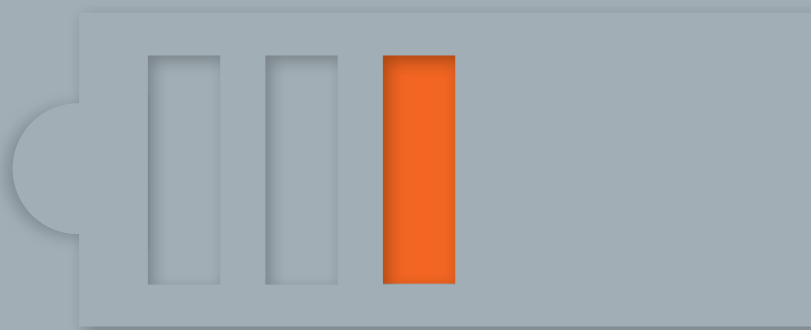
Quarterly Report I/2011



QSC AG

# Key Data

| All amounts in € millions | 01/01/–31/03/ 2011 | 01/01/–31/03/ 2010 |
|---|---|---|
| Revenues | 105.1 | 105.9 |
| EBITDA | 20.5 | 19.6 |
| Depreciation/amortization [1] | 12.4 | 15.6 |
| EBIT | 8.1 | 3.9 |
| Net profit | 6.5 | 3.2 |
| Earnings per share [2] (in €) | 0.05 | 0.02 |
| Return on revenue (in percent) | 6.2 | 3.0 |
| EBITDA margin (in percent) | 19.5 | 18.5 |
| EBIT margin (in percent) | 7.7 | 3.7 |
| Equity | 190.7 [3] | 184.0 [4] |
| Long-term liabilities | 14.0 [3] | 7.2 [4] |
| Short-term liabilities | 125.7 [3] | 140.9 [4] |
| Balance sheet total | 330.3 [3] | 332.2 [4] |
| Equity ratio (in percent) | 57.7 | 55.4 |
| Free cash flow | 21.9 | 4.6 |
| Liquidity | 42.1 [3] | 46.6 [4] |
| Capital expenditures | 6.4 | 7.3 |
| Capex ratio [5] (in percent) | 6.1 | 6.9 |
| Xetra closing price as of 31/03/ (in €) | 2.66 | 1.62 |
| Number of shares as of 31/03/ | 137,180,389 | 136,998,137 |
| Market capitalization as of 31/03/ | 364.9 | 221.9 |
| Employees as of 31/03/ | 656 | 651 |

[1] including non-cash share-based payments

[2] basic and diluted

[3] as of March 31, 2011

[4] as of December 31, 2010

[5] ratio of capital expenditures to revenues

# Highlights

**Share of IP-based revenues rises to 73 percent**
During the first quarter of 2011, QSC sustained its evolution into a provider of ICT services and grew the share of IP-based revenues to 73 percent of total revenues, compared to 65 percent in the first quarter of 2010.

**Consolidated net income doubles**
QSC's focus on strengthening its profitability paid off in the first quarter of 2011: The Company grew its consolidated net income to € 6.5 million, compared to € 3.2 million for the same quarter the year before.

**IPfonie centraflex now also remotely controllable from an iPhone**
In early January, QSC debuted the "centraflex" App for the iPhone, an ideal complement to the IPfonie centraflex telephone system. This App enables major functions to be controlled while out and about and allows calls to be made under the user's office number. Versions for other smart phones are already in preparation.

**QSC offers connections with bandwidths of up to 100 Mbit/s**
Since January, QSC has been offering small and mid-size companies wireless connections with symmetric bandwidths of up to 100 Mbit/s with QSC-WLL business. In fact, bandwidths of up to 2 Gigabit/s are also available upon request.

**Another strong distribution partner now marketing QSC products**
Since February, the innovative voice-data products from QSC have also been included in the portfolio of Herweck AG. Formed in 1985, this company serves over 10,000 specialty retailers throughout Germany and in the future will be marketing the award-winning IPfonie centraflex telephone system, in particular.

**SensorCloud project garners award from German Economics Ministry**
In March, a consortium under the lead of QSC was awarded an innovation prize by the German Federal Ministry of Economics and Technology for the SensorCloud project. During the coming three years, too, the German Economics Ministry will be supporting work on this central, highly scalable platform for networked sensors and control applications.

« **Dr. Bernd Schlobohm** // CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is responsible for QSC's strategy and is playing a major role in driving its evolution into a provider of ICT services. As a post-graduate engineer, he sees the convergence of IT and TC as offering enormous opportunities for his company, which he co-founded in 1997 together with Gerd Eickers. To date, neither of the two founders has ever sold a single share.

## Dear Shareholders,

The acquisition of a majority interest in INFO AG that we announced on May 2 represents a milestone as QSC travels the road to becoming the provider of Information and Communications Technology (ICT) services for small and mid-size enterprises. Together, we are now able to offer our customers one-stop shopping for a very broad spectrum of ICT services: from complete voice-data communication to Housing, Hosting and IT Outsourcing right through to IT Consulting. This means that in the future we will be able to cover up to 50 percent of the ICT budgets of SMEs with our own products and services – in the past, this metric had stood at less than 20 percent.

At the same time, QSC is gaining some 600 proven IT specialists who are thoroughly familiar with IT Outsourcing and IT Consulting. The consulting, implementation and operational know-how they possess will significantly strengthen our Company, first and foremost in the field of Managed Services. Their integration will be facilitated by the fact that INFO AG has a similar corporate culture to QSC: It is characterized by an SME spirit and places great value upon flexibility, speed and entrepreneurialism.

Regionally, too, QSC and INFO AG complement one another very well. Our new, Hamburg-based subsidiary has traditionally been strong in northern Germany, and operates data centers in Hamburg and Oberhausen. Following the acquisition of IP Partner at the end of 2010, QSC now possesses data centers in Cologne, Munich and Nuremberg. On-site presence holds the promise of especially great advantages in winning new Outsourcing customers, as many small and mid-size companies value having a server location in their vicinity.

This regional positioning, our focus on small and mid-size enterprises, as well as a comprehensive portfolio of ICT services, are what characterize the future QSC Group. The acquisition of INFO AG will further accelerate QSC's transformation process. And the numbers for the first quarter of 2011 show how attractive this evolution into a provider of ICT services is. Although revenues declined modestly by € 0.8 million, QSC was able to grow its EBITDA by € 0.9 million to € 20.5 million and even double consolidated net income to € 6.5 million within the space of a single year.

« **Jürgen Hermann** // CHIEF FINANCIAL OFFICER

QSC's growing financial strength and profitability resulting from its transformation process is broadening the latitude available to the Chief Financial Officer. Hermann, an economist, is planning to distribute the Company's first dividend for 2011.

**Joachim Trickl** // CHIEF OPERATING OFFICER »

A trained physicist, he is responsible for the three business units. His ongoing dialogues with SMEs have made him intimately familiar with their ICT needs; and with this knowledge he structures QSC's product portfolio and sales organization.

QSC continues to embrace plans for a dividend for 2011

This rising profitability is enabling us to allow our owners to share in the Company's success for the first time through the declaration of a dividend. And we continue to embrace this planning, even after the acquisition of INFO AG, as this new subsidiary – like QSC – is sustainably profitable and earns a positive free cash flow.

Following approval of the anti-trust authorities, we will be driving collaboration with our new subsidiary in the coming months, while at the same time submitting a public tender offer for all outstanding shares of INFO AG. This will be a pure cash offer, which means that the value of your shares will not be diluted. On the contrary, QSC will rise in value through its swifter evolution into a provider of ICT services.

Our smooth collaboration with INFO AG in conjunction with individual customer projects in recent years strengthens us in this conviction. We have already learned from various small and mid-size enterprises just how much potential can be unleashed by integrating QSC's spectrum of ICT services with IT Outsourcing and IT Consulting. We will be utilizing these opportunities in the coming quarters, and thus sustainably increasing the value of our Company.

Cologne, May 2011

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

# QSC Share Performance

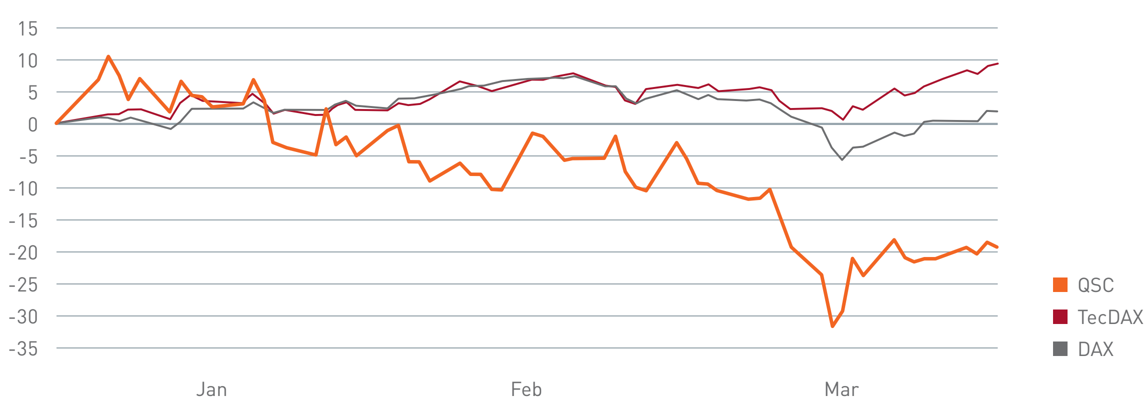
**Capital markets trend upward** • Although capital markets declined sharply during the first half of March 2011 as a result of the serious earthquake in Japan and its impact, markets had already largely recovered from this setback by the end of the month. The DAX gained 2 percent during the first quarter of the current fiscal year, while the TecDAX advanced by 9 percent.

**Consolidation in the wake of trading price rally** • QSC shares, on the other hand, closed at € 2.66 at the end of March, down 19 percent from December 30, 2010. After the trading prices of QSC shares had nearly doubled during the fourth quarter of 2010, thus clearly outperforming all major indices, a consolidation then set in during the first quarter of 2011, with numerous investors engaging in profit-taking. Yet even following this consolidation, trading prices were still 59 percent higher than at the end of September 2010; only at this point in time did both institutional as well as private investors across the board realize just how much potential has resulted from the Company's transformation process.

During the first quarter of 2011, this consolidation went hand in hand with extremely high trading volumes, with an average of 1.8 million shares changing hands each day; in the first quarter of 2010, trading volumes had stood at only 426,000 shares per day. During this period, exchange trading volume increased by a factor of eight to € 346.7 million, compared to € 44.3 million for the same quarter one year earlier.

1.8 million shares changed hands each day on average

SHARE PRICE PERFORMANCE (indexed)



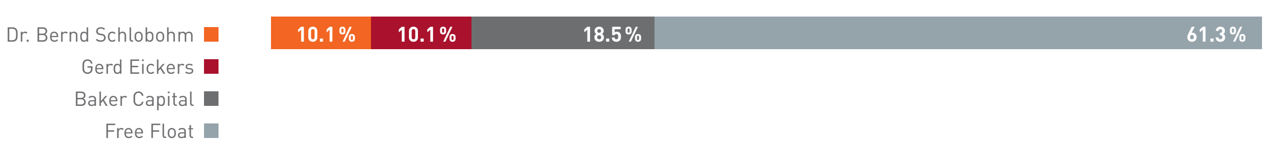

**Rising number of financial institutions following QSC** • QSC's evolution into a provider of ICT services is meeting with keen interest on the part of both institutional and private investors. For this reason, too, the number of financial institutions that regularly publish studies on QSC rose from 12 to 14 during the past quarter. Berenberg Bank and die WestLB recommenced research, with both recommending QSC shares as a "Buy." At the analysts' conference in Cologne on February 28, 2011, the Management Board provided the analysts with a first-hand look at the development of business in 2010 and offered up an outlook for 2011. The Management Board then went on to showcase the Company at roadshows in Boston, Frankfurt, Helsinki, London, New York, Stockholm and elsewhere.

FINANCIAL INSTITUTIONS THAT PUBLISH STUDIES ON QSC

| | | |
|---|---|---|
| Berenberg Bank | Exane BNP Paribas | Metzler Equities |
| Close Brothers Seydler Research | HSBC Trinkaus & Burkhardt | Silvia Quandt Research |
| Commerzbank | JPMorgan Cazenove | Warburg Research |
| Deutsche Bank | Kepler Capital Markets | WestLB |
| DZ Bank | Landesbank Baden-Württemberg | |

**Higher free-float** • The number of shareholders rose to 32,251 in the first quarter of 2011, compared to 30,555 at year-end 2010. The largest shareholders were the Company's two founders, Dr. Bernd Schlobohm and Gerd Eickers, each holding 10.1 percent, as well as U.S.-based investment company Baker Capital, which holds 18.5 percent. In February 2011, Baker Capital notified QSC that the shares attributable to it had declined by 6 percentage points in conjunction with a distribution to investors from its closed-end funds, some of which had already been in existence for more than ten years. This increased the free-float to 61.3 percent. According to the Register of Shares, 50 percent of these shares were attributable to institutional investors and 50 percent to private investors.

SHAREHOLDER STRUCTURE AS OF MARCH 31, 2011



# Consolidated Interim Report QI / 2011

## ECONOMIC CONDITIONS

**Economy develops on positive note** • The German economy is sustaining its upswing during the current fiscal year. In its spring report that was presented in early April 2011, the leading economic research institutes are forecasting economic growth of 2.8 percent for 2011; in their autumn report, they had still been expecting to see gross domestic product rise by 2.0 percent. However the economists expect the positive economic development to weaken in 2012; they are forecasting growth of 2.0 percent. The good economic situation and subdued expectations are also characterizing the major German economic index, the ifo Institute's business climate index: While in March 2011 the entrepreneurs surveyed had the best assessment of their current situation since reunification, their expectations were lower than the highs seen in recent months.

GDP DEVELOPMENT IN GERMANY


The ICT industry is benefiting from the upswing in Germany, which is increasingly also being supported by rising demand for capital and consumer goods. At CeBIT 2011 in early March, industry association BITKOM announced an updated forecast calling for ICT revenues in Germany to rise by 2 percent to € 145.5 billion in 2011. While revenues from IT products and services are expected to rise by 4 percent, TC revenues will largely stagnate and even decline in submarkets.

ICT MARKET IN GERMANY (in € billions)


**Two-track development of the TC market** • These declining revenues relate, in particular, to conventional voice telephony, where flat rate and VoIP offerings are continuing to replace Call-by-Call and Preselect options. However DSL business with residential customers, as well as further standard products for business and residential customers, are increasingly being affected by price wars, as well. The challenging situation in the classical TC market is reflected by the development of consumer prices, which the German Federal Office of Statistics publishes monthly. While there is a general trend toward increasingly rising prices, and prices in March were up 2.1 percent year on year, prices for telecommunication transmissions declined by 2.6 percent during this same period.

Prices for telco services in Germany continue to decline

Against this backdrop, QSC's evolution into a provider of ICT services is paying off especially well – because revenues from IP-based products and services are rising, along with the information and telecommunication services that build upon them. The penetration of Cloud Computing and the continuing networking of society are also increasing the willingness on the part of enterprises to invest in modern ICT solutions.

## LEGAL FACTORS

**Modest reduction in rent for the last mile** • In late March 2011, the German Federal Network Agency published its decision to lower the subscriber line monthly fee by 12 cents to € 10.08 from April 1, 2011, through June 30, 2013. Alternative providers like QSC pay this fee to Deutsche Telekom for the use of its lines over the last mile, and thus for connecting customers to their own infrastructure. Industry association VATM is convinced that the decrease was much too low; following this most recent decision, in only three other EU countries was the subscriber line price higher than in Germany.

## COURSE OF BUSINESSS

**10-percent rise in revenues from IP-based products and services** • QSC generated revenues of € 105.1 million in the first quarter of 2011, compared with € 105.9 million for the same quarter the year before, while at the same time successfully sustaining its transformation process from a TC network operator into a provider of ICT services. Revenues from the classical products of a network operator, such as Call by Call and ADSL2+, declined by € 7.8 million to € 28.9 million; revenues from IP-based products and services, on the other hand, advanced by € 7.0 million to € 76.2 million. This means that QSC generated 73 percent of its total revenues in these forward-looking lines of business during the past quarter; this metric stood at 65 percent in the first quarter of 2010.

REVENUE MIX (in € millions)

Two contrary effects must be examined separately in connection with revenue development: On the one hand, this Quarterly Report includes for the first time the results from IP Partner, which was acquired at the end of December 2010. On the other, the December 2010 decision by the German Federal Network Agency to reduce the termination fees for mobile calls by 49 to 53 percent had a revenue-reducing effect. QSC handles incoming and outgoing mobile calls via its Next Generation Network, and charges the third-party costs incurred in this connection to its customers. As a result of the lower termination fees, this in-transit line item was nearly five million euros lower in the first quarter of 2011.

**QSC brings new products for SMEs to market** • As it travels the road toward becoming a provider of ICT services, QSC broadened and improved its portfolio of products and services in the first quarter of 2011. Since February, the Company has been offering its standardized QSC-Company-VPN networking solutions in four packages which can be easily differentiated. And since January, the Company has also been providing its business customers with wireless Internet links offering speeds of up to 100 Mbit/sec by means of QSC-WLL business. The employment of WLL technology is of interest first and foremost to small and mid-size enterprises, as well as to larger organizations for which a high fail-safe level is a mission-critical factor.
One focus area during the past quarter consisted of bringing to market and evolving the network-based IPfonie centraflex telephone system. QSC was able to win a further distribution partner, Herweck AG, which supports over 10,000 specialty retailers in Germany, alone. With the introduction of a "centraflex" application for the iPhone, the Company has improved the user-friendliness of its award-winning telephone system; QSC plans to provide corresponding applications for other smart phones, as well.
The issue of IP telephony made a great stride forward with the certification of QSC's IPfonie extended solution by three prominent manufacturers of IP telephone systems: Funkwerk, Panasonic and Siemens Enterprise Communications (SEN). This certification will assure the smooth interplay of these telephone systems with a QSC connection, while minimizing installation and maintenance expense; these are major selling points for potential SME customers. QSC intensified its collaboration with Panasonic in early April by signing a partnership agreement, under which effective immediately Panasonic partners will also begin marketing telecommunications services from QSC.

## PROFITABILITY

**Transformation process continues** • As planned, QSC sustained its evolution into a provider of ICT services in the first quarter of 2011 and generated revenues of € 105.1 million, compared with € 105.9 million for the same quarter one year earlier. Network expenses, too, which are recorded under cost of revenues, remained virtually unchanged at € 68.1 million, compared with € 68.3 million the year before. As in the case of revenues, the effect stemming from the decline in termination fees was offset by the initial consolidation of IP Partner. Gross profit thus reached € 36.9 million, compared with € 37.6 million in the first quarter of 2010, while gross margin stood at 35 percent.

QSC generates a gross margin of 35 percent

In spite of the initial consolidation of IP Partner, both sales and marketing expenses as well as general and administrative expenses declined in the first quarter of 2011 – thanks to QSC's sustained policy of strict cost management. Sales and marketing expenses decreased to € 10.1 million, compared with € 11.7 million in the first quarter of 2010; general and administrative expenses amounted to € 6.2 million, in contrast to € 6.8 million for the same quarter one year earlier.

In first quarter of 2011, EBITDA rose to € 20.5 million

**EBITDA margin rises to 20 percent** • Strict cost discipline played a major role in enabling QSC to increase its EBITDA to € 20.5 million in the first quarter of 2011, compared with € 19.6 million for the same quarter one year before. QSC defines EBITDA as earnings before interest, taxes, amortization of deferred non-cash, share-based compensation, as well as depreciation and amortization of property, plant and equipment, intangible assets and goodwill. The EBITDA margin rose to 20 percent from 19 percent the year before.

EBITDA (in € millions)


Depreciation expense declined sharply in the first quarter of 2011 to € 12.4 million, compared with € 15.6 million for the corresponding period one year earlier. In particular, customer-related capital expenditures for connecting ADSL2+ customers in fiscal 2009 are no longer being incurred during the current fiscal year.

DEPRECIATION EXPENSE (in € millions)


**Operating profit more than doubles.** Rising EBITDA and declining depreciation expense enabled operating profit (EBIT) to more than double in the first quarter of 2011; EBIT has risen to € 8.1 million within the space of a year, compared with € 3.9 million in the first quarter of 2010. This means that QSC earned an EBIT margin of 8 percent, compared with 4 percent one year earlier.

EBIT (in € millions)

As a result of largely eliminating interest-bearing liabilities, the financial loss for the first quarter of 2010 stood at € -0.3 million, compared with € -0.4 million for the corresponding period the year before. QSC thus earned € 7.8 million before income taxes, compared with € 3.5 million in the first quarter of 2010.

Taking income taxes in the amount of € -1.3 million into consideration, QSC earned consolidated net income in the amount of € 6.5 million during the past quarter, compared with € 3.2 million in the first quarter of 2010. QSC was able to increase its consolidated net income by € 3.3 million on a moderate, € 0.8-million decline in revenues – illustrating the success of the Company's strategy of focusing on strengthening its profitability. Earnings per share rose to € 0.05 in the first quarter of 2011, by comparison with € 0.02 for the same period one year earlier.

Earnings per share rose to € 0.05

NET INCOME (in € millions)


## PROFITABILITY BY SEGMENT

**Initial consolidation of IP Partner strengthens Managed Services segment** • In the first quarter of 2011, revenues in the Managed Services segment rose to € 23.3 million from € 18.1 million for the same quarter one year earlier. This sharp rise stemmed first and foremost from the initial consolidation of IP Partner, the majority of whose revenues are attributable to the Managed Services segment.

MANAGED SERVICES REVENUES (in € millions)


**30-percent EBITDA margin in Managed Services** • EBITDA in the Managed Services segment rose to € 7.0 million in the first quarter of 2011, compared with € 4.6 million one year earlier; the corresponding margin improved to 30 percent, in contrast to 25 percent in the first quarter of 2010. Both the sustained industrialization of processes as well as the initial consolidation of IP Partner's high-margin Housing and Hosting business contributed to this significant rise in profitability. As a result, EBIT in the Managed Services segment improved to € 4.0 million in the first quarter of 2011, in contrast to € 1.8 million for the same quarter the year before.

MANAGED SERVICES EBIT (in € millions)


**Declining revenues in conventional voice telephony** • In the first quarter of 2011, revenues in the Products segment amounted to € 20.6 million, compared with € 21.7 million for the corresponding period the year before. This decline is essentially attributable to the sustained price war in conventional voice telephony. Revenues from Call-by-Call and Preselect offerings declined by 12 percent to € 8.4 million in the first quarter of 2011. However, successes with IP-based products, such as the IPfonie telephony solution, are not yet able to offset these losses.

PRODUCTS REVENUES (in € millions)


**Focus on high-margin revenues paying off** • While product revenues declined by € 1.1 million year on year, segment EBITDA improved by € 0.8 million to € 5.0 million. Focusing on higher-margin revenues boosted the EBITDA margin to 24 percent, compared with 20 percent in the first quarter of 2010. Operating profit improved in this segment, too, in spite of a € 0.6-million decline in revenues to € 2.0 million.

PRODUCTS EBIT (in € millions)


As planned, the share of revenue of Wholesale ADSL2+ is declining

**Lower termination fees burden Wholesale voice business** • In the Wholesale/Resellers segment, QSC generated revenues of € 61.2 million in the first quarter of 2011, in comparison with € 66.1 million during the same period one year earlier. In addition to the impact on revenues stemming from the termination fees, this segment is also feeling the effects of the decline in Wholesale ADSL2+ business. At € 20.5 million, revenues here were down 25 percent from € 27.2 million for the same quarter the year before. During this same period, the number of connected DSL lines declined to 494,100, compared with 575,200 on March 31, 2010.

The rising importance of Managed Outsourcing business, which was launched in 2010, was unable to offset these two effects in the first quarter of 2011.

WHOLESALE / RESELLERS REVENUES (in € millions)


**Segment EBIT advances to € 2.0 million** • The rising percentage of total revenues that is being accounted for by relatively low-margin Managed Outsourcing and by commission-burdened Wholesale voice business pushed segment EBITDA down to € 8.5 million in the first quarter of 2011, compared with € 10.8 million for the same quarter the year before. Thanks to declining depreciation expense, EBIT in the Wholesale/Resellers segment was able to be increased to € 2.0 million during the same period, compared with € 0.7 million one year earlier.

WHOLESALE / RESELLERS EBIT (in € millions)


## FINANCIAL POSITION AND NET WORTH

**Operating cash flow rises to € 27.4 million** • In the first quarter of 2011, QSC earned € 27.4 million in cash flow from operating activities, compared with € 11.7 million in the first quarter of 2010. In this connection, the financial settlement of the realignment of the shareholdings in Plusnet in January 2011 added to the overall positive development; during the past quarter, QSC deducted the payment received from the existing receivable against former shareholder TELE2 in the amount of € 28.4 million. On the other hand, the temporary € 13.1-million rise in other assets and liabilities to € -21.8 million burdened operating cash flow; in the first quarter, QSC had made considerable advance payments to Deutsche Telekom and for the construction of two new data centers.

OPERATING CASH FLOW (in € millions)

First tranche of the purchase price for IP Partner was paid

Cash used in investing activities rose to € -19.5 million, compared with € -5.8 million in the first quarter of 2010. This line item includes the payment of the first tranche of the purchase price for IP Partner after deduction of the liquid assets in the amount of € 14.0 million that were acquired with the transaction. As planned, during the past quarter IP Partner additionally invested in the construction of two new data centers in Munich and Nuremberg.
In the first quarter of 2011, cash used in financing activities amounted to € -12.4 million, compared with € -6.1 million for the corresponding period the year before. QSC redeemed loans in the amount of € 9.6 million in the first quarter and additionally also reduced liabilities under financing arrangements by a further € 2.3 million.

**QSC earns free cash flow of € 21.9 million** • In the first quarter of 2011, QSC was able to significantly increase its free cash flow, the difference between the change in liquid assets and interest-bearing liabilities prior to acquisitions, to € 21.9 million; the year before, this metric stood at € 4.6 million. In this connection, QSC reduced its interest-bearing liabilities by € 8.8 million to € 9.3 million. Liquidity recorded in the Consolidated Balance Sheet for the period ended March 31, 2001, declined by € 4.4 million to € 42.1 million. At the same time, in the first quarter of 2011 QSC initially consolidated IP Partner with net indebtedness of € 2.5 million and paid the first tranche of the purchase price in the amount of € 15.0 million; these non-recurring, acquisition-related changes totaling € 17.5 million are generally not taken into consideration in calculating free cash flow.

FREE CASH FLOW (in € millions)


**Decline in interest-bearing liabilities** • As of March 31, 2011, long-term liabilities rose to € 14.0 million, compared with € 7.2 million as of December 31, 2010, since QSC records the discounted final tranche of the purchase price for IP Partner in the amount of not more than € 7.5 million under other long-term liabilities. Aside from that, this line item predominantly records deferred tax liabilities in the amount of € 4.4 million.
Short-term liabilities decreased from € 140.9 million the year before to € 125.7 million as of March 31, 2011. In this connection, short-term liabilities under financing arrangements declined by € 1.4 million to € 4.1 million as of March 31, 2011; liabilities to banks decreased to € 4.0 million, compared with € 10.0 million as of December 31, 2010. In addition, the other short-term liabilities line item is also where QSC records a further tranche of the purchase price for IP Partner in the amount of € 2.5 million, which will be due and payable in May 2011 subject to the successful start-up of the data center for DATEV eG.

The largest line item under short-term liabilities consisted of deferred income in the amount of € 63.6 million, compared with € 69.8 million at year-end 2010. In particular, QSC utilizes this line item to defer TELE2's payment for premature termination of the Plusnet agreement over its remaining term.

**Equity ratio rises to 58 percent** • As a result of its consolidated net income, QSC's shareholders' equity is rising from quarter to quarter. As of March 31, 2011, it totaled € 190.7 million, compared with € 184.0 million as of December 31, 2010. The equity ratio improved to 58 percent, compared with 55 percent at year-end 2010.

EQUITY RATIO


**QSC investing in two new data centers** • Capital expenditures declined to € 6.4 million in the first quarter of 2011, compared with € 7.3 million one year earlier, in spite of IP Partner's planned investments in two new data centers. Over the course of the year, this new subsidiary will be doubling the floor space available for Housing and Hosting projects. As a result, the share of capital expenditures in infrastructure rose to 39 percent during the past quarter. On the other hand, 56 percent of capital expenditures were customer-related, and were incurred in particular in conjunction with connecting new customers; the remaining 5 percent were attributable to investments in plant and equipment.

IP Partner doubles floor space available for Housing & Hosting

CAPITAL EXPENDITURES (in € millions)


**Long-term assets strengthened** • The initial consolidation of IP Partner, in particular, increased the value of long-term assets to € 211.8 million as of March 31, 2011, compared with € 189.3 million at year-end 2010. Goodwill, alone, which currently still includes all of the new subsidiary's intangible assets, rose to € 72.1 million, compared with € 49.3 million as of December 31, 2010. During the course of the year, QSC will be making a precise allocation of IP Partner's assets.

QSC received € 28.4 million from TELE2 in first quarter of 2011

Short-term assets declined sharply to € 118.5 million in the first quarter of 2011, compared with € 142.9 million as of December 31, 2010. This represents payment of the receivable from former Plusnet co-shareholder TELE2 in the amount of € 28.4 million. On the other hand, the payment of the first tranche of the purchase price for IP Partner in the amount of € 15.0 million, and the significant decrease in interest-bearing liabilities reduced liquidity. Moreover, trade accounts receivable of € 55.6 million were down in comparison with year-end 2010, when they had stood at € 61.3 million.

On the other hand, other short-term assets rose to € 9.2 million as of March 31, 2011, compared with € 2.8 million as of December 31, 2010. This rise was attributable, in particular, to the down payments made for IP Partner's two new data centers, as well as a sales tax claim. As planned, advance payments, too, increased to € 10.4 million, compared with € 2.9 million at year-end 2010, as QSC has to make considerable full-year advance payments at the beginning of the year for the use of Deutsche Telekom's infrastructure.

## HUMAN RESOURCES

**IP Partner team strengthening QSC** • As of March 31, 2011, QSC employed a workforce of 656 people, 48 more than at year-end 2010. This growth was attributable to the initial consolidation of IP Partner; this Housing and Hosting specialist employs 57 people at its locations in the cities of Munich and Nuremberg.

On March 31, 2011, 50 percent of our people were working in customer-related areas; 36 percent were working in technical operations, which also include IP Partner's data centers; and 14 percent were working in administration.

## RISK REPORT

**No major change in risk position** • In the first quarter of 2011, there were no major changes to the risks discussed in the 2010 Annual Report. Due to the risks set forth therein, as well as other risks and incorrect assumptions, QSC's actual future results could vary from the expectations of the Company. 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.

## SUBSEQUENT EVENTS

**QSC acquiring majority shareholding in INFO AG** • On May 2, 2011, QSC entered into a purchase agreement with MZ Erste Vermögensverwaltungsgesellschaft mbH of Hamburg, a major shareholder of INFO Gesellschaft für Informationssysteme AG of Hamburg (INFO AG), to acquire 58.98 percent of the 4,000,000 total shares issued by INFO AG at a price of € 14.35 per share. This means that MZ Erste Vermögensverwaltungsgesellschaft mbH has thus sold all of the INFO AG shares it held.

Execution of the purchase agreement is still subject to anti-trust approval. QSC will issue a public tender offer for those shares of INFO AG that are not held by MZ Erste Vermögensverwaltungsgesellschaft mbH. QSC is financing this acquisition from both liquid assets as well as from its current free cash flow. Moreover, the company additionally has at its disposal a credit line in the amount of € 50 million, which has not been fully utilized.

QSC finances acquisition from liquid assets and current free cash flow

Aside from this, QSC is not aware of any reportable events of particular importance occurring subsequent to the close of the quarter.

## OUTLOOK REPORT

**QSC planning to distribute a dividend for 2011** • Following the execution of the purchase agreement for the majority of INFO AG, QSC will consolidate the new subsidiary beginning on May 2, 2011. Even following this acquisition, the Company anticipates stronger profitability and net worth for the full 2011 fiscal year, and continues to expect free cash flow to rise to between € 35 and € 45 million. During the current fiscal year, the new subsidiary's positive free cash flow will be offset by additional expenditures for the acquisition and integration of INFO AG. The Company's stronger financial position and profitability will serve as the foundation for QSC's continued plans to distribute its first dividend for the current fiscal year.

FREE CASH FLOW (in € millions)


* planned

**Public tender offer planned** • Pursuant to legal requirements, QSC will submit a public tender offer for the acquisition of all outstanding INFO AG shares by June 2011. At the same time, after satisfying the postponement conditions, the Company will review how to intensify collaboration with INFO AG in the coming months in conjunction with new and existing customers. Both companies had already been collaborating in connection with customer projects in the past.

**Upswing to be sustained in 2011** • The leading economic research institutions in Germany anticipate growth of 2.8 percent for 2011. In this environment, QSC would be able to benefit from the growing willingness to invest on the part of enterprises. The two-track development in the ICT market is likely to continue: It is expected that sustained price competition, and thus declining revenues from standard products, will be offset by rising revenues from IP-based products and services. The 2010 Annual Report, which was completed in late March 2011, contains further statements relating to the development of individual markets in fiscal 2011 and beyond under "Future General Industry Conditions."

**Rising revenues from IP-based products and services** • Analogously to the development of the market, QSC anticipates a two-track development of its revenues in the coming quarters: Declining revenues in the traditional lines of business of a TC network operator, such as Call by Call and ADSL2+, are likely to be offset by the rising IP-based revenues of a provider of ICT services. In this connection, the acquisition of INFO AG will again noticeably increase the percentage of ICT revenues. These revenues are attributable first and foremost to the Managed Services Business Unit, which will be especially strengthened through the integration of the new subsidiary.

Managed Services especially strengthened by acquisition of INFO AG

Growth in what are typically higher-margin IP-based revenues, strict cost discipline and declining depreciation expense will strengthen QSC's profitability in 2011. QSC therefore sees itself well prepared to distribute its first dividend for the 2011 fiscal year.

**QSC utilizing its strong financial position to finance the acquisition** • In recent quarters, QSC has steadily increased its financial strength, and is therefore structuring its public tender offer for INFO AG in the form of a pure cash offer. QSC is utilizing its available net liquidity in the amount of € 32.8 million and its positive free cash flow to finance this acquisition. Moreover, the Company additionally possesses a credit facility in the amount of € 50 million that has not been completely used. Since the existing agreement will expire at the end of this year, QSC is currently conducting talks with numerous financial institutions. Given the keen interest, the Company anticipates that negotiations will be able to be swiftly concluded.

**Investing in two new data centers** • During the course of fiscal 2011, QSC will be putting two new data centers into operation, thus doubling the resources of its new IP Partner subsidiary. These capital investments, which are anticipated to total some € 7.0 million, will lead to a rise in capital expenditures on infrastructure in 2011. Nevertheless, the percentage of total revenues accounted for by capital expenditures during the current fiscal year will amount to a maximum of 8 percent, as planned.

# Consolidated Interim Financial Statements

## CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Euro amounts in thousands (K€)

| | 01/01/–31/03/ 2011 | 01/01/–31/03/ 2010 |
|---|---|---|
| **Net revenues** | **105,080** | **105,906** |
| Cost of revenues | (68,136) | (68,291) |
| **Gross profit** | **36,944** | **37,615** |
| Sales and marketing expenses | (10,136) | (11,672) |
| General and administrative expenses | (6,223) | (6,832) |
| Depreciation and non-cash share-based payments | (12,401) | (15,633) |
| Other operating income | 89 | 571 |
| Other operating expenses | (204) | (102) |
| **Operating profit** | **8,069** | **3,947** |
| Financial income | 87 | 119 |
| Financial expenses | (352) | (533) |
| **Net profit before income tax** | **7,804** | **3,533** |
| Income tax | (1,331) | (322) |
| Net profit | 6,473 | 3,211 |
| **Earnings per share (basic) in €** | **0.05** | **0.02** |
| **Earnings per share (diluted) in €** | **0.05** | **0.02** |

## CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Euro amounts in thousands (K€)

| | 01/01/–31/03/ 2011 | 01/01/–31/03/ 2010 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Net profit before income taxes | 7,804 | 3,533 |
| Depreciation and amortization | 12,376 | 13,400 |
| Non-cash share-based payments | 37 | 18 |
| Loss from disposal of long-term assets | 67 | 342 |
| Changes in provisions | 216 | (321) |
| Changes in receivables from former shareholders | 28,358 | - |
| Changes in trade receivables | 5,941 | 1,355 |
| Changes in trade payables | (5,572) | 2,027 |
| Changes in other financial assets and liabilities | (21,782) | (8,669) |
| **Cash flow from operating activities** | **27,445** | **11,685** |
| **Cash flow from investing activities** | | |
| Purchase of a subsidiary less liquid assets acquired | (14,012) | - |
| Purchase of intangible assets | (3,115) | (5,293) |
| Purchase of property, plant and equipment | (2,410) | (531) |
| **Cash flow from investing activities** | **(19,537)** | **(5,824)** |
| **Cash flow from financing activities** | | |
| Changes in convertible bonds | (1) | - |
| Repayment of liabilities to other shareholders | - | (553) |
| Proceeds from issuance of common stock | 105 | - |
| Repayment of other short- and long-term liabilities | (576) | (534) |
| Repayment of loans granted | (9,592) | - |
| Repayment of liabilities under financing arrangements | (2,287) | (5,058) |
| **Cash flow from financing activities** | **(12,351)** | **(6,145)** |
| **Change in cash and short-term deposits** | **(4,443)** | **(284)** |
| Change in cash and short-term deposits as of January 1 | 46,233 | 40,952 |
| **Cash and short-term deposits as of March 31** | **41,790** | **40,668** |
| Interest paid | 353 | 508 |
| Interest received | 87 | 119 |
| Income tax paid | 220 | - |

## CONSOLIDATED BALANCE SHEET (unaudited)

Euro amounts in thousands (K€)

| | Mar. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| **ASSETS** | | |
| **Long-term assets** | | |
| Property, plant and equipment | 110,299 | 108,087 |
| Goodwill | 72,144 | 49,279 |
| Other intangible assets | 20,254 | 22,959 |
| Other long-term financial assets | 579 | 498 |
| Deferred tax assets | 8,484 | 8,484 |
| **Long-term assets** | **211,760** | **189,307** |
| **Short-term assets** | | |
| Trade receivables | 55,607 | 61,284 |
| Receivables from former shareholders | - | 28,358 |
| Prepayments | 10,373 | 2,883 |
| Inventories | 1,223 | 1,045 |
| Other short-term financial assets | 9,192 | 2,774 |
| Available-for-sale financial assets | 338 | 332 |
| Cash and short-term deposits | 41,790 | 46,233 |
| **Short-term assets** | **118,523** | **142,909** |
| TOTAL ASSETS | 330,283 | 332,216 |

| | Mar. 31, 2011 | Dec. 31, 2010 |
|---|---|---|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | |
| **Shareholders' equity** | | |
| Capital stock | 137,179 | 137,128 |
| Capital surplus | 139,673 | 139,593 |
| Other capital reserves | (1,291) | (1,291) |
| Consolidated balance sheet loss | (84,909) | (91,382) |
| **Shareholders' equity** | **190,652** | **18,048** |
| **Liabilities** | | |
| **Long-term liabilities** | | |
| Long-term liabilities under financing arrangements | 1,273 | 2,044 |
| Convertible bonds | 19 | 20 |
| Accrued pensions | 1,064 | 1,067 |
| Other long-term liabilities | 7,247 | - |
| Deferred tax liabilities | 4,371 | 4,108 |
| **Long-term liabilities** | **13,974** | **7,239** |
| **Short-term liabilities** | | |
| Trade payables | 33,763 | 38,043 |
| Short-term liabilities under financing arrangements | 4,112 | 5,493 |
| Liabilities due to banks | 3,952 | 10,000 |
| Other provisions | 3,271 | 2,085 |
| Accrued taxes | 3,200 | 2,215 |
| Deferred cost | 63,631 | 69,842 |
| Other short-term liabilities | 13,728 | 13,251 |
| **Short-term liabilities** | **125,657** | **140,929** |
| **Liabilities** | **139,631** | **148,168** |
| TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES | 330,283 | 332,216 |

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

Euro amounts in thousands (K€)

| | Equity attributable to equity holders of the parent | | | | |
|---|---|---|---|---|---|
| | Capital stock | Capital surplus | Other capital reserves | Consolidated balance sheet loss | Total shareholders' equity |
| Balance as of January 1, 2011 | 137,128 | 139,593 | (1,291) | (91,382) | 184,048 |
| Total comprehensive income | | | | 6,473 | 6,473 |
| Conversion of convertible bonds | 51 | 54 | | | 105 |
| Non-cash share-based payments | | 26 | | | 26 |
| Balance as of March 31, 2011 | 137,179 | 139,673 | (1,291) | (84,909) | 190,652 |
| Balance as of January 1, 2010 | 136,998 | 563,687 | (1,129) | (539,844) | 159,712 |
| Total comprehensive income | | | | 3,211 | 3,211 |
| Conversion of convertible bonds | | | | | |
| Non-cash share-based payments | | 71 | | | 71 |
| Balance as of March 31, 2010 | 136,998 | 563,758 | (1,129) | (536,633) | 162,994 |

## CONSOLIDATED STATEMENTS OF DIRECTLY RECOGNIZED INCOME AND EXPENSES (unaudited)

Euro amounts in thousands (K€)

| | 01/01/–31/03/ 2011 | 01/01/–31/03/ 2010 |
|---|---|---|
| Directly recognized in equity | - | - |
| Net profit | 6,473 | 3,211 |
| Net profit and recognized income and expenses | 6,473 | 3,211 |

# Notes to the Consolidated Interim Financial Statements

## CORPORATE INFORMATION

QSC AG (QSC or the Company) is one of the leading service providers for voice and data communication, as well as the ICT services that build upon them. Established in 1997, the Company has been focusing on small and mid-size business customers. QSC is the first provider to operate an Open Access platform, which unites a wide range of broadband technologies to offer national and international site networking, including Managed Services. QSC additionally supplies its customers and distribution partners with a comprehensive product portfolio that can be modularly adapted to every need.
QSC was the first provider in Germany to build its own Next Generation Network (NGN), and therefore enjoys long years of experience in IP-based telephony solutions, in particular. QSC employs a workforce of some 700 people and has been listed on the TecDAX index since 2004. 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.

## BASIS OF PREPARATION

### 1 General principles

The unaudited Consolidated Interim Financial Statements of QSC AG and its subsidiaries (Consolidated Interim 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 Consolidated Interim 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, 2010.
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 March 31, 2011, do not necessarily indicate the development of future results.

The accounting principles applied in preparing the Consolidated Interim Financial Statements correspond essentially to the accounting principles that had been applied in preparing the Consolidated Financial Statements for the 2010 fiscal year.
The preparation of the Consolidated Interim Financial Statements in accordance with 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 with the Consolidated Financial Statements as of December 31, 2010, there were no material changes in management's assumptions regarding the use of accounting principles.
The Consolidated Interim Financial Statements are rounded, except when otherwise indicated, to the nearest thousand (K€).

## 2 Basis of consolidation

These Consolidated Interim Financial Statements comprise the financial statements of QSC AG and its subsidiaries for the period ended March 31, 2011. The circle of consolidated companies has been expanded to include the following companies by comparison with December 31, 2010.
On December 21, 2010, QSC published an ad hoc release relating to the acquisition of all shares of IP Partner AG, in Nuremberg. The effective date of the share transfer (acquisition date) was January 3, 2011.
The purchase price amounts to a total of not more than € 25 million and comprises two components. As of January 3, 2011, QSC paid € 15 million in cash to the former shareholders. A further € 10 million will be due and payable by no later than the end of April 2012, subject to various prerequisites, including a sustained high level of corporate growth, in particular. The attributable market value of this further conditional purchase price payment was determined to be € 9.75 million as of the date of acquisition, assuming a discount rate of 3.5 percent. Also incurred in conjunction with the acquisition were ancillary acquisition expenses in the amount of K€ 81, which are recorded in the Income Statement under other operating expenses.
Determination of the attributable market values of tangible and intangible assets has been made on a provisional basis, and will be finalized following submission of an expertise from an independent appraiser during the course of the 2011 fiscal year. As a result of this transaction, goodwill is provisionally being increased by € 22.86 million. This essentially reflects the anticipated synergies stemming from the joint activities of IP Partner and QSC, in particular in the field of Managed Services. Goodwill is not tax deductible.
Moreover, newly formed tengo 01052 GmbH has been fully consolidated in the Consolidated Financial Statements since March 11, 2011.

## 3 Segment reporting

In accordance with IFRS 8, the foundation of QSC's reportable segments is the internal organization used by management for making operating decisions and assessing performance.

The Managed Services segment addresses some 8,300 larger and mid-size enterprises in Germany. QSC develops and operates custom-tailored ICT solutions and markets them through a nearly 30-person key account management organization. The foundation for these Managed Services typically consists of IP-based virtual private networks (IP-VPN). Building upon these IP-VPNs, QSC offers numerous services, such as the operation of software-based telephone systems, as well as maintenance of local area networks and end-user devices.

The Products segment encompasses standardized products from QSC that enable small and mid-size companies to operate all of their voice and data communications over one and the same broadband line. The spectrum of offerings includes Internet connections, Voice over IP products, as well as innovative solutions such as the IPfonie centraflex virtual telephone system. The target market for the Products BU consists of nearly 900,000 small- and mid-size companies in Germany who – as a general rule – procure ICT services from regional partners. QSC is therefore focusing on partnering with some 100 regional distribution partners and distributors.

The Wholesale/Resellers segment encompasses QSC's business with Internet service providers, as well as telecommunications providers who do not possess infrastructures of their own. The latter market DSL lines from QSC and the voice and value-added services that build upon them under their own name and for their own account. QSC supplies unbundled DSL preliminaries and ensures smooth order management for the individual, directly-supported resellers via highly scalable IT interfaces. Moreover, this business unit also operates QSC's wholesale voice business, under which QSC makes voice telephony services available to resellers who do not possess a corresponding nationwide infrastructure of their own.

Management has stipulated EBIT (in accordance with IFRS) as the key steering parameter for the segments. Thus, operating costs are fully attributed to their respective business units; plus, a complete calculation of profit or loss up to the operating results is made. 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 are allocated according to financial viability based on contribution margins, except for deferred tax assets and liabilities.

| in K€ | Managed Services | Products | Wholesale / Resellers | Reconciliation | Consolidated |
|---|---|---|---|---|---|
| 01/01/ – 31/03/2011 | | | | | |
| **Net revenues** | **23,345** | **20,554** | **61,181** | **-** | **105,080** |
| Cost of revenues | (10,385) | (10,719) | (47,032) | | (68,136) |
| **Gross profit** | **12,960** | **9,835** | **14,149** | **-** | **36,944** |
| Sales and marketing expenses | (3,436) | (2,708) | (3,992) | | (10,136) |
| General and administrative expenses | (2,477) | (2,090) | (1,656) | | (6,223) |
| Depreciation and amortization | (2,966) | (2,980) | (6,430) | | (12,376) |
| Non-cash share-based payments | (7) | (5) | (13) | | (25) |
| Other operating income | (84) | (13) | (18) | | (115) |
| **Operating profit** | **3,990** | **2,039** | **2,040** | **-** | **8,069** |
| Assets | 93,834 | 84,438 | 143,527 | 8,484 | 330,283 |
| Liabilities | 20,853 | 17,201 | 97,206 | 4,371 | 139,631 |
| Capital expenditures | 2,383 | 2,118 | 1,859 | - | 6,360 |

| in K€ | Managed Services | Products | Wholesale / Resellers | Reconciliation | Consolidated |
|---|---|---|---|---|---|
| 01/01/-31/03/2010 | | | | | |
| **Net revenues** | **18,147** | **21,687** | **66,072** | **-** | **105,906** |
| Cost of revenues | (8,217) | (11,610) | (48,464) | | (68,291) |
| **Gross profit** | **9,930** | **10,077** | **17,608** | **-** | **37,615** |
| Sales and marketing expenses | (3,067) | (3,433) | (5,172) | | (11,672) |
| General and administrative expenses | (2,310) | (2,404) | (2,118) | | (6,832) |
| Depreciation and amortization | (2,694) | (2,851) | (10,017) | | (15,562) |
| Non-cash share-based payments | (29) | (20) | (22) | | (71) |
| Other operating income | 5 | 9 | 455 | | 469 |
| **Operating profit** | **1,835** | **1,378** | **734** | **-** | **3,947** |
| Assets | 66,704 | 76,498 | 163,264 | - | 306,466 |
| Liabilities | 23,019 | 21,369 | 95,759 | 3,325 | 143,472 |
| Capital expenditures | 1,441 | 1,486 | 4,323 | - | 7,250 |

## 4 Related party transactions

During the first three months of 2011, 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 K€ | Net revenues | Expenses | Cash received | Cash paid |
|---|---|---|---|---|
| **01/01/–31/03/2011** | | | | |
| IN-telegence GmbH & Co. KG | 165 | 9 | 141 | 11 |
| Teleport Köln GmbH | 5 | 1 | 5 | 2 |
| QS Communication Verwaltungs Service GmbH | - | 77 | - | 92 |
| **01/01/–31/03/2010** | | | | |
| IN-telegence GmbH & Co. KG | 8 | - | 6 | - |
| Teleport Köln GmbH | 3 | 1 | 2 | 1 |
| QS Communication Verwaltungs Service GmbH | - | 37 | - | 65 |

| in K€ | Trade receivables | Trade payables |
|---|---|---|
| **As of March 31, 2011** | | |
| IN-telegence GmbH & Co. KG | 125 | (3) |
| Teleport Köln GmbH | 3 | - |
| **As of December 31, 2010** | | |
| IN-telegence GmbH & Co. KG | 70 | (4) |
| Teleport Köln GmbH | 3 | - |

IN-telegence GmbH & Co. KG provides value-added telecommunications services. Teleport Köln GmbH provides support to QSC in the installation process of end-customers connections. QS Communication Verwaltungs Service GmbH provides consultancy in the area of product management of voice products.

## 5 Management Board

| | Shares | | Convertible bonds | |
|---|---|---|---|---|
| | Mar. 31, 2011 | Mar. 31, 2010 | Mar. 31, 2011 | Mar. 31, 2010 |
| Dr. Bernd Schlobohm | 13,818,372 | 13,818,372 | 300,000 | 350,000 |
| Jürgen Hermann | 161,500 | 145,000 | 30,500 | 47,000 |
| Joachim Trickl | 5,000 | 5,000 | 250,000 | 250,000 |

## 6 Supervisory Board

| | Shares | | Convertible Bonds | |
|---|---|---|---|---|
| | Mar. 31, 2011 | Mar. 31, 2010 | Mar. 31, 2011 | Mar. 31, 2010 |
| Herbert Brenke | 187,820 | 187,820 | - | - |
| John C. Baker | 10,000 | 10,000 | - | - |
| Gerd Eickers | 13,877,484 | 13,877,484 | - | - |
| David Ruberg | 14,563 | 14,563 | - | - |
| Klaus-Theo Ernst | 500 | 500 | - | 3,258 |
| Jörg Mügge | 4,000 | - | 6,000 | 6,000 |

## 7 Subsequent events

On May 2, 2011, QSC entered into a purchase agreement with MZ Erste Vermögensverwaltungsgesellschaft mbH of Hamburg, a major shareholder of INFO Gesellschaft für Informationssysteme AG of Hamburg (INFO AG), to acquire 58.98 percent of the 4,000,000 total shares issued by INFO AG at a price of € 14.35 per share. MZ Erste Vermögensverwaltungsgesellschaft mbH has thus sold all of the INFO AG shares it held.
Execution of the purchase agreement is still subject to anti-trust approval. The Company will issue a public tender offer for those shares of INFO AG that are not held by MZ Erste Vermögensverwaltungsgesellschaft mbH.

INFO AG is an independent provider of services for IT Outsourcing and IT Consulting in Germany. Its portfolio includes the planning, implementation and operation of challenging IT solutions for small and mid-size companies, both nationally as well as internationally. INFO AG has three data centers of its own in Hamburg and Oberhausen with total floor space of 6,000 square meters. Furthermore, INFO AG is an SAP Systems House and a Microsoft Gold Certified Partner.
Initial full consolidation will be taken into consideration in the Interim Financial Statements for the first half year of 2011.

Cologne, May 2011

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

# Calendar

**Annual Shareholders Meeting**
May 19, 2011

**Quarterly Reports**
August 15, 2011
November 7, 2011

**Conferences / Events**
May 17, 2011
3rd LBBW TMT Forum, Zurich

May 20, 2011
German & Austrian Corporate Conference
Deutsche Bank, Frankfurt

June 27, 2011
Small & Mid Cap Conference,
Close Brothers Seydler, Paris

November 21 – 23, 2011
German Equity Forum Fall 2011
Deutsche Börse, Frankfurt

# Contact

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