Quarterly Report I / 2009

1st Quarter € + 4.0 million free cash flow + 71 % EBITDA to € 19.5 million equals an 18 % EBITDA margin € 1.4 million net profit 10 % growth in spite of the recession **2009**

QSC AG

Key Data

All amounts in € million	01/01/-31/03/ 2009	01/01/-31/03/ 2008
Revenues	107.6	97.5
Gross profit	+36.5	+31.2
EBITDA	+19.5	+11.4
EBIT	+2.5	-3.6
Net profit (loss)	+1.4	-4.1
Earnings per share[1] (in €)	+0.01	-0.03
Equity	155.9[2]	154.4[3]
Balance sheet total	344.9[2]	353.2[3]
Equity ratio (in percent)	45.2[2]	43.7[3]
Free cash flow	+4.0	-10.2
Capital expenditures	11.5	28.6
Liquidity	44.7[2]	49.2[3]
Share price as of 31/03/ (in €)	0.91	1.69
Number of shares as of 31/03/	136,998,137	136,392,132
Market capitalization as of 31/03/	124.7	230.5
Employees as of 31/03/	683	770

[1] basic and diluted

[2] as of March 31, 2009

[3] as of December 31, 2008

Highlights

Higher revenues in spite of recession
In the first quarter of 2009, QSC grew its revenues by 10 percent to € 107.6 million. In the midst of the world's most serious post-war recession, greater demand for cost-efficient voice products on the part of resellers and enterprise customers has proven to be a growth driver – the Company's decision to build a Next Generation Network early on is now paying off.

EBITDA advances by 71 percent
In the first quarter of 2009, QSC earned an EBITDA of € 19.5 million, thus increasing its earnings before interest, taxes, depreciation and amortization by 71 percent year on year. The EBITDA margin stood at 18 percent in the first quarter of 2009.

Net income of € 1.4 million
The Company's operating profit, its EBIT, amounted to € 2.5 million in the first quarter of 2009, as opposed to an operating loss of € -3.6 million for the same quarter the year before. QSC recorded an operating profit in all three segments in this connection. Net income amounted to € 1.4 million, as opposed to a net loss of € -4.1 million in the first quarter of 2008.

Free cash flow totals € 4.0 million
Even though QSC distributed the surplus liquidity from network operating company Plusnet to its shareholders in the first quarter of 2009, the Company nevertheless earned a positive free cash flow of € 4.0 million, thus further reducing its net debt to € -8.2 million.

New Management Board members
Joachim Trickl has been moving the operative and sales development of QSC's three business units forward since February 1, 2009, as the Company's Chief Operating Officer. Moreover, the Supervisory Board appointed the former head of Finance, Jürgen Hermann, to be the new Chief Financial Officer effective April 1, 2009.

IPfonie centraflex wins innovation award
At the CeBIT tradeshow in March 2009, the SME Initiative bestowed its IT INNOVATION AWARD on the IPfonie centraflex network-based telecommunication solution, thus honoring QSC as the most innovative company in the telecommunications industry.

Letter to Our Shareholders

Dear Shareholders,

QSC got off to a good start in the 2009 fiscal year: In spite of the deep recession, we grew our revenues by 10 percent to € 107.6 million during the first three months and our EBITDA by an outstanding 71 percent to € 19.5 million. What is even more important from our standpoint is the fact that QSC has already been able to earn a positive free cash flow of € 4.0 million during this period. Because given the global banking crisis and plummeting capital markets, a company's financial strength is a key success factor.

And QSC is in good financial shape. Our cash flow from operating activities, alone, totaled more than € 20 million in the first quarter. At the same time, capital expenditures decreased sharply to around € 11 million. Following the conclusion of the network expansion project in the summer of 2008, QSC has possessed a powerful, modern infrastructure, and is now making only replacement investments here. Our strong cash influx and low capital expenditures are giving us the latitude to further reduce our indebtedness, which is low by industry comparison. At the end of March, net debt – the difference between liquid assets and interest-bearing liabilities – amounted to only € -8.2 million, as opposed to € -12.2 million at year-end 2008. So the Company is well on its way toward completely eliminating its moderate net debt during the course of fiscal 2009. And this is precisely what accounts for QSC's financial strength during the world's most severe post-war recession!

Well on the way toward completely eliminating net indebtedness

QSC shines with flexibility, speed and innovative solutions

Undoubtedly, we too are feeling the pinch of the recession in many an area. In our consultancy-intensive Managed Services business, for example, it is currently taking somewhat longer to turn an initial contact into an order. And in our Products business, the recession is leading to even greater price sensitivity. Yet as a medium-size company that serves medium-size companies, QSC is well aligned for these challenges. QSC shines when it comes to flexibility, speed and innovative solutions. With our IP-VPN solutions, we can lower the costs for enterprises, while simultaneously boosting their productivity: The result is noticeably rising interest in QSC. And with our highly efficient Next Generation Network, we can score points among both direct customers as well as resellers in especially price-sensitive voice business, without endangering QSC's margin.

The second focus of our work during the current fiscal year is to concentrate on sufficient margins in all products and services. In this connection, QSC is rigorously dropping products and customers whose contribution margins are unsatisfactory. Given this background, we most recently decided in early April to discontinue active marketing of our Q-DSL home residential customer product.

Our Management Board colleague of long years' standing, Markus Metyas, played a key role in shaping QSC's focus on strengthening its financial position and profitability. Due to personal reasons, he decided in late March to leave the Company and address new challenges outside QSC. We would like to take this opportunity to express our sincere thanks to him for his remarkable achievements since the initial public offering in the year 2000.

With its rising financial strength and profitability, QSC sees itself as being well equipped for even a prolonged recession. In spite of the recent withdrawals of predictions, we are therefore reiterating the guidance we had announced in late February 2009. The current course of business gives us the optimism that our forecast positive development will be able to be sustained, even in the face of a significant decline in gross domestic product.

QSC sees itself well equipped for even a prolonged recession

Cologne, May 2009

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

The QSC Share Performance

Capital market characterized by financial crisis and recession • In the face of the global financial crisis and deep recession, trading prices continued to plummet on stock exchanges throughout the world, especially at the outset of the first quarter of 2009: During the first three months, the DAX lost 15 percent in value. However initial signs of recovery during the second half of March limited the loss on the TecDAX to 6 percent.

QSC shares were unable to avoid the general trend of negativism. Massive hesitation toward small caps made the performance of the Company's shares during the first three months of 2009 even worse than the market average. Following a high of € 1.28 at the beginning of the year, trading prices had fallen to a low of € 0.75 by the beginning of March. While shares did recover moderately through to the end of March, their trading prices nevertheless suffered a 27-percent decrease during the first quarter of 2009.

Strongly declining trading volumes also documented the difficult situation on capital markets and the skepticism about small caps. During the first quarter of 2009, an average of only 225,000 QSC shares changed hands daily; in the first three months of 2008, the trading volume had been more than twice as high.

Trading prices recover in April 2009 • In spite of the difficult environment, QSC sustained its intensive investor relations work during the first quarter of 2009, explaining the Company's positive business development and its potential in a recessionary environment in numerous conversations and at an analyst conference in Cologne on February 26, 2009. In April, this work bore fruit in a somewhat friendlier market environment: The trading price of QSC shares had risen to € 1.29 as of April 30, 2009, thus at least showing improvement of four percent since the beginning of the year.

QSC's IR website garners fourth place in extensive study

QSC utilizes its own Web presence as its most important investor relations information platform. In an extensive study conducted in April by Cologne-based NetFederation, QSC's investor relations (IR) website garnered fourth place among all TecDAX companies. Early on, the Company had also embraced innovative forms of communication, such as recently the Twitter micro blogging service, numbering QSC among the trailblazers in Germany.

Share Price Performance (indexed)

Interim Consolidated Report QI 2009

GENERAL CONDITIONS

German economy characterized by recession • In the first quarter of 2009, Germany continued to be caught up in the grips of the world's deepest post-war recession. Declining demand both in Germany and in other countries affected virtually all industries and continued to dampen the willingness to invest. It is QSC's conviction that in an environment like this, companies will focus on products and services that can make a swift contribution toward cost reductions while simultaneously increasing productivity – and these include IP-VPN solutions and further IP-based products and services.

Telecommunications industry affected only relatively little by recession

It is for this reason, too, that the telecommunications industry in Germany has thus far been affected only relatively little by the recession. However telecommunications providers are benefiting first and foremost from the fact that telephone and Internet connections have today become "basic utilities" for both enterprises and residential households. In the first quarter of 2009, these standard products continued to be the subject of stiff price competition, which QSC endeavors to largely avoid. Because with its Next Generation Network (NGN), the Company possesses an extremely cost-efficient infrastructure, especially for voice services; this infrastructure has enabled QSC to continue to expand its market position in recent months, without narrowing its margins.

Moderate decline in local loop fees • The telecommunications industry in Germany is subject to regulation by the German Federal Network Agency, which is mandated with assuring fair competition in a market that was not liberalized until the 1990s. On March 31, 2009, the regulatory authority ruled that the monthly fee that competitors have to pay to Deutsche Telekom (DTAG) for each subscriber line (local loop) should be lowered from € 10.50 to € 10.20; this ruling is applicable for two years, from April 1, 2009, onward. While the German Federal Network Agency did clearly deny DTAG's request for a significant increase, the fee continues to be around two euros higher than in other major European markets.

BUSINESS POSITION

QSC growing in spite of recession • QSC grew its revenues by 10 percent to € 107.6 million in the first quarter of 2009, as opposed to € 97.5 million for the same quarter the year before. The Company generated its strongest growth in the Wholesale/Reseller segment, although, as expected, Wholesale ADSL2+ business generated only few additional DSL lines. Overall, QSC connected 11,700 DSL lines in the first quarter, raising the total installed base to 567,400.

Revenues
(in € million)

Network expenses, which are recorded under cost of revenues, rose by seven percent to € 71.1 million in the first quarter of 2009, as opposed to € 66.3 million for the comparable period the year before. This disproportionately low increase enabled gross profit to rise by 17 percent to € 36.5 million, as opposed to € 31.2 million in the first quarter of 2008; gross margin stood at 34 percent.

Gross Profit
(in € million)

At € 10.3 million, selling and marketing expenses were down 19 percent from the previous year's level of € 12.7 million. On the one hand, this was attributable to the swift achievement of synergies following the Broadnet merger, which consolidated the nationwide sales offices, for example. On the other hand, this decrease documents the sustained high cost discipline that prevails throughout the entire organization. The percentage of total revenues accounted for by selling and marketing expenses declined to 10 percent year on year, as opposed to 13 percent in the first quarter of 2008. During the same period, general and administrative expenses remained constant at 7 percent, amounting to € 7.5 million in the first quarter of 2009, as opposed to € 7.3 million for the corresponding period the year before.

EBITDA advances by 71 percent to € 19.5 million in first quarter

EBITDA margin reaches 18 percent • QSC's strict cost discipline and profitable growth produced a further significant improvement in EBITDA in the first quarter of 2009, which improved by 71 percent to € 19.5 million, as opposed to € 11.4 million for the same period the year before. QSC defines EBITDA as earnings before interest, taxes, amortization of deferred non-cash share-based payments, as well as depreciation and amortization of fixed assets, intangible assets and goodwill. The EBITDA margin has already reached 18 percent in the first quarter of 2009, by comparison with 12 percent for the first three months of fiscal 2008.

EBITDA
(in € million)

In the first quarter of 2009, depreciation expense totaled € 17.1 million, up 14 percent from € 15.0 million for the comparable period the year before. This was essentially attributable to strong customer growth in ADSL2+ business, especially during the first half of 2008. QSC capitalizes the connection costs incurred in this connection, depreciating them over a period of two years.

QSC earns positive EBIT and net profit • In the first quarter of 2009, QSC earned an operating profit after depreciation expense (EBIT) of € 2.5 million; the year before, an operating loss of € -3.6 million had still been incurred. Declining interest rate levels, coupled with the lower amount of money to be invested, reduced financial income, which amounted to € 0.3 million in the first quarter of 2009, as opposed to € 0.7 million for the same quarter the year before. During the same period, financing expenses declined moderately to € -0.9 million, as opposed to € -1.1 million the year before, because QSC reduced its net debt in the first quarter of 2009. Given income taxes in the amount of € -0.5 million, essentially attributable to deferred taxes, which do not impact liquidity, QSC thus earned net income of € 1.4 million; the year before, a net loss of € -4.1 million had been incurred. Earnings per share stood at € 0.01, as opposed to € -0.03 in the first quarter of 2008.

QSC earns net income of € 1.4 million

Net Profit (Loss)
(in € million)

BUSINESS POSITION BY SEGMENT

Wholesale/Reseller segment posts highest growth rates • In the first quarter of 2009, the Wholesale/Reseller segment recorded the highest revenue growth of 24 percent to € 64.3 million, as opposed to € 51.7 million in the first quarter of 2008. Wholesale voice business, i.e. reselling IP-based voice services to providers who do not possess their own nationwide infrastructure, developed on an especially positive note. QSC is benefiting in this line of business from the extremely competitive cost structure of its NGN. In addition to Wholesale voice business, Wholesale SHDSL business with international carriers continued to sail a growth course in the first quarter of 2009.

Wholesale / Resellers Revenues
(in € million)

Wholesale ADSL2+ business, on the other hand, developed on a more restrained note, accounting for 47 percent of segment revenues in the first quarter. As in the fourth quarter of 2008, the number of additional DSL lines remained relatively modest – essentially for three reasons: First, metropolitan areas, in particular, are slowly seeing saturation with respect to the supply of DSL connections. Second, price competition is heightening in this line of business, and QSC is unwilling to forego a sufficient margin in order to achieve further growth. And third, a growing number of potential DSL customers are also using cable TV for their broadband Internet connections, especially in metropolitan areas. However this last point, in turn, is strengthening QSC's Wholesale voice business, as the cable network operators have to depend upon collaboration with telecommunications companies in order to provide voice telephony for their Triple Play connections – and QSC numbers among the preferred partners here.

Cable network operators utilizing voice services from QSC for their customers

Wholesale ADSL2+ business and Wholesale voice business, in particular, are making a significant contribution toward assuring the best possible utilization of the nationwide network infrastructure; it is for this reason that the Wholesale/Reseller segment also bears the lion's share of network expenses, accounting for € 46.8 million of the total, as opposed to € 39.7 million the year before. However due to its strong revenue growth, this segment was nevertheless able to increase its gross profit to € 17.5 million during the past quarter, as opposed to € 12.0 million for the same quarter the year before. During the same period, segment EBITDA rose by 64 percent to € 12.0 million, as opposed to € 7.3 million the year before. At the same time, QSC achieved the highest EBIT of any segment here: € 1.7 million; the year before, a loss of € -1.8 million had been incurred.

Wholesale / Resellers EBIT

(in € million)

Focus on higher-margin products paying off • In the Products segment, QSC generated revenues of € 24.8 million in the first quarter of 2009, as opposed to € 27.9 million for the corresponding quarter the year before; however revenues remained stable by comparison with the preceding quarters. QSC is benefiting from its successful focus on direct connections for smaller businesses, independent contractors and freelancers, and from its policy of dropping lower-margin products. Consequently, in early April the Company withdrew the remaining Q-DSL home residential customer product from marketing.

Products Revenues

(in € million)

Two developments characterized the course of business in the first quarter of 2009: First, there was increased demand for the Q-DSLmax data product as well as its employment in combination with Voice over IP products, the QSC Complete packages. Second, the recession has led to a renewed moderate rise in demand for call-by-call offerings; conventional voice telephony accounted for 47 percent of segment revenues in the first quarter of this fiscal year. Thanks to its Next Generation Network, QSC can be especially efficient in offering these kinds of voice services, thus making the Company cost-effective by industry comparison and enabling additional revenues with attractive margins to be achieved.

Profitability in Products segment rises in spite of declining revenues

Focusing on higher-margin products led to a significant improvement in profitability in the first quarter of 2009. In spite of declining revenues, QSC recorded a gross profit of € 11.0 million in the first quarter of 2009, the same as the year before; during this period, gross margin rose from 39 percent to 44 percent. And segment EBITDA improved strongly to € 4.8 million, as opposed to € 3.2 million the year before; the corresponding margin increased to 19 percent, in contrast to 11 percent in the first quarter of 2008. Segment EBIT stood at € 0.7 million, as opposed to an operating loss of € -0.7 million for the corresponding period the year before.

Products EBIT
(in € million)

EBITDA margin up sharply in Managed Services • Revenues in the Managed Services segment increased by three percent in the first quarter of 2009 to € 18.5 million, as opposed to € 17.9 million for the corresponding period the year before. In this connection, 70 percent of new business was attributable to the existing customer base, 30 percent to new enterprise customers. In view of the recession, though, interest in cost-effective IP-VPN is rising on the part of small and medium-size enterprises. While the difficult economic environment is delaying many a contract signing, QSC expects to see stronger growth again in Managed Services in the coming quarters on this basis.

Managed Services Revenues
(in € million)

At € 8.1 million, gross profit in the Managed Services segment was virtually the same as the previous year's level of € 8.2 million. This segment, with its comparatively intensive need for consultancy, and thus personnel, benefited in particular from cost savings in sales and marketing; this increased segment EBITDA to € 2.7 million, as opposed to € 1.0 million for the same quarter the year before; the EBITDA margin improved significantly to 15 percent, in contrast to six percent in the first quarter of 2008. EBIT reached € 0.1 million, as opposed to € -1.1 million in the first quarter of 2008.

Managed Services EBIT (in € million)

FINANCIAL POSITION AND NET WORTH

Operating cash flow rises to € 21.3 million in first quarter of 2009

High operating cash flow • The strength of the Company's operative business in the first quarter of 2009 can also be seen from its cash flow statements. Cash flow from operating activities rose to € 21.3 million in the first three months of the current fiscal year, as opposed to € 15.8 million for the corresponding period the year before. At € -10.5 million, on the other hand, cash flow from investing activities was far below the previous year's level of € -33.7 million, since the network expansion project had still been producing a considerable cash burn. Cash flow from financing activities rose significantly to € -15.2 million, as opposed to € -6.5 million the year before, as QSC utilized the positive development of its operative business to further reduce its net debt. Moreover, network operating company Plusnet, which QSC fully consolidates, disbursed € 10.9 million in available liquidity that it had still been holding for the purpose of expanding the network to its shareholders on the basis of their shareholdings following conclusion of the network expansion project and its final financial settlement as of March 31, 2009; € 3.5 million was disbursed to Plusnet co-shareholder TELE2 in this connection.

Cash Flow from Operating Activities (in € million)

Positive free cash flow of € 4.0 million • QSC's liquid assets, which in addition to cash and cash equivalents also include available-for-sale financial assets, thus totaled € 44.7 million as of March 31, 2009, as opposed to € 49.2 million at year-end 2008.
At the same time, QSC reduced its interest-bearing liabilities – which include, in particular, liabilities to financial institutions as well as debt under finance lease contracts – by € 8.4 million. As a result, the Company earned a positive free cash flow of € 4.0 million in the first quarter of 2009, thus reducing its net debt by the same amount. Net indebtedness as of March 31, 2009, stood at € -8.2 million, as opposed to € -12.2 million at the close of the 2008 fiscal year.

Free Cash Flow
(in € million)

Growing financial strength • QSC's growing financial strength and the reduction of its net debt also characterized the Company's balance sheet as of March 31, 2009. Long-term liabilities declined to € 65.4 million, as opposed to € 76.4 million as of December 31, 2008. In this connection, long-term liabilities under finance lease contracts, alone, decreased to € 12.5 million, as opposed to € 17.4 million at year-end 2008. Moreover, the reimbursement of liquidity to the Plusnet shareholders, in particular, decreased long-term liabilities to other minority shareholders to € 47.6 million, as opposed to € 53.8 million on December 31, 2008.

QSC reduces interest-bearing liabilities in first quarter of 2009

At € 123.6 million, as opposed to € 122.4 million at year-end 2008, short-term liabilities remained virtually constant. In this connection, QSC is reducing its short-term interest-bearing liabilities under finance lease contracts, as well as other short-term liabilities, some of which are interest-bearing, while increasing non-interest-bearing trade payables.
The Company's capital stock continued to amount to € 137.0 million as of March 31, 2009. Due to the net profit in the first quarter of 2009, shareholders' equity rose moderately to € 155.9 million in the first quarter of 2009, as opposed to € 154.4 million at year-end 2008. The equity ratio improved to 45 percent, as opposed to 44 percent as of December 31, 2008.

Equity Ratio

60 percent decline in capital expenditures year on year

Capital expenditures down sharply • Capital expenditures totaled € 11.5 million in the first quarter of 2009, down 60 percent from the level of the corresponding quarter the year before; at that time, the network expansion project as well as capital expenses involved in connecting new customers in Wholesale ADSL2+ business had resulted in capital expenditures totaling € 28.6 million. During the first quarter of the current fiscal year, QSC spent 27 percent of capital expenditures on maintenance and ongoing modernization of its nationwide infrastructure, while customer-related capital expenditures accounted for 71 percent.

Capital Expenditures
(in € million)

On the assets side of the balance sheet, this lower volume of capital expenditures, coupled with scheduled depreciation, reduced the value of long-term assets to € 230.7 million, as opposed to € 236.9 million as of December 31, 2008. Short-term assets declined moderately to € 114.2 million, as opposed to € 116.3 million as of December 31, 2008, as QSC again streamlined its accounts payable management activities, among other things: In spite of higher revenues, trade receivables amounted to only € 53.7 million as of March 31, 2009, as opposed to € 57.9 million at year-end 2008.

HUMAN RESOURCES

Optimum workforce reached • As of March 31, 2009, QSC employed a workforce of 683 people, five more than at year-end 2008. At this point in time, the Company had concluded its gentle reduction in force. With its present manpower level, QSC sees itself as being very well aligned for its planned growth in 2009 and beyond. On March 31, 60 percent of the Company's employees were working in customer-related operations, 28 percent in engineering and technology operations, and only 12 percent in administration.

Workforce Structure

Sales and Marketing
Technical Operations
Administration

New Chief Financial Officer • On March 31, 2009, the Supervisory Board appointed Jürgen Hermann to the QSC Management Board, effective April 1, 2009. A business graduate, Hermann had been heading up Finance since QSC's founding in 1997; in this position, he shared responsibility for building the Company, from pre-IPO financing to the initial public offering and right down to the present. On the Management Board, Hermann has assumed the CFO responsibilities from Markus Metyas, who decided not to seek a further extension of his contract for personal reasons. Joachim Trickl had already been appointed to succeed Bernd Puschendorf on the Management Board effective February 1, 2009; as Chief Operating Officer, he is now moving the operative development of the three business units forward.

RISK REPORT

No material changes in risk position • There were no material changes in the risks presented in the 2008 Annual Report. Nevertheless, the risks presented therein, like other risks or incorrect assumptions, could mean that actual future results would vary materially from QSC's 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 projections of future events, and could therefore change over the course of time.

OUTLOOK

Focusing on increasing financial strength and profitability • After getting off to a good start in fiscal 2009, QSC will be making every effort during the coming quarters to continue to increase its financial strength and profitability in a very difficult market environment. In this connection, the Company is reiterating the guidance for the full 2009 fiscal year that it announced on February 26, 2009: QSC is thus planning on a free cash flow of more than € 10 million, as well as on an EBITDA of between € 68 and € 78 million. This will go hand in hand with planned annual revenues of between € 420 and € 440 million, as well as a sustained net profit.

QSC reiterates guidance for full 2009 fiscal year

The low level of capital expenditures in the first quarter of 2009 is increasing QSC's financial latitude. New latitude will also be produced by targeted measures aimed at optimizing working capital. These include, in particular, strict accounts receivable management, optimized inventory levels, as well as utilization of pricing latitudes on the part of suppliers. QSC will employ the free cash flow to further reduce its net indebtedness, which is already moderate by industry comparison, over the course of the coming quarters.

Interim Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Euro amounts in thousands (T €)

	01/01/-31/03/ 2009	01/01/-31/03/ 2008
Net revenues	**107,606**	**97,483**
Cost of revenues	(71,067)	(66,271)
Gross profit	**36,539**	**31,212**
Selling and marketing expenses	(10,324)	(12,733)
General and administrative expenses	(7,527)	(7,277)
Depreciation and non-cash share-based payments	(17,054)	(15,045)
Other operating income	974	283
Other operating expenses	(127)	(47)
Operating profit (loss)	**2,481**	**(3,607)**
Financial income	277	652
Financial expenses	(925)	(1,050)
Net profit (loss) before income taxes	**1,833**	**(4,005)**
Income taxes	(476)	(144)
Net profit (loss)	1,357	(4,149)
Earnings per share (basic) in €	**0.01**	**(0.03)**
Earnings per share (diluted) in €	**0.01**	**(0.03)**

CONSOLIDATED BALANCE SHEETS (unaudited)

Euro amounts in thousands (T €)

	Mar. 31, 2009	Dec. 31, 2008
ASSETS		
Long-term assets		
Property, plant and equipment	136,928	141,028
Goodwill	50,014	50,014
Other intangible assets	42,841	45,008
Other long-term financial assets	946	828
Long-term assets	230,729	236,878
Short-term assets		
Trade receivables	53,681	57,880
Prepayments	7,116	3,051
Inventories	3,400	3,690
Other short-term financial assets	5,230	2,547
Available-for-sale financial assets	329	327
Cash and short-term deposits	44,400	48,823
Short-term assets	114,156	116,318
TOTAL ASSETS	344,885	353,196

	Mar. 31, 2009	Dec. 31, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Capital stock	136,998	136,998
Capital surplus	563,313	563,197
Other reserves	(1,141)	(1,141)
Consolidated balance sheet loss	(543,269)	(544,626)
Shareholders' equity	**155,901**	**154,428**
Liabilities		
Long-term liabilities		
Long-term liabilities of other minority shareholders	47,625	53,790
Long-term portion of finance lease obligations	12,549	17,381
Convertible bonds	22	22
Accrued pensions	676	678
Other long-term liabilities	2,394	2,774
Deferred tax liabilities	2,092	1,735
Long-term liabilities	**65,358**	**76,380**
Short-term liabilities		
Trade payables	60,262	49,954
Short-term portion of finance lease obligations	18,441	20,152
Liabilities due to banks	15,000	15,000
Provisions	1,293	1,924
Deferred revenues	20,154	22,200
Other short-term liabilities	8,476	13,158
Short-term liabilities	**123,626**	**122,388**
Liabilities	**188,984**	**198,768**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**344,885**	**353,196**

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Euro amounts in thousands (T €)

	01/01/-31/03/ 2009	01/01/-31/03/ 2008
Cash flow from operating activities		
Net profit (loss) before income taxes	1,833	(4,149)
Depreciation and amortization	16,938	14,843
Non-cash share-based payments	118	192
Loss from disposal of long-term assets	489	-
Changes in provisions	(753)	1,174
Changes in trade receivables	4,198	(5,972)
Changes in trade payables	10,306	17,852
Changes in other financial assets and liabilities	(11,805)	(8,125)
Cash flow from operating activities	**21,324**	**15,815**
Cash flow from investing activities		
Purchase of available-for-sale financial assets	-	(14,996)
Disposal of available-for-sale financial assets	-	1,178
Purchase of intangible assets	(6,360)	(14,441)
Purchase of property, plant and equipment	(4,166)	(5,413)
Cash flow from investing activities	**(10,526)**	**(33,672)**
Cash flow from financing activities		
Changes in convertible bonds	-	3
Assumption (Repayment) of liabilities due to		
minority interest shareholders	(6,165)	850
Proceeds from issuance of common stock	-	34
Repayment of other short- and long-term liabilities	(1,879)	(1,430)
Disposal of loans granted	-	(1,091)
Repayment of finance lease	(7,177)	(4,913)
Cash flow from financing activities	**(15,221)**	**(6,547)**
Change in cash and short-term deposits	**(4,423)**	**(24,404)**
Change in cash and short-term deposits at January 1	48,823	74,132
Cash and short-term deposits at March 31	44,400	49,728
Interest paid	923	1,050
Interest received	275	652

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

Euro amounts in thousands (T €)

	01/01/-31/03/ 2009	01/01/-31/03/ 2008
Comprehensive income	1,357	(4,149)
Other comprehensive income (loss), net of taxes	-	-
Total comprehensive income (loss) [1]	1,357	(4,149)

[1] attributable to equity holders of the parent

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

Euro amounts in thousands (T €)

	Equity attributable to equity holders of the parent				
	Capital stock	Capital surplus	Other capital reserves	Consolidated balance sheet loss	Total share-holders' equity
Balance at January 1, 2009	136,998	563,197	(1,141)	(544,626)	154,428
Total comprehensive income				1,357	1,357
Non-cash share-based payments		116			116
Balance at March 31, 2009	136,998	563,313	(1,141)	(543,269)	155,901
Balance at January 1, 2008	136,358	562,501	(289)	(544,095)	154,475
Total comprehensive loss				(4,149)	(4,149)
Conversion of convertible bonds	34	1			35
Non-cash share-based payments		201			201
Balance at March 31, 2008	136,392	562,703	(289)	(548,244)	150,562

Notes to the Interim Consolidated Financial Statements

CORPORATE INFORMATION

QSC AG (QSC, the Company or the Group) is a nationwide telecommunications provider with its own DSL network that offers comprehensive broadband communication to business customers: From leased lines in a variety of bandwidths to voice and data services to networking of enterprise locations (IP-VPN).
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 the 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.

BASIS OF PREPARATION

1 General principles

The unaudited interim consolidated financial statements of QSC AG and its subsidiaries (interim consolidated financial statements) have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting." The interim consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2008. It is the opinion of the Management Board that the interim consolidated 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 interim consolidated financial statements for the period from January 1 through March 31, 2009, do not necessarily indicate the development of future results.
The accounting principles applied in preparing the interim consolidated statements correspond essentially to the accounting principles that had been used in preparing the Consolidated Financial Statements for the 2008 fiscal year. Following publication of the revised financial reporting pronouncement IAS 1, "Presentation of Financial Statements (revised)", the interim consolidated financial statements contain, for the first time, a separate single statement of comprehensive income. It allows the presentation of net profit and of all directly recognized changes in equity during the reporting period that do not result from owner transactions, where the owners are acting in their capacity as owners.

In fiscal year 2008, after eight years of operating the core net, management performed an inspection of the initially assumed useful lives. It was determined that the actual useful lives are significantly longer than the initially assumed eight years for building improvements and the five years assumed for installed technology. For this reason, the useful lives of building improvements and of installed technology were extended from eight to ten and from five to eight years, respectively. According to IAS 8, the result of those revised assumptions is taken into consideration in the reporting period and subsequent periods. The following table provides the necessary details to be stated in the case of changes in estimates according to IAS 8, and shows the impact on the net results for the corresponding periods.

in T €	01/01/-31/03/ 2009	01/01/-31/03/ 2008
Network equipment and plant	2,594	2,241
Building improvements	192	272
Impact of changes in estimates	**2,786**	**2,513**

The preparation of the interim consolidated statements according to IFRS requires to a certain extent the use of judgments and estimates regarding recorded assets and liabilities, disclosures on potential trade receivables and payables, as well as presented income and expenses during the reporting period. Actual amounts may differ from those assumptions and estimates.
In comparison to the Consolidated Financial Statements as of December 31, 2008, there were no material changes in management's assumptions regarding the use of accounting principles.
The interim consolidated financial statements are rounded, except when otherwise indicated, to the nearest thousand (T €).

2 Basis of consolidation

The consolidated financial statements comprise the financial statements of QSC AG and its subsidiaries as of March 31, 2009. There has been no change in the number of companies included in the consolidation since December 31, 2008.

3 Segment reporting

The basis for the definition of the segments is the internal organizational structure of the Company, upon which corporate management bases its business decisions and performance assessments. QSC conducted an extensive restructuring in the fourth quarter of 2007, consolidating its major lines of business into three business units. This also resulted in a change in the segment reporting effective January 1, 2008, with the comparison numbers from the previous year being correspondingly adjusted.

The Managed Services segment covers custom-tailored solutions for voice and data communication at major corporates and small and medium-size enterprises. This includes, in particular, building and operating virtual private networks (IP-VPN), as well as a broad portfolio of network-related services.

QSC consolidates is product business in the Products segment. The needs of smaller businesses, professionals, independent contractors and residential customers for modern voice and data communication are fully satisfied by means of predominantly standardized products and processes.

The Wholesale/Reseller segment covers QSC's business with Internet service providers and network operators who do not possess their own infrastructure. They market DSL lines as well as voice and value-added services from QSC under their own name and for their own account.

in T €	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/01/-31/03/2009					
Net revenues	**18,466**	**24,834**	**64,306**		**107,606**
Cost of revenues	(10,413)	(13,845)	(46,809)		(71,067)
Gross profit	**8,053**	**10,989**	**17,497**	**-**	**36,539**
Selling and marketing expenses	(2,884)	(3,863)	(3,577)		(10,324)
General and administrative expenses	(2,684)	(2,582)	(2,261)		(7,527)
Depreciation and amortization	(2,601)	(4,058)	(10,279)		(16,938)
Non-cash share-based payments	(17)	(28)	(71)		(116)
Other operating income	244	232	371		847
Operating profit	111	690	1,680	-	2,481
Assets	72,163	97,893	174,829	-	344,885
Liabilities	28,765	34,964	123,163	2,092	188,984
Capital expenditures	1,764	2,340	7,431	-	11,535

in T €	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/01/-31/03/2008					
Net revenues	**17,860**	**27,928**	**51,695**		**97,483**
Cost of revenues	(9,639)	(16,900)	(39,732)		(66,271)
Gross profit	**8,221**	**11,028**	**11,963**	**-**	**31,212**
Selling and marketing expenses	(4,457)	(5,626)	(2,650)		(12,733)
General and administrative expenses	(2,868)	(2,315)	(2,094)		(7,277)
Depreciation and amortization	(2,092)	(3,792)	(8,959)		(14,843)
Non-cash share-based payments	(32)	(59)	(111)		(202)
Other operating income	79	79	78		236
Operating profit (loss)	(1,148)	(686)	(1,773)	-	(3,607)
Assets	82,158	110,624	192,509	8,099	393,390
Liabilities	38,658	48,048	149,589	6,533	242,828
Capital expenditures	3,457	4,472	20,684	-	28,613

Both the direct and indirect attribution of costs to the individual segments corresponds to the Company's internal reporting system and steering logic. With regard to assets and liabilities, there were also directly and indirectly attributable items. Assets and liabilities that are indirectly attributable (with the exception of deferred tax assets and liabilities) are allocated according to financial viability based on contribution margins.
As in the corresponding quarter the year before, no intersegment revenues were generated during the first quarter of the current fiscal year.

4 Related party transactions

During the first quarter of 2009, QSC participated in transactions with companies affiliated with members of the management. According to IAS 24 related parties are individuals or companies with 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 T €	Net revenues	Expenses	Cash received	Cash paid
01/01/-31/03/2009				
IN-telegence GmbH & Co. KG	-	38	160	24
Teleport Köln GmbH	4	29	2	33
QS Communication Verwaltungs Service GmbH	170	11	-	21
01/01/-31/03/2008				
IN-telegence GmbH & Co. KG	13	(7)	38	-
Teleport Köln GmbH	4	17	3	22
QS Communication Verwaltungs Service GmbH	-	28	-	46

in T €	Trade receivables	Trade payables
At March 31, 2009		
IN-telegence GmbH & Co. KG	119	(21)
Teleport Köln GmbH	4	(8)
QS Communication Verwaltungs Service GmbH	-	-
At December 31, 2008		
IN-telegence GmbH & Co. KG	75	-
Teleport Köln GmbH	1	(6)
QS Communication Verwaltungs Service GmbH	-	(9)

IN-telegence GmbH & Co. KG provides value-added telecommunications services. Teleport Köln GmbH operates and maintains QSC's private branch exchange. QS Communication Verwaltungs Service GmbH provides consultancy on product management of voice products.

5 Litigation

In the first quarter of 2009, there were no significant cases of litigation settled on which disclosures had been provided in the Consolidated Financial Statements for fiscal year 2008.

6 Management Board

in T €	Shares		Convertible bonds	
	Mar. 31, 2009	Mar. 31, 2008	Mar. 31, 2009	Mar. 31, 2008
Dr. Bernd Schlobohm	13,818,372	13,818,372	350,000	350,000
Jürgen Hermann	145,000	89,840	47,000	47,000
Joachim Trickl	5,000	-	250,000	-

On November 18, 2008, the Supervisory Board appointed Joachim Trickl to QSC's Management Board effective February 1, 2009. He succeeds Bernd Puschendorf.
On March 31, 2009, the Supervisory Board appointed Jürgen Hermann to QSC's Management Board effective April 1, 2009. He succeeds Markus Metyas.

7 Supervisory Board

in T €	Shares		Convertible bonds	
	Mar. 31, 2009	Mar. 31, 2008	Mar. 31, 2009	Mar. 31, 2008
John C. Baker	10,000	10,000	-	-
Herbert Brenke	187,820	187,820	-	10,000
Gerd Eickers	13,877,484	13,877,484	-	-
David Ruberg	14,563	14,563	-	-
Klaus-Theo Ernst *	500	500	3,258	3,258
Jörg Mügge *	-	-	6,000	6,000

* Employee representative

Cologne, May 2009

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

Calendar

Annual Shareholders Meeting
May 20, 2009

Quarterly Reports
August 12, 2009
November 12, 2009

Conferences/Events
June 24, 2009
German & Austrian Corporate Conference
Deutsche Bank, Frankfurt

August 25, 2009
9th German Technology & Telecoms Conference
Commerzbank, Frankfurt

November 9–11, 2009
German Equity Forum Fall 2009
Deutsche Börse, Frankfurt

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This translation is provided as a convenience only.
Please note that the German-language original of
this Quarterly Report is definitive.

Further information under www.qsc.de