

QSC Doubles Consolidated Net Income to € 6.5 Million in First Quarter of 2011

Cologne, May 9, 2011. In the first quarter of 2011, Cologne-based QSC AG successfully sustained its transformation process from a TC network operator into a provider of ICT services, while at the same time further strengthening its financial position and profitability. Revenues with the classical products of a network operator, such as Call by Call and ADSL2+, declined by € 7.8 million to € 28.9 million, while revenues with IP-based products and services advanced by € 7.0 million to € 76.2 million. This means that during the past quarter QSC was generating 73 percent of its revenues in these forward-looking ICT lines of business; in the first quarter of 2010, this metric had stood at 65 percent. Overall, revenues in the first quarter of 2011 totaled € 105.1 million, compared with € 105.9 million for the same quarter the year before, with the decision by the German Federal Network Agency in late 2010 calling for a fifty-percent cut in the termination fees for mobile calls resulting in a revenue shortfall of nearly five million euros, alone.

QSC grows EBITDA margin to 20 percent and EBIT margin to 8 percent

In the first quarter of 2011, QSC's EBITDA improved to € 20.5 million from € 19.6 million for the same quarter the year before; the EBITDA margin rose to 20 percent, compared with 19 percent in the first quarter of 2010. Both this rising EBITDA as well as declining depreciation expense enabled operating profit, EBIT, to increase to € 8.1 million in the first quarter of 2011, in contrast to € 3.9 million in the first quarter of 2010. The EBIT margin doubled to 8 percent.

Including income taxes in the amount of € -1.3 million, QSC earned consolidated net income in the amount of € 6.5 million during the past quarter, compared with € 3.2 million in the first quarter of 2010. At the same time, the company sustainably strengthened its financial position: During the first quarter of 2011, free cash flow rose to € 21.9 million, compared with € 4.6 million for the same period one year earlier, with the non-recurring effect stemming from the financial settlement covering the realignment of the shareholder positions at Plusnet adding to the overall positive development.

Forecast reiterated

On May 2, 2011, QSC announced its planned acquisition of a majority stake in INFO AG; this acquisition will again significantly accelerate the company's transformation process into a provider of ICT services. Even following this acquisition, QSC anticipates a strengthening of its financial position and profitability for the full 2011 fiscal year, and continues to expect free cash flow to increase to between € 35 and € 45 million. During the current fiscal year, the new subsidiary's free cash flow will be offset by additional expenditures for the acquisition of INFO AG. QSC's stronger financial position and profitability will serve as the foundation for its continued plans to distribute its first dividend for the current fiscal year.

In € millions	Q1 2011	Q1 2010
Revenues	105.1	105.9
EBITDA	20.5	19.6
EBIT	8.1	3.9
Consolidated net income	6.5	3.2
Free cash flow	21.9	4.6
Liquidity	42.1	46.6*
CAPEX	6.4	7.3
Workforce	656	651

* As of December 31, 2010

Notes:

The 3-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.