Quarterly Report III/2012

REVENUES: **120.5** million euros

EBITDA: **20.4** million euros

FREE CASH FLOW: **5.9** million euros

QSC AG

Key Data

All amounts in € million	01/07/–30/09/ 2012	01/07/–30/09/ 2011	01/01/–30/09/ 2012	01/01/–30/09/ 2011
Revenues	120.5	128.3	353.2	355.2
EBITDA	20.4	20.8	56.0	60.6
Depreciation/amortization [1]	13.0	12.8	39.6	38.2
EBIT	7.4	8.0	16.4	22.5
Net profit	7.3	6.4	12.4	16.8
Earnings per share [2] (in €)	0.06	0.05	0.09	0.12
Return on revenue (in percent)	6.1	5.0	3.5	4.7
EBITDA margin (in percent)	16.9	16.2	15.9	17.1
EBIT margin (in percent)	6.1	6.2	4.6	6.3
Free cash flow	5.9	6.1	18.2	35.0
Capital expenditures	9.8	6.8	29.4	25.9
Capex ratio [3] (in percent)	8.1	5.3	8.3	7.3
Shareholders' equity			180.7 [4]	207.3 [5]
Long-term liabilities			38.9 [4]	54.7 [5]
Short-term liabilities			175.0 [4]	129.3 [5]
Balance sheet total			394.7 [4]	391.3 [5]
Equity ratio (in percent)			45.8	53.0
Xetra closing price as of 30/09/ (in €)			2.11	2.06
Number of shares as of 30/09/			137,306,877	137,257,877
Market capitalization as of 30/09/			289.7	282.8
Employees as of 30/09/			1,428	1,285

[1] including non-cash share-based payments

[2] basic and diluted

[3] ratio of capital expenditures to revenues

[4] as of September 30, 2012

[5] as of December 31, 2011

Highlights

Direct Sales the growth driver
ICT revenues in Direct and Indirect Sales that are rising from quarter to quarter were again offset by declining conventional TC revenues in the third quarter of 2012. In the largest business unit, Direct Sales, revenues advanced by 8 percent to € 49.5 million over the preceding quarter.

Highest level of new orders in QSC's history
In the third quarter of 2012, the QSC Group won new orders involving a total volume of € 89.2 million. In particular, the Company owes this highest metric since its founding to an extensive Outsourcing contract from an energy service provider. It typically takes at least six months for these kinds of contracts, involving a customary term of three to five years, to become a revenue stream.

QSC Group offers SAP products from the Cloud
As one of the first providers in the German-speaking countries, since September QSC subsidiary INFO AG has been making the business applications from software concern SAP available from the Cloud, as well. With this partnership in the field of Managed Mobility, both companies are further broadening their longstanding collaboration.

Market launch for further Cloud-based in-house developments
In the third quarter of 2012, QSC concluded development work on QSC-Cospace business, a Cloud-based communications service that offers fax, mailbox, conferencing and storage functionalities. Training for marketing partners as well as connection of the first users began on October 1, 2012. In the current fiscal year, the Company has thus already readied four self-developed products for market.

Ina Schlie appointed to Supervisory Board
The head of the global tax department at SAP AG, Ina Schlie, was appointed to a seat on the QSC Supervisory Board in September 2012. She succeeds John C. Baker, who had resigned his office effective May 31, 2012. There was also a change in the QSC Management Board: Thomas Stoek left this body at the end of August, where he had most recently been responsible for strategic alliances and partnerships.

Dear Shareholders,

The development of business in the third quarter of 2012 once again confirmed the correctness of our decision to make every effort to drive the Company's evolution into an ICT provider. Because QSC is sailing a growth course in ICT business: Revenues in Direct and Indirect Sales were up sharply from the preceding quarter. What's more, QSC set a new order intake record of € 89.2 million; never before had we won such a huge volume within the space of a single quarter. A major role in setting this record was played by a multi-year Outsourcing contract from a large energy service provider. In the future, QSC will be operating this concern's entire information and communications technology. It was not by mere chance that, after winning the contact from Amprion in May and extending the contract with natural gas company Gasunie Deutschland in July, our Company was now able to again win a request for proposals in the energy sector. We are systematically expanding our competence in this field, and numerous network operators and energy producers now number among our customers.

QSC is working on Cloud-based solutions for the energy sector

Logically enough, energy supply is therefore one of the industries on which QSC is focusing in developing new plans and solutions for the Cloud age. Together with partners from the industrial and science communities, for example, QSC developers are working on Cloud-based solutions for the intelligent and, first and foremost, secure management of electricity and heat from decentral energy sources. These are projects for the future, which will not begin contributing to revenues for at least one to two years. Yet the more intensively we have dealings with this industry, the easier it is for us to already score points today in requests for proposals from this industry.

Dr. Bernd Schlobohm, Chief Executive Officer,
Jürgen Hermann, Arnold Stender (left to right)

Unfavorable regulation produces revenue shortfalls at the Company

While ICT business is growing significantly, TC business is contracting from quarter to quarter. This applies both with respect to conventional voice telephony as well as to DSL business with resellers. There is strong pressure on pricing in both of these markets, as well as increasing competition from alternative offerings. Moreover, the German Federal Network Agency is heightening regulations in voice business at regular intervals. We expect the next of these decisions to go into effect on December 1, 2012. Our experts anticipate that, among other things, the so-called termination fees for fixed-network calls will be lowered by around one third and by an even greater 40 percent for mobile calls. According to initial internal estimates, we expect that the pending decisions are likely to produce revenue shortfalls on the order of between € 25 and € 30 million overall, and could also have a minor impact on profitability, depending upon their exact nature.

Given this development, along with the anticipated further decline in conventional TC business, our decision to begin the transformation process of becoming an ICT provider early on is proving to be strategically very correct. Internally, we expect to already be able to largely conclude this process during the coming months, following the earlier-than-expected merger of INFO AG. This will enable us to work even more intensively than before on broadening our ICT portfolio. For this reason, too, we are certain that we will be able to report further significant advances in ICT business during the quarters to come.

Cologne, October 31, 2012

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Arnold Stender

QSC Share Performance

Positive mood in spite of negative economic indicators • In the third quarter of 2012, the German capital market recovered from the setback it had sustained during the preceding quarter, even though numerous indicators are giving rise to fears of a global weakening of the economy during the second half of 2012 and beyond. The DAX gained 12 percent, and the TecDAX 9 percent. Both of these lead indices for German stock exchanges are thus up significantly from the outset of the year. Many market observers attribute this positive development in the face of a difficult economic environment to sustained low interest rate levels worldwide, in particular, as well as to rising fears of inflation and tremendous uncertainty regarding even blue-chip issuers on the bond market; in this environment, the equity market would appear to be a secure investment option.

DAX and TecDAX outperform QSC shares

However, QSC was unable to benefit from this trend during the third quarter of 2012; trading prices retreated by 3 percent to close at € 2.11 on September 30, 2012. Share price performance was depressed when the guidance for the full 2012 fiscal year was tightened in connection with the announcement of the half-year numbers on August 13, 2012. Moreover, the effect of the transfer of some 25.2 million shares that had been held by long-term QSC shareholder Baker Capital to predominantly U.S. investors was still noticeable. Because their sell-offs in the spring and early summer of 2012 had largely satisfied existing investor demand; consequently, trading of QSC shares slackened during the third quarter of 2012, resulting in moderately declining share prices.
At € 56.1 million, trading volumes in the third quarter of 2012 were down by around twenty-five percent from the preceding quarter. The average of nearly 400,000 shares being traded each day was barely 62 percent of the trading numbers in the second quarter of 2012.

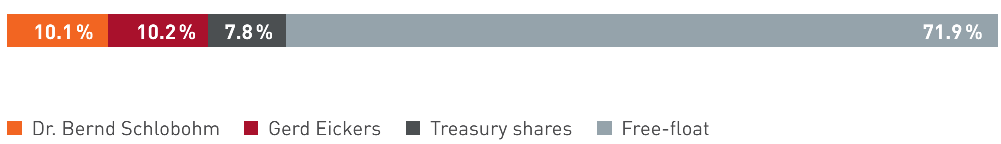
SHARE PRICE PERFORMANCE (indexed)

Share buy-back program stabilizes trading prices • In this situation, the first share buy-back program in QSC's history, which was launched in May 2012, played a major role in stabilizing share prices. By September 30, 2012, the Company had already acquired 10,673,101 QSC shares, representing 7.8 percent of all shares. By August 3, 2012, the Company had already issued a public notice indicating that it had passed the reporting threshold of 5 percent of all shares.

More than 3 percent of QSC shares now held by J O Hambro

A further voting rights notification reached QSC in July 2012: UK-based J O Hambro Capital Management Limited, of London, notified QSC that its voting rights had passed the 3-percent threshold. Overall, institutional investors accounted for 60 percent of the free-float as of September 30, 2012; 40 percent of all shares were held by private investors. The largest shareholders continued to be the Company's two founders, Dr. Bernd Schlobohm and Gerd Eickers, holding 10.1 and 10.2 percent, respectively.

SHAREHOLDER STRUCTURE AS OF SEPTEMBER 30, 2012



Consolidated Interim Report QIII / 2012

GENERAL ECONOMIC CONDITIONS

German economy stagnating • The euro crisis and the recession, especially in southern Europe, are increasingly burdening the German economy. Consequently, the leading economic research institutes expect to see weak growth in gross domestic product (GDP) over the course of the coming twelve months. Their autumn report is forecasting GDP growth of merely 0.6 percent for the second half of 2012 and 0.4 percent for the first half of 2013. Only beginning in the summer of 2013 will economic prospects again brighten. This weak growth will have the strongest impact on capital expenses, where the institutes anticipate a one-percent decline year on year for 2012. Up until now, the cautious attitude toward capital spending that prevails on the part of broad segments of the economy has had only a marginal impact on the ICT industry in Germany. In mid-October 2012, in fact, industry association BITKOM raised its revenue forecast for the current year: BITKOM now expects to see total ICT revenues in Germany grow by 2.8 percent to € 152 billion. This rise will primarily affect several submarkets, first and foremost smartphones, tablets and mobile data services. And the market for IT services, such as Outsourcing, is also likely to grow by 2.1 percent in 2012. On the other hand, BITKOM is predicting that business with fixed-network voice services will contract by 7.5 percent during the current year to € 11.3 billion; it should be noted that BITKOM attributes this decline not only to competition, but also to "heightened intervention on the part of regulatory authorities."

BITKOM raises revenue forecast for current year

ICT MARKET IN GERMANY (in € billion)

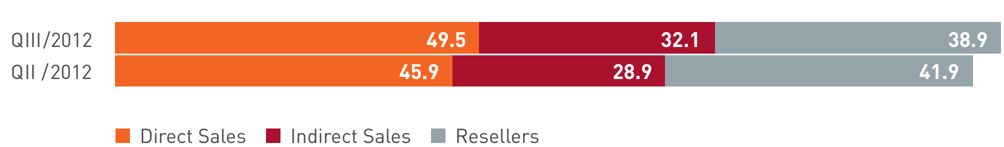
More than 40 percent of enterprises already outsourcing ICT services • In the case of enterprise customers, the ICT industry is benefiting especially from the former's sustained need for utilizing modern ICT solutions to optimize their value chains. This is shown in a recent study entitled "IT Perspectives 2020 – Trend Radar SME" that was conducted by QSC subsidiary INFO AG together with the IMWF Institute for Management and Economic Research as well as "CIO-Magazin".
In the face of strong pressure to innovate and the growing complexity of processes, more and more small and mid-size enterprises are entrusting their information and communications technology to external service providers. More than 40 percent of respondents indicated that they have already outsourced ICT services; the most popular services include hosting the enterprise website, Voice over IP, providing and supporting virtual private networks (VPN), as well as developing applications and services for servers. In this connection, the majority of enterprises considers it to be advantageous to have one-stop shopping for all of this.

Interestingly, SME decision-makers do not primarily look at price in selecting their ICT partner. The crucial factors are its professional competence and its alignment in the field of IT security. Industry competence and years of market experience play a major role, as well. The issue of IT security will continue to gain in significance the more intensively enterprises come to grips with Cloud Computing. In the survey, nearly half of the respondents indicated that their organizations were still not yet using any Cloud solutions, and that they are still unsure about the issue of data protection. Those who overcome these reservations are utilizing the Cloud and software applications, in particular, in collaborating with external partners by supplementing their in-house infrastructures, data center capacities and platforms with appropriate Cloud services. This need is likely to see strong growth in the years to come. BITKOM expects that market volume will double to € 10.8 billion by 2014.

COURSE OF BUSINESS

Strong growth in ICT business • In the third quarter of 2012, the QSC Group sustained its transformation process into an ICT provider. Revenues rose by € 3.9 million over the preceding quarter to € 120.5 million. In this connection, the two ICT lines of business, Direct and Indirect Sales, were able to make significant advances, while predominantly conventional TC business with resellers continued to decline.

REVENUE MIX (in € million)



QSC Group sets new record in order intake volume

The positive development of ICT business is underscored by the new record that was set in order intake volume: € 89.2 million, the highest level of new orders ever in the history of the QSC Group. The order from a nationally operating energy service provider, in particular, contributed to this success in the third quarter of 2012; under this contract, QSC will be assuming the customer's ICT infrastructure and, as a service provider, will be responsible for its information and communications technology. Given the complexity of the project, in which QSC is also acquiring and integrating IT employees from the customer, it will not be until the second half of 2013 before this contract produces a significant revenue stream.

Cloud solutions are playing a growing role in Outsourcing and Consulting business. As one of the first providers in the German-speaking countries, QSC subsidiary INFO AG has been making the mobile business applications from software concern SAP available from the Cloud, as well, since September 2012. With this partnership in the field of Managed Mobility, both companies are further broadening their longstanding collaboration.

Market launch for further in-house innovations • In Indirect Sales, QSC is steadily expanding its own portfolio, and largely bringing in-house innovations to market. One example is the QSC-Analyser, which affords intelligent identification of network quality parameters and makes infrastructure management more efficient and cost-effective for network operators.
With QSC-Cospace business, the Company broadened its offerings of Cloud-based communications services in the autumn of 2012, launching the presales phase. In contrast to the free version, enterprise customers receive a number of personal geographic telephone numbers as well as 10 gigabytes of Cloud storage. And the One Number service is a further innovation: This service makes the user available to customers and business partners under a single telephone number, anywhere and anytime.
Over the course of the coming months, Indirect Sales will be presenting this innovation to its growing network of distribution partners and providing their employees with the appropriate training. In the third quarter of 2012, the QSC Group was able to again add a further 15 IT systems houses and regional IT service providers to its partner network. As of September 30, 2012, this network already consisted of 368 companies.

TC business remains under pressure • The third quarter of 2012 saw a further sharp decline in conventional TC revenues in the third business unit, Resellers. This revenue shortfall related, in particular, to the Wholesale ADSL2+ offering and the voice revenues that build upon it. The QSC Group continues to refuse to engage in the stiff competition that prevails in this market, preferring instead to incur revenue declines in this low-margin business. Moreover, there was also a decrease in demand for conventional voice telephony. Given the availability of more cost-effective flat rates, fewer and fewer Germans are utilizing Call-by-Call and Preselect offerings.

Increasing the power of the organization • Market-related revenue shortfalls in conventional TC business, on the one hand, and growth in ICT business, on the other, underscore the strategic importance of the QSC Group's transformation process. As it travels the road toward becoming an ICT provider, the Company is currently putting in place the necessary structures.
Unbridled Group-wide collaboration is simplifying the merger of INFO AG with INFO Holding, the former IP Partner, which was concluded ahead of schedule in July 2012. Upon official registration in the commercial register on July 17, INFO AG in its previous form became defunct. All shares held by minority INFO AG shareholders were transferred in consideration of a cash settlement, followed by INFO AG's delisting. The QSC Group paid € 5.8 million during the past quarter to purchase these shares.

Outstanding shares of INFO AG acquired for € 5.8 million

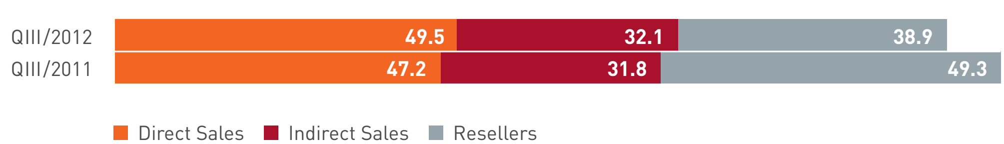
Following registration of the merger, QSC initiated numerous measures aimed at greater integration, most of which had originally not been planned until the first quarter of 2013. Among other things, the Company began putting in place consistent processes and structures in such areas as Human Resources, Purchasing and Finance, as well as consolidating infrastructure locations.

PROFITABILITY

ICT business is growing from quarter to quarter

Sustained dynamic in ICT business • Revenues stood at € 120.5 million in the third quarter of 2012, compared to € 128.3 million for the same quarter one year earlier. While ICT revenues in Direct Sales rose by € 2.3 million to € 49.5 million and moderately by € 0.3 million to € 32.1 million in Indirect Sales during this period, the predominantly conventional TC revenues with resellers declined by € 10.4 million to € 38.9 million. The dynamic in ICT business is illustrated by a quarter-to-quarter comparison: In the third quarter of 2012, the QSC Group grew its Direct Sales revenues by 8 percent over the second quarter of 2012 and by a strong 18 percent over the first quarter. In Indirect Sales, the growth rates were 11 percent by comparison with both the second and first quarters of 2012.

REVENUE MIX (in € million)



After nine months, the revenues of the QSC Group totaled € 353.2 million, by comparison with € 355.2 million for the same period one year earlier. In this connection, an ICT revenue rise of € 30.2 million to € 227.2 million was offset by a decline of € 32.3 million in conventional TC business with resellers to € 125.9 million. In assessing this revenue comparison, it should also be noted that there was a revenue shortfall in the amount of some € 6 million, which was attributable to the German Federal Network Agency's directive to reduce the termination fees effective July 1, 2011. These termination fees are cash-in-transit items for the QSC Group, which are passed on to the individual customers. The QSC Group anticipates that a further reduction in these fees will go into effect on December 1, 2012. Further information in this regard is contained in the Outlook Report.

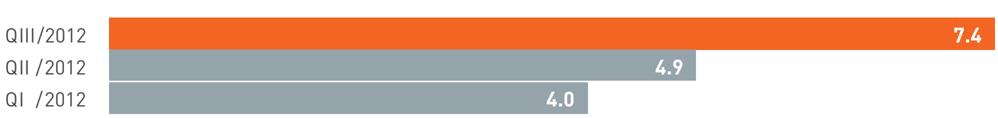
Gross margin rises to 34 percent • Lower revenues with resellers went hand in hand with declining costs of revenues in the third quarter of 2012, as this business unit incurs a high percentage of revenue-based costs, especially for the utilization of third-party lines for voice and data services. These costs decreased by € 9.1 million from the preceding quarter to € 79.6 million. This sharp decline increased gross margin to 34 percent in the third quarter of 2012, compared to 31 percent for the same quarter one year earlier.
At € 11.3 million, sales and marketing expenses remained stable relative to the comparable quarter the year before. Rising human resources expenses, especially in Direct Sales, were offset by lower commission payments and allowances paid to marketing partners. General and administrative expenses, too, remained virtually unchanged at € 9.2 million, as opposed to € 9.0 million for the same quarter the year before.

EBITDA margin increases to 17 percent • On a revenue decline of € 7.8 million by comparison with the third quarter of 2011, EBITDA decreased by only € 0.4 million in the past quarter to € 20.4 million – a tangible result of focusing on higher-margin ICT revenues. EBITDA is defined as earnings before interest, taxes, amortization of deferred non-cash share-based compensation, as well as depreciation and amortization of property, plant and equipment, and intangible assets. During the third quarter of 2012, the EBITDA margin rose by 1 percentage point to 17 percent, thus improving by 2 percentage points during the current fiscal year; the EBITDA margin had stood at 15 percent in the first quarter of 2012.

EBITDA (in € million)

EBIT up sharply over the course of the year • At € 13.0 million in the third quarter of 2012, depreciation expense was moderately higher than the preceding year's level of € 12.8 million. For this reason, too, operating profit of € 7.4 million was down from the previous year's level of € 8.0 million. However, a quarter-to-quarter comparison again documents the positive development of the Company's profitability: EBIT had risen from € 4.0 million in the first quarter of 2012 to € 4.9 million to € 7.4 million today.

EBIT (in € million)



As in the third quarter of 2011, the financial loss amounted to € -1.0 million. Net profit before income tax thus reached € 6.4 million during the past quarter, as opposed to € 7.0 million for the comparable period the year before.

Consolidated net profit advances to € 7.3 million • QSC recorded a positive tax effect in the amount of € 0.9 million in the third quarter of 2012. Consolidated net profit after taxes thus rose to € 7.3 million in the third quarter of 2012, compared to € 6.4 million for the same quarter one year earlier. After nine months, consolidated net profit totaled € 12.4 million, compared to € 16.8 million for the same period one year earlier.

PROFITABILITY BY SEGMENT

Growth is based solely on successes in operating business

Strong quarter-to-quarter growth in Direct Sales • In the third quarter of 2012, QSC was again able to increase the revenues in what is now the Company's largest line of business by nearly 4 million euros year on year: At € 49.5 million, revenues were up by 8 percent from the second quarter of 2012 and by a strong 18 percent over the level in the first quarter of 2012. While a consolidation effect had still contributed to the rise in revenues the quarter before, growth during the past quarter was based solely on successes in operating business, with a non-recurring payment marking the successful start of an Outsourcing project here.

REVENUES, DIRECT SALES (in € million)

Direct Sales records EBITDA margin of 17 percent • In the third quarter of 2012, Direct Sales earned a segment EBITDA of € 8.2 million, by comparison with € 6.8 million for the same quarter one year earlier; the EBITDA margin rose by 3 percentage points to 17 percent. Growth in this line of business continues to necessitate expansion of its workforce; moreover, Direct Sales is still bearing all of the sales, marketing, general and administrative expenses of INFO AG.

EBITDA, DIRECT SALES (in € million)

Analogously to its rising revenues, Direct Sales is bearing a larger share of depreciation expense within the QSC Group from quarter to quarter: By comparison with the third quarter of 2011, this metric rose by € 1.5 million to € 5.6 million. Consequently, segment EBIT of € 2.6 million was down moderately from its level of € 2.7 million for the same quarter the preceding year. However, segment EBIT did rise by € 2.0 million over the second quarter of 2012.

Indirect Sales posting significant quarter-to-quarter growth • After incurring either stagnating or even declining revenues for several quarters, the Indirect Sales Business Unit returned to its growth course in the third quarter of 2012: Revenues rose to € 32.1 million, compared to € 31.8 million for the corresponding quarter one year before. Revenue growth over the second quarter of 2012 amounted to € 3.2 million, or 11 percent. This business unit is benefiting from rising demand on the part of its ICT marketing partners for broadband DSL lines, the appropriate preliminaries, as well as IP-based voice services, in particular.

REVENUES, INDIRECT SALES (in € million)

Partner business continues to generate high margins • In the third quarter of 2012, QSC earned a segment EBITDA of € 8.4 million in Indirect Sales, compared to € 7.5 million for the corresponding quarter the year before; the segment EBITDA margin improved from 24 percent to 26 percent. The high level of this metric was attributable to the rigorous industrialization of processes, especially in this business unit. Moreover, Indirect Sales is also utilizing the opportunities that are offered by the Next Generation Network to earn reasonable margins on voice services, as well. Consequently, QSC was able to further improve segment EBIT in this business unit to € 5.7 million in the third quarter of 2012, compared to € 4.6 million for the same quarter the year before.

Segment EBITDA margin advances to 26 percent

EBITDA, INDIRECT SALES (in € million)

Reseller revenues continue to decline • Revenues in the Resellers segment declined by 21 percent year on year to € 38.9 million in the third quarter of 2012. And this revenue decline also continued on a quarter-to-quarter basis: This segment's largely conventional TC revenues had still stood at € 41.9 million in the second quarter of 2012, and at € 45.2 million in the first quarter of 2012. This decrease stemmed from the sustained stiff pricing and shakeout competition that persists in the ADSL2+ and Call-by-Call/Preselect market, and confirms QSC's strategy of focusing on forward-looking, high-growth ICT business.

REVENUES, RESELLERS (in € million)

Price war narrows margin • Declining revenues and stiff competition in conventional TC business again decreased profitability in the third quarter of 2012. At € 3.7 million, as opposed to € 6.4 million the year before, segment EBITDA remained below the previous year's level, as did segment EBIT, which stood at € -0.8 million in the past quarter, compared to € 0.7 million in the third quarter of 2011.

EBITDA, RESELLERS (in € million)

FINANCIAL POSITION AND NET WORTH

Operating cash flow again reaches €15m

Strong cash flow from operating business • In the third quarter of 2012, as in the same quarter one year earlier, QSC generated € 15.0 million in cash flow from operating activities. At € -8.3 million, cash flow used in investing activities was down sharply from the previous year's level of € -21.3 million, as in the third quarter of 2011, QSC had spent € 16.4 million, alone, to acquire further shares of INFO AG. Cash flow used in financing activities amounted to € -6.7 million in the past quarter, thus remaining significantly below the level of € 22.2 million for the same quarter the year before; the main reason for this were payments for share buy-backs, as well as for the acquisition of outstanding INFO AG shares.

Free cash flow of € 5.9 million • During the past quarter, the QSC Group generated a free cash flow of € 5.9 million; after nine months, this metric totaled € 18.2 million. This central steering metric reflects the change in net liquidity/debt prior to acquisitions, distributions and share buy-backs. The following table shows all parameters as of September 30, 2012, and June 30, 2012:

in € million	Sept. 30, 2012	June 30, 2012
Liquidity		
Cash and cash equivalents	36.9	36.9
Available-for-sale financial assets	0.3	0.3
Liquidity	**37.3**	**37.3**
Interest-bearing liabilities		
Liabilities under financing arrangements	(12.3)	(11.4)
Liabilities due to banks	(79.2)	(64.2)
Interest-bearing liabilities	**(91.5)**	**(75.6)**
Net debt	**(54.2)**	**(38.3)**

Accordingly, liquidity of € 37.3 million in the third quarter of 2012 remained unchanged from its level on June 30, 2012. Liabilities under financing arrangements rose moderately by € 0.9 million to € -12.3 million as of September 30, 2012. At the same time, liabilities due to banks increased by € 15.0 million, raising net debt by € 15.9 million overall to € -54.2 million as of September 30, 2012. This rise stemmed from two developments outside the scope of the Company's operating business:

- In the third quarter of 2012, the QSC Group purchased treasury shares valued at € 16.0 million within the context of its share buy-back program.
- In the third quarter of 2012, the Company concluded the conversion squeeze-out of INFO AG and acquired the outstanding shares of INFO AG for a total of € 5.8 million.

Since the free cash flow metric is based upon the financial strength of an entity's operating business, it was not impacted by this total cash burn of € 21.8 million. This produced a free cash flow of € 5.9 million.

QSC Group investing 8 percent of revenues • Capital expenditures totaled € 9.8 million in the third quarter of 2012, by comparison with € 6.8 million for the same quarter one year earlier. This rise stemmed first and foremost from winning large Outsourcing orders, as these kinds of contracts necessitate preliminary capital investments, including those needed for transitioning customers' IT systems, as well as for hardware and software in QSC's own data centers. During the first nine months, QSC invested € 29.4 million, or 8 percent of revenues.

CAPITAL EXPENDITURES (in € million)

The balance sheet for the period ended September 30, 2012, records long-term assets in the amount of € 281.8 million, compared to € 291.4 million at year-end 2011. This decrease was predominantly attributable to ongoing depreciation on property, plant and equipment as well as other intangible assets, which overcompensate for the effect of new capital expenditures. Short-term assets, on the other hand, rose to € 112.9 million, by comparison with € 99.8 million as of December 31, 2011, as the balance sheet records a higher level of liquid assets, in particular.

Share buy-back program reduces shareholders' equity • Shareholders' equity totaled € 180.7 million as of September 30, 2012, in contrast to € 207.3 million as of December 31, 2011. The equity ratio amounted to 46 percent, by comparison with 53 percent at year-end 2011. It should be noted in connection with this comparison that QSC records the acquisition of treasury shares within the context of the share buy-back program, which was launched in May 2012, against shareholders' equity.

EQUITY RATIO

By September 30, 2012, the Company had acquired 10,673,101 treasury shares, with each share's mathematical share of the capital stock amounting to 1 euro. The Company records any acquisition price in excess of this amount directly under accumulated deficit.
Consequently, capital stock decreased to € 126.6 million as of September 30, 2012, compared to € 137.3 million as of December 31, 2011. The accumulated deficit increased by € 22.6 million as a result of the share buy-back program; overall, the accumulated deficit rose by € 13.9 million to € -86.0 million as of September 30, 2012, in contrast to € -72.1 million at year-end 2011. In addition to the share buy-back program, it should also be noted in this connection that the Company's first dividend distribution in May 2012 led to an increase of € 11.0 million. On the other hand, the consolidated net profit of € 12.4 million in the first nine months of the current fiscal year had the effect of reducing the loss.

First payment of a dividend impacts shareholders' equity

Long-term debt declines • Long-term liabilities decreased to € 38.9 million as of September 30, 2012, by comparison with € 54.7 million as of December 31, 2011. This decline was essentially attributable to the lower deferral line item of € 6.1 million, compared to € 20.9 million at year-end 2011. QSC utilizes this line item, in particular, to accrue TELE2's payment for premature termination of the Plusnet contract prior to the end of its original term on December 31, 2013.
Short-term liabilities, on the other hand, increased to € 175.0 million, in contrast to € 129.3 million as of December 31, 2011. Making a major contribution to this rise, on the one hand, were higher trade accounts payable in the amount of € 63.0 million, by comparison with € 46.6 million at year end, and – on the other hand – higher liabilities due to banks in the amount of € 65.5 million, as opposed to € 28.2 million as of December 31, 2011.

HUMAN RESOURCES

Fewer new hires during the summer • In the third quarter of 2012, the workforce of the QSC Group grew by 11 people to a total of 1,428 as of September 30, 2012. Following the significant expansion of the workforce during the first half of 2012, there was a consolidation during the summer months. The most employees continue to be on the INFO AG payroll; following the merger, 819 people were working here. As of September 30, QSC AG employed 548 people, network operating company Plusnet 61.

WORKFORCE

Since QSC anticipates that further expansion of the workforce will be indispensable in the coming quarters, especially at INFO AG, it is launching numerous initiatives aimed at recruiting IT professionals. In-house training of new blood is playing a key role here: Some 40 young men and women began their training during the third quarter of 2012.

QSC Group wins some 40 new trainees

RISK REPORT

No major change in risk position • During the third quarter of 2012, there were no major changes in the risks portrayed in the 2011 Annual Report. Nevertheless, due to these or other risks and incorrect assumptions, QSC's actual future results could vary materially from its expectations. All statements contained in this unaudited Consolidated Interim Report that are not historical facts are forward-looking statements. They are based upon current expectations and predictions of future events and could therefore change over the course of time.

SUBSEQUENT EVENTS

QSC is not aware of any reportable events of particular importance subsequent to the close of the quarter.

OUTLOOK REPORT

QSC reiterates guidance • In view of the good development of its ICT business during the third quarter of 2012, the QSC Group is reiterating its current guidance for the full 2012 fiscal year: The Company anticipates revenues of between € 480 and € 490 million in its operating business, an EBITDA margin of 16 percent, as well as a free cash flow of between € 22 and € 26 million. The QSC Group continues to view fiscal 2012 as a year of preparation in order to reach its full strength and power. The earlier-than-expected merger of INFO AG has enabled even more extensive preparations than had originally been planned to be made during the current fiscal year. During the third quarter, the Company began centralizing Purchasing operations and consolidating infrastructure locations, among other things.

2012 order intake for the QSC Group stands at € 166.0 million to date • The potential that is offered by unbridled collaboration within the QSC Group can already be seen in Direct Sales, in particular – the record level of order intake would not have been possible without close collaboration between the people of INFO AG and QSC AG. Since there are currently no further major IT projects pending, QSC expects to see a considerably lower level of new orders for the fourth quarter of 2012. However, nine months into the current fiscal year, the Company has already won new contracts valued at € 166.0 million, and has thus also laid a very good foundation for sustained growth in Direct Sales, in particular, beyond year end.
QSC anticipates that growth in Direct Sales for fiscal 2012 will significantly outpace the market. In Indirect Sales, the positive development seen in the third quarter of 2012 is likely to be sustained, while conventional TC business with resellers will continue to decline. Overall, the QSC Group anticipates a further quarter-to-quarter acceleration of growth in its operating business.

The Company expects a further quarter-to-quarter acceleration of its growth

Heightened regulation by the German Federal Network Agency • However, it should be noted that heightened regulation by the German Federal Network Agency is expected beginning on December 1, 2012. Among other things, there are decisions pending on a further reduction of termination fees, the fees paid for utilizing the infrastructure of other providers, relating to both fixed networks and mobile communications. The regulatory experts at the QSC Group are predicting that these fees will by lowered by around one third for fixed-network calls and by an even greater 40 percent for mobile calls. As a result of all these pending decisions, initial internal estimates show that QSC can expect to sustain an overall negative revenue effect on the order of between € 25 and € 30 million per year at the Resellers and Indirect Sales Business Units; this means that there would be a revenue shortfall of at least 2 million euros in December 2012. While QSC does pass on the vast majority of these termination fees to its customers, due to the complexity of the new regulatory decisions it is not possible at the present point in time to exclude the possibility of a minor impact on profitability.

QSC Group investing in growth • QSC anticipates an EBITDA margin of 16 percent for the full 2012 fiscal year. The Company is investing in future growth in ICT business at various levels. These investments will include the continued recruitment of additional IT professionals as well as broadening the Company's development competence and innovative strength. Moreover, QSC is driving the increased integration of INFO AG, which will temporarily increase both cost of revenues as well as sales and marketing expenses into the first half of 2013. However, following the delisting of INFO AG, the Company can achieve initial savings, especially in Administration; the same applies to the infrastructure level.

Share buy-back program to be concluded • By early November 2012 at the latest, QSC will conclude its first share buy-back program. By then, the Company will have acquired 10 percent of capital stock, or nearly 13.7 million treasury shares, spending a total of some € 29 million for this purpose; by September 30, QSC had already purchased 10.7 million shares for € 22.6 million on stock exchanges.

QSC has acquired 10 percent of capital stock through buy-back

The QSC Group is covering the resulting temporarily higher need for financing by making partial use of a line of credit totaling € 150 million. With a view to this credit line, strong regular cash flows and moderate net debt, the Company continues to see itself very soundly financed for the coming quarters.

Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Euro amounts in thousands (K€)

	01/07/–30/09/ 2012	01/07/–30/09/ 2011	01/01/–30/09/ 2012	01/01/–30/09/ 2011
Net revenues	**120,517**	**128,314**	**353,164**	**355,225**
Cost of revenues	(79,609)	(88,690)	(236,812)	(239,711)
Gross profit	**40,908**	**39,624**	**116,352**	**115,514**
Sales and marketing expenses	(11,264)	(11,286)	(33,438)	(33,151)
General and administrative expenses	(9,164)	(9,030)	(26,768)	(22,579)
Depreciation and non-cash share-based payments	(12,955)	(12,825)	(39,601)	(38,165)
Other operating income	326	1,535	562	1,707
Other operating expenses	(402)	(25)	(706)	(857)
Operating profit	**7,449**	**7,993**	**16,401**	**22,469**
Financial income	142	91	427	308
Financial expenses	(1,190)	(1,092)	(3,365)	(2,242)
Net profit before income tax	**6,401**	**6,992**	**13,463**	**20,535**
Income tax	882	(552)	(1,017)	(3,696)
Net profit	7,283	6,440	12,446	16,839
thereof attributable to non-controlling interests	92	198	145	586
thereof attributable to owners of QSC AG	7,191	6,242	12,301	16,253
Earnings per share (basic) in €	**0.06**	**0.05**	**0.09**	**0.12**
Earnings per share (diluted) in €	**0.06**	**0.05**	**0.09**	**0.12**

CONSOLIDATED BALANCE SHEET (unaudited)

Euro amounts in thousands (K€)

	Sept. 30, 2012	Dec. 31, 2011
ASSETS		
Long-term assets		
Property, plant and equipment	111,297	116,740
Land and buildings	27,923	28,313
Goodwill	76,265	76,265
Other intangible assets	51,466	56,289
Trade receivables	3,676	3,622
Prepayments	1,476	1,718
Other long-term assets	1,703	518
Deferred tax assets	7,961	7,961
Long-term assets	**281,767**	**291,426**
Short-term assets		
Trade receivables	63,112	65,705
Prepayments	7,114	4,526
Inventories	1,623	1,563
Other short-term assets	3,810	3,944
Available-for-sale financial assets	342	341
Cash and short-term deposits	36,915	23,755
Short-term assets	**112,916**	**99,834**
BALANCE SHEET TOTAL	394,683	391,260

	Sept. 30, 2012	Dec. 31, 2011
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Equity attributable to owners of QSC AG		
Capital stock	**137,307**	**137,257**
Nominal value of treasury shares from share buy-back	(10,673)	-
Capital stock	**126,634**	**137,257**
Capital surplus	140,440	140,095
Other capital reserves	(361)	(362)
Accumulated deficit	(85,977)	(72,069)
Equity attributable to owners of QSC AG	**180,736**	**204,921**
Equity attributable to non-controlling interests	-	2,378
Shareholders' equity	**180,736**	**207,299**
Liabilities		
Long-term liabilities		
Long-term liabilities under financing arrangements	8,139	6,879
Liabilities due to banks	13,666	15,404
Convertible bonds	15	15
Accrued pensions	5,615	5,339
Other provisions	930	1,036
Deferred income	6,115	20,914
Deferred tax liabilities	4,455	5,065
Long-term liabilities	**38,935**	**54,652**
Short-term liabilities		
Trade payables	63,024	46,617
Short-term liabilities under financing arrangements	4,153	6,698
Liabilities due to banks	65,522	28,181
Other provisions	2,747	2,879
Accrued taxes	1,496	5,764
Deferred income	23,113	24,781
Other short-term liabilities	14,957	14,389
Short-term liabilities	**175,012**	**129,309**
Liabilities	**213,947**	**183,961**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	394,683	391,260

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/09/ 2012	01/01/–30/09/ 2011
Cash flow from operating activities		
Net profit before income taxes	13,463	20,535
Depreciation and amortization of fixed assets	39,265	38,108
Non-cash share-based payments	335	(66)
Loss from disposal of long-term assets	810	672
Changes in provisions	(5,857)	1,847
Changes in receivables from former shareholders	-	28,358
Changes in trade receivables	2,540	5,452
Changes in trade payables	15,044	1,963
Changes in other assets and liabilities	(19,357)	(34,077)
Cash flow from operating activities	**46,243**	**62,792**
Cash flow from investing activities		
Purchase from acquisition of subsidiary less liquid assets acquired	-	(72,913)
Proceeds from sale of subsidiary less liquid assets	-	1,429
Purchase of intangible assets	(7,646)	(9,824)
Purchase of property, plant and equipment	(17,188)	(11,732)
Cash flow from investing activities	**(24,834)**	**(93,040)**
Cash flow from financing activities		
Dividends paid	(10,985)	-
Disbursements for share buy-back	(22,608)	-
Issuance of convertible bonds	-	1
Purchase of additional interest in subsidiary following acquisition	(5,812)	-
Proceeds from issuance of common stock	59	240
Repayment of other short- and long-term liabilities	-	(576)
Proceeds of loans granted	35,603	11,864
Repayment of liabilities under financing arrangements	(4,506)	(6,520)
Cash flow from financing activities	**(8,249)**	**5,009**
Change in cash and short-term deposits	**13,160**	**(25,239)**
Cash and short-term deposits at beginning of period	23,755	46,233
Cash and short-term deposits at end of period	**36,915**	**20,994**
Interest paid	1,723	1,890
Interest received	571	171
Income tax paid	4,853	586

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/09/ 2012	01/01/–30/09/ 2011
Other comprehensive income		
Actuarial losses on defined benefit pension plans	1	(194)
Tax effect, total	-	62
Other comprehensive income	**1**	**(132)**
Net profit for the period	12,446	16,839
Total comprehensive income for the period	**12,447**	**16,707**
thereof attributable to non controlling interests	145	553
thereof attributable to owners of QSC AG	12,302	16,154

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Euro amounts in thousands (K€)

	Equity attributable to owners of QSC AG				
	Capital stock	Capital surplus	Other capital reserves	Accumulated deficit	Total
Balance as of January 1, 2012	**137,257**	**140,095**	**(362)**	**(72,069)**	**204,921**
Net profit for the period				12,301	12,301
Other comprehensive income for the period, net of tax			1		1
Total comprehensive income			**1**	**12,301**	**12,302**
Write-off of minority interest following squeeze-out					
Conversion of convertible bonds	50	9			59
Non-cash share-based payments		336			336
Treasury share buy-back	(10,673)			(11,935)	(22,608)
Dividend distribution				(10,985)	(10,985)
Acquisition of non-controlling interests following					
initial consolidation				(3,289)	(3,289)
Balance as of September 30, 2012	**126,634**	**140,440**	**(361)**	**(85,977)**	**180,736**
Balance as of January 1, 2011	**137,128**	**139,593**	**(1,291)**	**(91,382)**	**184,048**
Net profit for the period				16,253	16,253
Other comprehensive income for the period, net of tax			(99)		(99)
Total comprehensive income			**(99)**	**16,253**	**16,154**
Acquisition with non-controlling interests					
Acquisition of non-controlling interests					
up to reporting date				(11,438)	(11,438)
Conversion of convertible bonds	129	111			240
Non-cash share-based payments		56			56
Balance as of September 30, 2011	**137,257**	**139,760**	**(1,390)**	**(86,567)**	**189,060**

Equity attributable to non-controlling interests	Total share-holders' equity	
2,378	**207,299**	**Balance as of January 1, 2012**
145	12,446	Net profit for the period
	1	Other comprehensive income for the period, net of tax
145	**12,447**	**Total comprehensive income**
(2,523)	(2,523)	Write-off of minority interest following squeeze-out
	59	Conversion of convertible bonds
	336	Non-cash share-based payments
	(22,608)	Treasury share buy-back
	(10,985)	Dividend distribution
		Acquisition of non-controlling interests following
	(3,289)	initial consolidation
-	**180,736**	**Balance as of September 30, 2012**
-	**184,048**	**Balance as of January 1, 2011**
586	16,839	Net profit for the period
(33)	(132)	Other comprehensive income for the period, net of tax
553	**16,707**	**Total comprehensive income**
4,620	4,620	Acquisition with non-controlling interests
		Acquisition of non-controlling interests
(3,846)	(15,284)	up to reporting date
	240	Conversion of convertible bonds
	56	Non-cash share-based payments
1,327	190,387	Balance as of September 30, 2011

Notes to the Consolidated Interim Financial Statements

CORPORATE INFORMATION

QSC AG (hereinafter also called "QSC," "QSC AG" or the "Company") offers small and mid-size organizations comprehensive information and telecommunications services ("ICT services" – from telephony, data transfer, Housing and Hosting to IT Outsourcing and IT Consulting. With its companies INFO AG, a full-line provider of IT services headquartered in Hamburg, and IP Exchange, a Housing and Hosting specialist headquartered in Nuremberg, the QSC Group numbers among the leading mid-size providers of ICT services in Germany. QSC offers custom Managed Services for individual ICT requirements as well as a comprehensive product portfolio for customers and marketing partners that can be modularly adapted to suit the communications and IT needs in question. QSC offers its services on the basis of its own Next Generation Network (NGN) and operates an Open Access platform that unites a wide range of different broadband technologies. QSC is a stock corporation registered in the Federal Republic of Germany whose legal domicile is Mathias-Brüggen-Strasse 55, 50829 Cologne, Germany. The Company is carried on the Register of Companies of the Local Court of Cologne under Number HRB 28281. QSC has been listed on the Deutsche Börse Stock Exchange since April 19, 2000, and on the Prime Standard since the beginning of 2003 following the reorganization of the equity market. On March 22, 2004, QSC was added to the TecDAX index, which includes the 30 largest and most liquid technology issues in the Prime Standard.

GENERAL PRINCIPLES

1 Basis of preparation

The unaudited Consolidated Interim Financial Statements of QSC AG and its subsidiaries (Consolidated Interim Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting." The Consolidated Interim Financial Statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's Consolidated Financial Statements as of December 31, 2011. It is the opinion of the Management Board that the Consolidated Interim Financial Statements contain all adaptations that are necessary for a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The financial results presented in the Consolidated Interim Financial Statements for the period from January 1 through September 30, 2012, do not necessarily indicate the development of future results.

Except for the accounting policies described below, the Consolidated Interim Financial Statements have been drawn using the same accounting policies as applied in the Consolidated Financial Statements for the 2011 fiscal year.
In connection with drawing up the consolidated interim financial statements under IFRS, it is necessary to make certain estimates and judgments that relate to the assets and liabilities recorded in the balance sheet as well as to information on contingent receivables and liabilities on the date of the balance sheet. Actual amounts may therefore differ from those estimates. No major changes have been made to the Management Board's estimates in conjunction with the application of accounting and valuation methods relative to the consolidated financial statements for the fiscal year ended December 31, 2011.
The Consolidated Interim Financial Statements are rounded, except when otherwise indicated to the nearest thousand (K€)

2 Basis of consolidation

The Consolidated Interim Financial Statements comprise the financial statements of QSC AG and its subsidiaries as of September 30, 2012. Since December 31, 2011, there has been a change in the number of companies included in the consolidation. The squeeze-out under conversion law and the related merger of INFO Gesellschaft für Informationssysteme AG ("INFO AG") with wholly-owned QSC subsidiary INFO Gesellschaft für Informationssysteme Holding AG ("INFO Holding") went into effect on July 17, 2012, through entry in the commercial register for INFO Holding. INFO Holding is now a wholly-owned subsidiary of QSC AG and will continue the existing INFO AG corporate name and brand.

3 Segment reporting

In accordance with IFRS 8, QSC identifies reportable segments on the same basis as is used internally by Management for evaluating performance and making decisions. The internal segmentation was changed in fiscal 2011 following the acquisitions of two IT companies. Consequently, the comparison figures in these quarterly financial statements for the first quarter of calendar year 2011 have already been adjusted to reflect the new segmentation. QSC's segmentation conforms to its customer structure, as explained below.
The Direct Sales Business Unit focuses on more than 8,000 larger and mid-size enterprises in Germany and also includes the business of the IT subsidiaries acquired in 2011. Its portfolio comprises national and international site networking, outsourcing solutions, data center services, such as Housing and Hosting, as well as Cloud services to an increasing extent. IT Consulting is a further important element of this business unit's portfolio; the QSC Group is a consulting partner for SAP and Microsoft solutions.

The Indirect Sales Business unit addresses nearly 900,000 smaller and mid-size companies in Germany that typically do not have staff of their own for information and communications technology, obtaining their ICT services from regional partners instead. QSC is therefore focusing on collaborating with regional service providers, marketing partners and distributors. The Company offers them Internet connections, direct connections to the QSC voice network, Voice-over-IP products, as well as standardized Cloud services, such as a virtual telephone system and a flexible modular design system for utilizing QSC data centers.

The Resellers Business Unit is where QSC bundles its business with ICT services providers that predominantly address residential customers; they include telecommunications carriers, cable network operators and Internet service providers. For their customers, QSC makes a variety of preliminaries available, along with such conventional voice services as call-by-call offerings and unbundled DSL lines. Moreover, this business unit also includes Managed Outsourcing, under which QSC integrates the narrowband voice networks of alternative providers into its Next Generation Network (NGN) and provides full operation of their fixed network business.

Management has stipulated operating profit, i.e. earnings before interest and taxes (EBIT) in accordance with IFRS, as the key steering parameter for the segments. Thus, costs are fully attributed to their respective business units; also performed is a complete calculation of profit or loss with the exception of interest and taxes. Both the direct and indirect attribution of costs to the individual segments corresponds to the Company's internal reporting system and steering logic.

There were also directly and indirectly attributable items of assets and liabilities. With the exception of deferred tax assets and liabilities, assets and liabilities that are indirectly attributable are allocated according to financial viability on the basis of contribution margins.

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/07/ – 30/09/2012					
Net revenues	**49,515**	**32,079**	**38,923**	**-**	**120,517**
Cost of revenues	(30,819)	(17,941)	(30,849)		(79,609)
Gross profit	**18,696**	**14,138**	**8,074**	**-**	**40,908**
Sales and marketing expenses	(4,788)	(3,579)	(2,897)		(11,264)
General and administrative expenses	(5,491)	(2,178)	(1,495)		(9,164)
Depreciation and amortization	(5,635)	(2,722)	(4,489)		(12,846)
Non-cash share-based payments	(44)	(36)	(29)		(109)
Other operating income	(181)	64	41		(76)
Operating profit	**2,557**	**5,687**	**(795)**	**-**	**7,449**
Assets	192,536	110,257	83,929	7,961	394,683
Liabilities	78,656	36,008	94,828	4,455	213,947
Capital expenditures	6,050	2,365	1,429	-	9,844

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/07/-30/09/2011					
Net revenues	**47,238**	**31,775**	**49,301**	**-**	**128,314**
Cost of revenues	(31,742)	(18,559)	(38,389)		(88,690)
Gross profit	**15,496**	**13,216**	**10,912**	**-**	**39,624**
Sales and marketing expenses	(4,259)	(3,899)	(3,128)		(11,286)
General and administrative expenses	(4,908)	(2,327)	(1,795)		(9,030)
Depreciation and amortization	(4,140)	(2,905)	(5,764)		(12,809)
Non-cash share-based payments	(3)	(3)	(10)		(16)
Other operating income	515	557	438		1,510
Operating profit	**2,701**	**4,639**	**653**	**-**	**7,993**
Assets	110,225	95,358	168,746	8,484	382,813
Liabilities	41,385	23,772	122,411	4,858	192,426
Capital expenditures	3,459	1,622	1,715	-	6,796

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/ – 30/09/2012					
Net revenues	**137,473**	**89,743**	**125,948**	**-**	**353,164**
Cost of revenues	(88,235)	(47,807)	(100,770)		(236,812)
Gross profit	**49,238**	**41,936**	**25,178**	**-**	**116,352**
Sales and marketing expenses	(14,031)	(10,629)	(8,778)		(33,438)
General and administrative expenses	(15,948)	(6,413)	(4,407)		(26,768)
Depreciation and amortization	(16,470)	(8,331)	(14,464)		(39,265)
Non-cash share-based payments	(133)	(112)	(91)		(336)
Other operating income	(294)	231	(81)		(144)
Operating profit	**2,362**	**16,682**	**(2,643)**	**-**	**16,401**
Assets	192,536	110,257	83,929	7,961	394,683
Liabilities	78,656	36,008	94,828	4,455	213,947
Capital expenditures	19,792	6,108	3,517	-	29,417

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/-30/09/2011					
Net revenues	**106,520**	**90,475**	**158,230**	**-**	**355,225**
Cost of revenues	(62,468)	(52,983)	(124,260)		(239,711)
Gross profit	**44,052**	**37,492**	**33,970**	**-**	**115,514**
Sales and marketing expenses	(11,249)	(12,608)	(9,294)		(33,151)
General and administrative expenses	(10,520)	(6,690)	(5,369)		(22,579)
Depreciation and amortization	(11,187)	(8,801)	(18,120)		(38,108)
Non-cash share-based payments	(13)	(11)	(33)		(57)
Other operating income	442	(32)	440		850
Operating profit	**11,525**	**9,350**	**1,594**	**-**	**22,469**
Assets	110,225	95,358	168,746	8,484	382,813
Liabilities	41,385	23,772	122,411	4,858	192,426
Capital expenditures	11,930	5,248	8,688	-	25,866

4 Share buy-back program

During the period from May 21, 2012, through September 30, 2012, QSC acquired 10,673,101 shares, representing 7.78 percent of the capital stock, at an average price of € 2.11 per share under a corresponding resolution of the Annual Shareholders Meeting. During the above-indicated period, QSC spent a total of K€ 22,608 for share buy-backs, reducing capital stock by K€ 10,673 and net profit by K€ 11,935.

5 Related party transactions

During the first nine months of 2012, QSC participated in transactions with companies affiliated with members of management. According to IAS 24 related parties are individuals or companies that have the possibility of influencing or even controlling the other party. All contracts with these companies require approval of the Supervisory Board and are concluded under normal market conditions.
IN-telegence GmbH is a provider of value-added telecommunications services in the telecommunications industry. Teleport Köln GmbH provides support to QSC in the installation process of end-customer connections. QS Communication Verwaltungs Service GmbH provides consultancy on the product management of voice products.

in K€	Net revenues	Expenses	Cash received	Cash paid
01/01/ – 30/09/2012				
IN-telegence GmbH	676	29	845	34
Teleport Köln GmbH	26	4	34	5
QS Communication Verwaltungs				
Service GmbH	-	181	-	204
01/01/ – 30/09/2011				
IN-telegence GmbH & Co. KG	450	25	506	31
Teleport Köln GmbH	15	6	16	7
QS Communication Verwaltungs				
Service GmbH	-	186	-	174

in K€	Trade receivables	Trade payables
As of September 30, 2012		
IN-telegence GmbH	98	-
Teleport Köln GmbH	3	-
QS Communication Verwaltungs Service GmbH	-	11
As of December 31, 2011		
IN-telegence GmbH & Co. KG	141	-
Teleport Köln GmbH	6	-
QS Communication Verwaltungs Service GmbH	-	-

6 Management Board

Thomas Stoek has left the Management Board of QSC AG effective August 31, 2012. He had already handed over his function of Management Board Chairman / CEO of INFO AG to Jürgen Hermann effective April 1, 2012, for personal reasons, having focused since then on the QSC Group's strategic alliances and partnerships.

	Shares		Conversion rights	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Dr. Bernd Schlobohm	13,918,372	13,818,372	200,000	200,000
Jürgen Hermann	225,000	180,000	200,000	200,000
Arnold Stender	-	-	25,000	25,000
Thomas Stoek (through August 31, 2012)	30,385	7,360	-	-

7 Supervisory Board

	Shares		Conversion rights	
	Sept. 30, 2012	Sept. 30, 2011	Sept. 30, 2012	Sept. 30, 2011
Herbert Brenke	187,820	187,820	-	-
John C. Baker (through May 31, 2012)	203,072	52,135	-	-
Gerd Eickers	13,977,484	13,877,484	-	-
David Ruberg	14,563	14,563	-	-
Ina Schlie (from September 3, 2012)	-	-	-	-
Klaus-Theo Ernst	500	500	-	-
Jörg Mügge	4,000	4,000	-	-

Cologne, November 2012

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Arnold Stender

Calendar

Annual Shareholders Meeting
May 29, 2013

Contact

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