

QSC: Off to a very good start in fiscal year 2008

Cologne, March 31, 2008. QSC AG today presented its 2007 annual report. There were no material changes from the preliminary results that had been announced on February 14, 2008.

In fiscal year 2007, QSC grew its revenues by 28 percent to € 335.2 million, as opposed to € 262.5 million the year before, and further improved the quality of its revenues. The percentage of total revenues accounted for by the three strategic segments of Large Accounts, Business Customers and Wholesale/Resellers rose to 85 percent, as opposed to 79 percent the year before. In spite of major bottlenecks in the provision of unbundled local loops, QSC nevertheless posted its strongest revenue growth in the Wholesale/Reseller segment: Revenues here advanced by 87 percent in 2007 to € 122.3 million, as opposed to € 65.4 million the year before.

As a result of the network expansion to around 1,700 central offices by year-end 2007, network expenses increased by 27 percent to € 259.3 million, as opposed to € 203.6 million the year before. This item, like all other expense items, was additionally impacted by the first full-year consolidation of Broadnet AG, in which QSC acquired a majority stake on June 6, 2006, and which was then merged with the company on October 31, 2007. QSC nevertheless succeeded in again disproportionately growing its EBITDA in 2007: At € 34.9 million, it was up 65 percent from the previous year's level of € 21.2 million. Like the non-recurring, synergy-related depreciation expense within the framework of the Broadnet merger, the network expansion project also produced a 61-percent rise in depreciation expense to € 45.5 million, as opposed to € 28.3 million the year before. The net loss thus stood at € -10.4 million in 2007, as opposed to € -5.3 million the year before.

The gradual improvement in overcoming the bottlenecks in the provision of local loops by Deutsche Telekom that had been seen in December 2007 was sustained in the first quarter of 2008. Year-to-date, QSC had already received around 125,000 additional local loops, nearly twice as many as in the fourth quarter of 2007 and more than three times as many as in the third quarter of that fiscal year. QSC Chief Executive Officer Dr. Bernd Schlobohm comments as follows: "QSC got off to a very good start in 2008. New orders continue to rise, and the bottlenecks in the supply of local loops are gradually being eliminated." The company will present its quarterly report on May 15, 2008.

Given its good start in the current fiscal year, QSC is reiterating the guidance it had announced in February 2008: The company anticipates revenues of between € 385 and € 405 million in the 2008 fiscal year, an EBITDA of between € 50 and € 60 million, and plans capital expenditures totaling between € 60 and € 80 million, as opposed to € 122.9 million the year before. In 2008, some 70 percent of these capital expenditures will be attributable to customer-related capital expenditures, the majority of which QSC promptly invoices to the respective customers. Dr. Schlobohm explains: "The network expansion project has largely been concluded. QSC now possesses the necessary resources to sustain its strong and profitable growth on the basis of its own nationwide network. The new orders we have received during the initial months of 2008 give me every reason to be highly optimistic about 2008!"

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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.