the growth rate for business customers stood at 21 percent, with revenues rising to €21.5 million.

EBITDA margin doubles to 14 percent

The company's improved revenue quality, as a result of the higher percentage of total revenues accounted for by its three strategic segments, again resulted in a leveraged profitability increase in the second quarter of 2007. According to preliminary results, gross profit increased by 49 percent to €29.1 million, as opposed to €19.5 million in the second quarter of 2006, while EBITDA grew strongly by 166 percent to €10.9 million, as opposed to €4.1 million for the same quarter the year before. As a result, QSC was already earning an EBITDA margin of 14 percent in the second quarter of 2007; this figure had stood at only 7 percent in the second quarter of 2006. "Our focus on services for enterprise customers on the basis of our Next Generation Network is paying off," notes QSC Chief Executive Officer Dr. Bernd Schlobohm. "This is enabling us to be highly efficient in offering premium DSL and VoIP solutions, while simultaneously countering growing price and substitution pressure in the conventional voice telephony business."

Higher capital expenditures in network expansion and new customers

QSC continued to expand its network during the second quarter of 2007, although the strike at Deutsche Telekom had delayed the provision of network unbundling services - it is therefore anticipated that expansion of the network to nearly 2,000 central offices will not be concluded until the first quarter of 2008. Capital expenditures nevertheless rose to €18.7 million, as opposed to €11.7 million for the comparable quarter the year before, as QSC also has to invest in order to connect the growing number of new customers, over and above network expansion. Depreciation expense rose by a total of 51 percent to €10.4 million in the second quarter of 2007, since the vast majority of customer-related capital expenditures are quickly amortized. Consolidated net profitability rose by €3.6 million to a net income of €0.5 million, as opposed to a net loss in the amount of €-3.1 million the year before.

Revenues of more than € 350 million anticipated

QSC expects to see strong revenue growth during the second half of 2007, especially in its wholesale business, where the company was able to win 1&1 Internet AG as strong wholesale partner in early July. In view of the positive developments during the first half of the year and against the backdrop of pressure on prices in conventional voice telephony services as well as higher depreciation expense, QSC is reiterating its full year revenue forecast of more than € 350 million, its EBITDA target range of € 50 and 60 million and further specifying its net income after taxes forecast to approximately € 15 million. Medium-term, QSC anticipates strong and profitable growth: Beginning in 2008, QSC's nationwide network will be able to directly reach more than 70 percent of all enterprise customers in Germany. "The trend toward direct connections is going to be heightening significantly throughout the entire market. QSC will benefit in three ways from direct connections to its own network: We can achieve higher margins, increase the loyalty of large accounts and business customers, and offer additional services," explains QSC Chief Executive Officer Dr. Schlobohm.

Preliminary consolidated results in mio. €	Q2 2007	Q2 2006	H1 2007	H1 2006
Revenues	79.6	56.6	156.5	111.0
- Large Accounts	17.7	15.3	36.4	29.7
- Business Customers	21.5	17.8	42.2	35.3
- Wholesale/Resellers	27.8	10.6	51.3	18.2
- Residential Customers	12.7	12.9	26.6	27.8
Network expenses	50.5	37.1	99.6	75.1
Gross profit	+29.1	+19.5	+56.9	+35.9
EBITDA	+10.9	+4.1	+19.8	+6.5
Net income (loss)	+0.5	-3.1	+1.5	-6.1
Capital expenditures	18.7	11.7	29.3	19.0
Liquid assets as of June 30	93.1	59.4		
Employees as of June 30	735	662		

Queries to:

QSC AG
Arne Thull
Investor Relations
Fon: +49(0)221-6698-724
Fax: +49(0)221-6698-009
E-mail: invest@qsc.de

Notes:

The complete 6-months report will be available on August 29th 2007, under <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.