

QSC's Financial Strength and Profitability Up Sharply in Third Quarter of 2010

- Net income nearly triples to €5.8 million
- Free cash flow more than triples to €8.5 million

Cologne, November 8, 2010. Cologne-based QSC AG sustained its transformation process from a network operator to a service provider in the third quarter of 2010, and was again able to significantly improve its financial strength and profitability by focusing on higher-margin IP-based revenues. Overall, revenues advanced to €105.6 million, as opposed to €104.4 million for the same quarter one year earlier. While revenues from such classical network operator products as Call-by-Call and ADSL2+ decreased by €7.2 million to €32.5 million during the past quarter, revenues with IP-based products and services rose by €8.4 million to €73.1 million. As a result, in the third quarter of 2010 QSC was already generating 69 percent of its total revenues in these promising, forward-looking lines of business.

Net income higher in third quarter of 2010 than for entire 2009 fiscal year

Through its focus on IP-based revenues, QSC was able to improve its EBITDA by €1.1 million over the third quarter of 2009 to €20.3 million on a revenue rise of €1.2 million, with the EBITDA margin increasing by one percentage point to 19 percent. Depreciation expense declined on schedule, enabling QSC to grow its operating profit (EBIT) by €3.4 million year on year to €6.5 million, with the EBIT margin doubling to 6 percent. Totaling €5.8 million, as opposed to €2.1 million for the same quarter the year before, QSC's net income for the quarter was higher than it had been for the full 2009 fiscal year, when it had stood at €5.5 million.

Net liquidity rises to €21.4 million

QSC's rising profitability is also producing higher cash flows. In the third quarter of 2010, the company earned a free cash flow of €8.5 million, enabling it to more than triple this figure, which had stood at €2.6 million in the third quarter of 2009, within the space of a single year. During the first nine months of the current fiscal year, QSC earned a free cash flow of €20.6 million, as opposed to €9.2 million for the comparable period one year earlier. This raised the level of liquid assets by €7.2 million to €48.5 million as of September 30, 2010, as opposed to €41.3 million as of December 31, 2009. During this same period, QSC reduced its interest-bearing liabilities by €13.4 million to €27.1 million. This increased net liquidity as of September 30, 2010, to €21.4 million, as opposed to €0.7 million as of December 31, 2009.

QSC plans to double free cash flow and to triple net income

Given the good development of business, QSC is reiterating its guidance for the current fiscal year, which it had raised in August: The company anticipates a free cash flow of more than €25 million, thus doubling the previous year's level of €12.9 million. Moreover, QSC plans to grow its revenues and EBITDA and to triple net income to more than €16 million, as opposed to €5.5 million in fiscal 2009. During the past fiscal year, the company had earned an EBITDA of €76.9 million on revenues of €420.5 million. QSC Chief Executive Officer Dr. Bernd Schlobohm notes: "QSC will be sustaining its transformation process in the coming quarters and rigorously raising the percentage of IP-based revenues. This will further strengthen our financial position and profitability."

In € millions	Q3 2010	Q3 2009
Revenues	105.6	104.4
Gross profit	36.3	35.3
EBITDA	20.3	19.2
EBIT	6.5	3.1
Net income	5.8	2.1

Free cash flow	8.5	2.6
Net liquidity	21.4	0.7*
Liquidity	48.5	41.3*
CAPEX	8.2	10.3
Workforce	619	660

* As of December 31, 2009

Further information is available from:

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Notes:

The 9-month report is available for download at www.qsc.de/en/qsc-ag/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.
