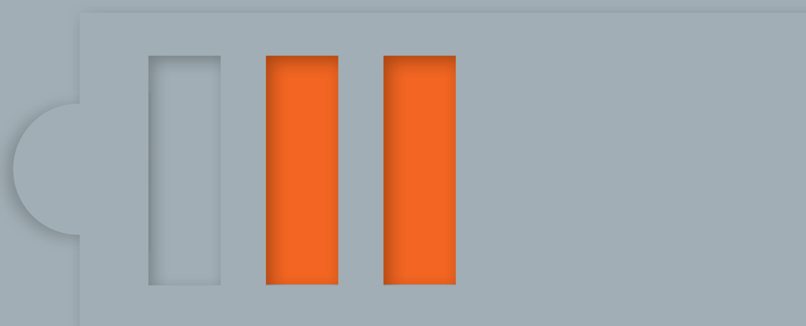
Quarterly Report II/2011



QSC AG

Key Data

All amounts in € millions	01/04/–30/06/ 2011	01/04/–30/06/ 2010	01/04/–30/06/ 2011	01/04/–30/06/ 2010
Revenues	121.8	104.9	226.9	210.8
EBITDA	19.3	19.7	39.8	39.3
Depreciation/amortization [1]	12.9	14.6	25.3	30.2
EBIT	6.4	5.1	14.5	9.1
Net profit	3.9	4.3	10.4	7.5
Earnings per share [2] (in €)	0.03	0.03	0.07	0.05
Return on revenue (in percent)	3.2	4.1	4.6	3.6
EBITDA margin (in percent)	15.8	18.8	17.5	18.6
EBIT margin (in percent)	5.3	4.9	6.4	4.3
Free cash flow	7.0	7.6	28.9	12.1
Capital expenditures	12.7	6.5	19.1	13.7
Capex ratio [3] (in percent)	10.4	6.2	8.4	6.5
Equity			179.2 [4]	184.0 [5]
Long-term liabilities			18.8 [4]	7.2 [5]
Short-term liabilities			172.0 [4]	140.9 [5]
Balance sheet total			370.0 [4]	332.2 [5]
Equity ratio (in percent)			48,4	55.4
Xetra closing price as of 30/06/ (in €)			3.00	1.34
Number of shares as of 30/06/			137,216,039	136,998,137
Market capitalization as of 30/06/			411.6	183.6
Employees as of 30/06/			1,258	633

[1] including non-cash share-based payments

[2] basic and diluted

[3] ratio of capital expenditures to revenues

[4] as of June 30, 2011

[5] as of December 31, 2010

Highlights

QSC acquires INFO AG and strengthens its ICT competence
On May 2, 2011, QSC acquired nearly 59 percent of publicly-traded, Hamburg-based INFO AG for € 33.9 million; since that day, this new subsidiary has also been included in the consolidated financial statements. INFO AG's lines of business of IT Outsourcing and IT Consulting will considerably accelerate QSC's transformation into a provider of ICT services.

QSC already holds over 90 percent of INFO AG shares
On June 9, 2011, QSC announced a public – and highly successful – tender offer for the outstanding INFO shares. Following the expiration of the tender offer, QSC's holdings have risen to 91.90 percent of INFO AG shares.

INFO AG wins Dussmann Group as a new customer
In June, the new INFO AG subsidiary demonstrated its capabilities in winning as a customer the Dussmann Group, one of the world's largest service providers. The five-year agreement includes operation of SAP and Microsoft infrastructures as well as various applications.

New data center for DATEV
In April, QSC intensified its collaboration with DATEV eG with the start-up of a 1,000 square meter data center in Nuremberg. Implementation of this project was in the hands of IP Partner, a specialist in IT Outsourcing and IT Hosting that was acquired in December 2010.

QSC launches its own mobile services
In May, QSC entered into a partnership agreement with the E-Plus Group, which will serve as the basis for broadening the Company's portfolio to include attractive mobile offerings. With this move, QSC is responding to the rising customer demand for one-stop shopping for fixed-line and mobile services.

IP-based revenue share rises to 79 percent
In the second quarter of 2011, QSC increased the share of total revenues accounted for by IP-based revenues to 79 percent, as opposed to 67 percent the year before. Contributing to this significant rise were the initial consolidation of INFO AG as well as the positive developments in existing IP-based lines of business.

« **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,

As it travels the road to becoming an integrated provider of ICT services for small and mid-size enterprises, QSC has again made major advances in recent months. The metric that documents this best is the percentage of IP-based revenues: It stood at 79 percent in the second quarter of 2011, in contrast to only 67 percent for the same quarter the year before. What this means is this: QSC is already generating 79 percent of its revenues in forward-looking ICT lines of business – ranging from comprehensive voice-data communication services to Housing, Hosting and IT Outsourcing right through to IT Consulting.

On the one hand, this rising percentage of IP-based revenues stems from the success of our sustained transformation process, while on the other it is attributable to the initial consolidation of our new subsidiary INFO AG in these consolidated interim financial statements. After QSC had acquired nearly 59 percent of the shares of this IT Outsourcing and IT Consulting specialist on May 2, 2011, we have been able to expand our holdings to more than 90 percent by the end of July. In parallel with the public tender offer, we set about to intensify collaboration between QSC and INFO AG at all levels; initial joint projects have already been launched. Our Chief Financial Officer Jürgen Hermann has held the same function at INFO AG since July 1, 2011, and thus serves as an important interface, especially with respect to Finance. The aim is to now develop QSC and INFO AG as swiftly as possible into an integrated provider of ICT services for small and mid-size enterprises.

QSC and INFO AG collaborating on initial projects

Two recent sales successes are examples of the opportunities that are opening up for QSC in this environment: INFO AG succeeded in winning as a customer the Dussmann Group, one of the world's largest privately-held service providers, where it will be operating SAP and Microsoft infrastructures in the future, along with the archiving system. And our subsidiary IP Partner put a new 1,000 square meter data center into operation in Nuremberg for DATEV, the IT service provider for tax consultants, certified public accountants and attorneys.

« **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.

And QSC was able to additionally broaden its spectrum of services in the second quarter of 2011. Thanks to a partnership agreement with the E-Plus Group, in the future we will also be able to offer our business customers mobile communication contracts.
Offering one-stop shopping for mobile and fixed network communication, operating data centers, as well as providing support for the IT infrastructures of larger SMEs, these are what constitute QSC's comprehensive spectrum of services as an integrated provider of ICT services for small and mid-size enterprises. With the acquisition of the majority interest in INFO AG and the acquisition of IP Partner, we have put in place early on the key prerequisites that will enable us to benefit from the convergence of the IT and TC industries and to position ourselves as a solutions provider, especially in the growth market of Cloud Computing. QSC offers everything that users need for the "Cloud:" Data centers in which we provide customers with storage capacity and software, secure communication channels, as well as the requisite consulting competence for extensive ICT projects. This makes QSC an ideal partner for small and mid-size enterprises as they migrate to the new ICT World.

Cologne, August 2011

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

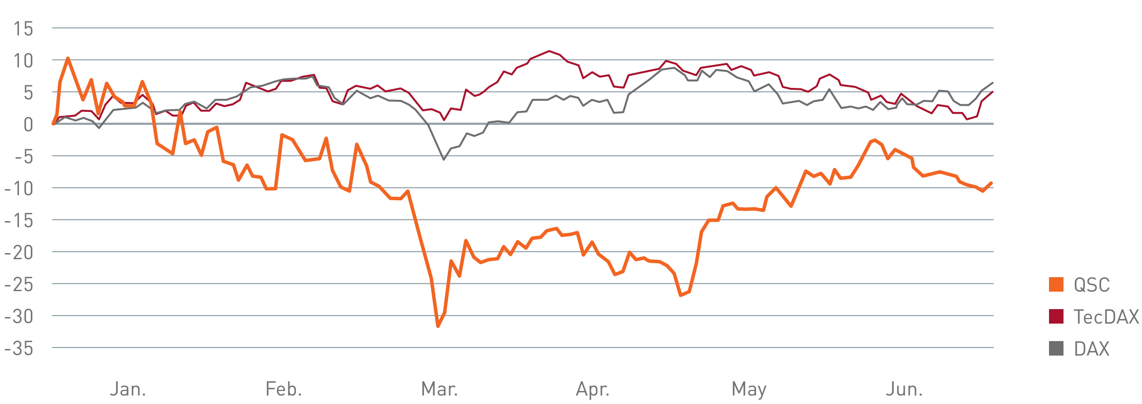
QSC Share Performance

Capital market sees stronger differentiation • Following a broad-based rise in trading prices on German stock exchanges during the preceding quarters, the second quarter of 2011 saw greater differentiation. While many export-oriented companies were again able to post share price gains, for example, financial stocks suffered from the sustained discussions about the euro, and solar players from insecurity about their industry's further development. The DAX was able to advance by another five percent in this environment. On the other hand, the TecDAX, in which solar stocks possess considerable weight, declined by four percent.

QSC trading price advances by 13 percent • Following the consolidation in the first quarter of 2011, QSC again numbered among the technology stocks for which there was strong demand on the part of investors: The trading price rose by 13 percent in the second quarter to € 3.00. Beginning in the second half of May, in particular, this rise gained momentum as more and more investors came to realize just how much potential would be available from the acquisition of INFO AG, which will accelerate QSC's evolution into a provider of ICT services.
As a result, the second quarter of 2011 saw a sharp rise in trading volumes year on year: Each day, an average of nearly 750,000 QSC shares changed hands, more than twice as many as in the second quarter of 2010. During this period, exchange trading volume quintupled from € 28 million to € 135 million.

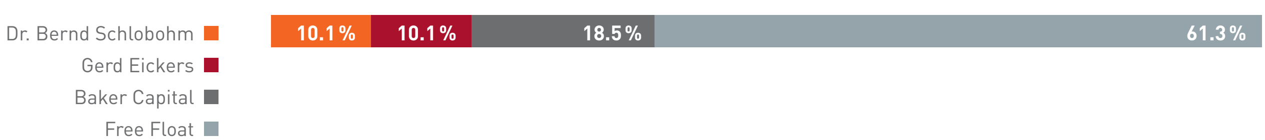
Exchange trading volume quintuples to € 135 million

SHARE PRICE PERFORMANCE (indexed)



Rising percentage of institutional investors • Successes in the Company's transformation process as well as the acquisition of a majority stake in INFO AG made for heightened interest in QSC on the part of institutional investors during the past quarter. At roadshows in Frankfurt, Helsinki, London, Milan, Paris and Stockholm, as well as in numerous individual meetings, the Management Board presented its strategy and the resulting opportunities in the ICT market – garnering a positive response. According to the Register of Shares, the percentage of shares held by institutional investors in QSC's free-float rose to 53 percent as of June 30, 2011. Overall, 61.3 percent of QSC's shares are broadly held. U.S.-based investment company Baker Capital holds 18.5 percent of the Company's shares, while QSC's two founders, Dr. Bernd Schlobohm and Gerd Eickers, each hold 10.1 percent.

SHAREHOLDER STRUCTURE AS OF JUNE 30, 2011



Award-winning QSC • Its Internet presence at www.qsc.de/en/qsc-ag/investor-relations is QSC's central information platform for investors. In its highly regarded IR Benchmark Study in the spring of 2011, NetFederation honored the Company's extensive service for investors: QSC took third place in the rankings of TecDAX companies.

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	

Consolidated Interim Report QII / 2011

ECONOMIC CONDITIONS

Outstanding situation – uncertain prospects • Following the unexpectedly strong rise in gross domestic product in the first quarter of 2011, economic experts now anticipate that Germany's GDP will rise by more than 3 percent during the current year. However, the trend shown by economic barometers such as the ifo Business Climate Index suggest that the upswing is likely to have already peaked during the initial months of the current year: The companies that were surveyed had reduced their expectations in the face of the euro crisis and the unsure economic prospects that have been observed in key export markets for several months now. This insecurity is all the more serious in view of the fact that exports were the main engine driving the upswing: In May 2011 alone, exports advanced by nearly 20 percent year on year.

Stiff price competition in voice business • The domestic economy, on the other hand, is developing cautiously – and this is also impacting elements of the ICT market. In particular, we are seeing shakeout competition in conventional TC business, with sharply declining prices as a result. In no other category are prices falling so rapidly as in telecommunications, notes the German Federal Office of Statistics. Given a saturated market, there is a rising willingness on the part of individual players to engage in dramatic price cutting in order to gain market share. Although QSC is not participating in this price war, it nevertheless has to grant considerable discounts in its contract extensions and to be willing to accept lower margins.

Outsourcing market posting sharp growth • As it continues to evolve into a provider of ICT services, QSC is reducing its dependence upon voice business while at the same time participating in the growing demand for high quality ICT services, such as Housing, Hosting, Outsourcing and Consulting. In late May, industry association BITKOM issued a forecast calling for the German Outsourcing market to grow by 4 percent to nearly € 20 billion in 2011. Cloud Computing business is developing especially dynamically: According to BITKOM, Cloud revenues in Germany will rise by 55 percent to € 3.5 billion in 2011. And revenues with business customers are growing at an even faster face: The industry association anticipates a 70-percent rise to € 1.9 billion in 2011.

Outsourcing revenues in Germany total nearly € 20 billion

GERMAN BUSINESS CLOUD MARKET (in € billions)

REGULATORY CONDITIONS

Reduction of fixed-line termination fees • Following the reduction in termination fees for mobile calls in late 2010, the German Federal Network Agency additionally presented a proposal for lowering fixed-line termination fees: It calls for an approximately 20-percent average reduction in the fees for utilization of fixed-line infrastructures. Although a national consultation process and an EU-wide consolidation process are still outstanding, the lower fees already went into effect on July 1, 2011.
Termination fees for the utilization of third-party networks are a pass-through line item for QSC, which does not have any impact on profitability: The Company passes on the third-party costs it incurs to its customers. In addition, QSC also receives fees from third parties for the utilization of its own infrastructure; these fees, too, will decline noticeably in the second half of 2011. Overall, QSC anticipates that the new fees will have a negative, low single-digit million euro impact on revenues beginning in the third quarter of 2011.

COURSE OF BUSINESSS

QSC accelerating its evolution into an ICT services provider

Acquisition of the majority interest in INFO AG • In the second quarter of 2011, QSC accelerated its evolution into a provider of ICT services through the acquisition of a majority stake in Hamburg-based INFO Gesellschaft für Informationssysteme AG, (INFO AG). This specialist in IT Outsourcing and IT Consulting has its own data centers in Hamburg and Oberhausen, and is both an SAP Systems House as well as a Microsoft Gold Certified Partner. Together with INFO AG, the Company will be able to offer SME business customers a comprehensive spectrum of ICT services, ranging from complete voice-data communication to Housing, Hosting and IT Outsourcing right through to IT Consulting.
QSC acquired its majority stake in INFO AG on May 2, 2011; on this date, the Company entered into a purchase agreement to pay € 14.35 per share for 58.98 percent of INFO AG's 4,000,000 total shares issued. The new subsidiary has also been included in the consolidation since this date.

More than 90 percent of INFO shares available to QSC • Between May 5 and 18, QSC acquired a further 446,000 INFO shares off the exchange. On June 9, 2011, the Company announced a public tender offer for the outstanding INFO shares at a price of € 14.35 per share. By the expiration of the further term of acceptance, this offer had been accepted for 619,483 INFO shares. All told, QSC's investment totals 3,675,971 shares, or 91.90 percent, of the voting rights, as a further 251,403 INFO shares had already been held by INFO AG prior to announcement of the tender offer.

Initial steps in collaboration • During the past quarter, QSC initiated the first measures aimed at intensifying collaboration with its new subsidiary. Work groups were put in place in Sales, Marketing, Billing and further corporate operations and tasked with reviewing what potential the two could jointly utilize, while strictly observing the autonomy of this subsidiary, which continues to be publicly traded. QSC Chief Financial Officer Jürgen Hermann, who has also held the same position at INFO AG since July 1, 2011, is serving as an important interface. QSC anticipates that the intensive collaboration will have a positive impact on the course of business, first and foremost beginning next year.

Integration of IP Partner making great progress

At the outset of the fiscal year, QSC had already acquired 100 percent of the shares of Outsourcing specialist IP Partner. Integration has made great progress throughout all operations at this new subsidiary.

New subsidiaries demonstrate strength and capabilities • During the past second quarter, INFO AG and IP Partner were able to expand their new business and report two particular sales successes. In June 2011, INFO AG won as a customer the Dussmann Group, one of the world's largest service providers. The five-year agreement covers extensive ICT services, including the operation of SAP and Microsoft infrastructures, as well as the existing archiving system. In April 2011, DATEV eG put a new 1,000 square meter data center into operation in Nuremberg, which was implemented by IP Partner. The companies have signed a ten-year service agreement covering the operation and maintenance of this data center.

Share of IP-based revenues rises to 79 percent • The successes of its new subsidiaries played a major role in enabling QSC to increase the IP-based revenues as an ICT service provider by € 25.3 million year on year to € 96.1 million. Revenues in the conventional lines of business as a TC network operator, on the other hand, declined by € 8.4 million to € 25.7 million. Overall, the Company generated total revenues of € 121.8 million, as opposed to € 104.9 million in the second quarter of 2010, thus successfully sustaining its transformation process from a TC network operator into a provider of ICT services: The share of revenues accounted for by IP-based revenues rose to 79 percent, as opposed to 67 percent for the second quarter of 2010.

REVENUE MIX (in € millions)

PROFITABILITY

Revenues rise by 16 percent • First and foremost as a result of the initial consolidation of INFO AG, the Company was able to increase its revenues by 16 percent in the second quarter of 2011 to € 121.8 million; this new subsidiary contributed revenues in the amount of € 16.7 million. A decision by the German Federal Network Agency in December 2010 reducing the termination fees for mobile calls by 49 to 53 percent prevented an even stronger revenue rise. QSC handles incoming and outgoing mobile calls over its Next Generation Network and passes on the third-party costs it incurs to its customers. Due to the reduced termination fees, this pass-through line item declined by nearly € 5 million in the second quarter of 2011. In spite of a negative revenue effect of a similar magnitude in the first quarter of 2011, QSC grew its revenues to € 226.9 million in the first half of the current fiscal year, as opposed to € 210.8 million for the corresponding period one year earlier.

Cost of sales, which also include the consolidated costs of INFO AG, rose to € 82.9 million in the second quarter of 2011, as opposed to € 66.9 million for the same quarter the year before. With this in mind, it should be noted that this line item records a major share of the expenses of INFO AG for its Outsourcing and personnel-intensive Consulting business. As expected, gross margin declined to 32 percent, as opposed to 36 percent in the second quarter of 2010.

Acquisitions involve temporarily higher costs • Sales and marketing expenses increased to € 11.7 million in the second quarter of 2011, as opposed to € 10.9 million for the same quarter the year before. General and administrative expenses, on the other hand, remained unchanged from the second quarter of 2010 at € 7.3 million. However, this line item did rise by € 1.0 million over the first quarter of 2011. In addition to the consolidation effect, this increase was attributable to non-recurring costs in the amount of € 0.8 million for the acquisition of the majority interest in INFO AG.

Acquisition costs for majority stake in INFO AG total € 0.8 million

Over and above these direct costs, all expense line items in these Consolidated Interim Financial Statements include expenses stemming from the emerging collaboration with QSC's two new subsidiaries INFO AG and IP Partner. In the second quarter of 2011, these acquisition-related costs reached a total of a low single-digit million euro amount.

EBITDA declines modestly • As a result of both these additional expenses as well as the cost structure of INFO AG, which is characterized more strongly by operating expenses, EBITDA of € 19.3 million in the second quarter of 2011 remained moderately lower than the previous year's level of € 19.7 million; the EBITDA margin stood at 16 percent, as opposed to 19 percent for the same quarter the year before. EBITDA is defined as earnings before interest, taxes, amortization of deferred non-cash, share-based compensation, as well as depreciation and amortization of property, plant and equipment and intangible assets. During the first six months of fiscal 2011, QSC earned an EBITDA of € 39.8 million, compared to € 39.3 million for the first half of 2010.

EBITDA (in € millions)

The higher percentage of operating costs at INFO AG is offset by considerably lower depreciation expense. In spite of the initial consolidation, depreciation expense therefore again declined to € 12.9 million in the second quarter of 2011, as opposed to € 14.6 million for the same quarter one year earlier.

DEPRECIATION EXPENSE (in € millions)

Operating profit up sharply • QSC was able to increase the key steering metric for a provider of ICT services, its operating profit (EBIT), by 25 percent in the second quarter of 2011 to € 6.4 million, as opposed to € 5.1 million for the comparable quarter the year before. The EBIT margin stood at 5 percent, as in the previous year. After six months in fiscal 2011, total EBIT amounts to € 14.5 million, as opposed to € 9.1 million in the first half of 2010.

QSC achieves EBIT margin of 5 percent

EBIT (in € millions)

The financial loss worsened moderately to € -0.7 million in the second quarter of 2011, as opposed to € -0.5 million for the same quarter the year before. QSC thus earned € 5.7 million before income taxes, as opposed to € 4.6 million in the same quarter of 2010.

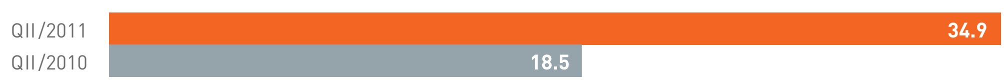
Non-recurring effect impacts consolidated net income • In addition to the effect stemming from deferred taxes, income tax provisions also had a negative impact on after-tax consolidated net income. Overall, QSC recorded income tax expense in the amount of € -1.8 million in the second quarter of 2011, as opposed to € -0.3 million for the same quarter the year before. Consolidated net income amounted to € 3.9 million, as opposed to € 4.3 million in the second quarter of 2010. Earnings per share remained unchanged at € 0.03. QSC has already recorded earnings per share in the amount of € 0.07 in the first half of 2011; consolidated net income stands at € 10.4 million, as opposed to € 7.5 million for the same period one year earlier.

NET INCOME (in € millions)

PROFITABILITY BY SEGMENT

Revenues in Managed Services segment nearly double • QSC records the majority of the revenues of INFO AG and IP Partner in the Managed Services segment. This, first and foremost, was the reason for the increase in segment revenues to € 34.9 million in the second quarter of 2011, as opposed to € 18.5 million for the same period one year earlier.

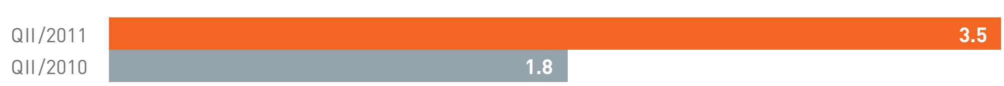
MANAGED SERVICES REVENUES (in € millions)



Managed Services segment posts EBITDA margin of 21 percent

This development underscores the attractiveness of the Company's fast-growing Managed Services business: Segment EBITDA rose to € 7.5 million in the second quarter of 2011, as opposed to € 4.4 million for the comparable quarter one year earlier; this represents a margin of 21 percent. Segment EBIT rose to € 3.5 million, as opposed to € 1.8 million in the second quarter of 2010; the EBIT margin reached 10 percent. In no other segment was QSC able to earner higher margins in the second quarter of 2011.

MANAGED SERVICES EBIT (in € millions)



Declining voice revenues in the Products segment • Revenues in the Products segment declined to € 19.2 million in the second quarter of 2011, as opposed to € 21.1 million for the same quarter the year before. This decline was essentially the result of the sustained price war in conventional voice telephony. Revenues with Call-by-Call and Preselect offerings declined by 18 percent to € 7.4 million in the second quarter of 2011.

PRODUCTS REVENUES (in € millions)

In addition to the pressure on margins as a result of the price war, this segment's results were also burdened by higher commission payments to marketing partners. Segment EBITDA stood at € 3.7 million in the second quarter of 2011, as opposed to € 4.3 million for the same quarter the year before. QSC nevertheless earned an EBITDA margin of 19 percent. At € 0.8 million, operating profit, too, was down from the previous year's level of € 1.5 million; this represents a margin of 4 percent.

PRODUCTS EBIT (in € millions)

Revenues rise in the Wholesale/Reseller segment • In the second quarter of 2011, QSC grew its revenues in the Wholesale/Reseller segment to € 67.7 million, as opposed to € 65.3 million for the corresponding quarter one year earlier. Higher revenues in voice business, which includes the Wholesale Voice and Managed Outsourcing lines of business, played a major role in this increase. In spite of the price competition that was being felt here, too, QSC was able to successfully defend its position in these lines of business against competitors engaging in aggressive pricing. Revenues in Wholesale ADSL2+ business, on the other hand, continued to decline as planned; at € 18.3 million, they were down 27 percent from € 25.1 million for the same quarter the year before. During this same period, the number of connected DSL lines declined to 473,200, as opposed to 555,600 as of June 30, 2010.

Higher revenues in Wholesale Voice and Managed Outsourcing

WHOLESALE / RESELLERS REVENUES (in € millions)

Price competition is also burdening profitability in Reseller business: Segment EBITDA stood at € 8.2 million in the second quarter of 2011, as opposed to € 11.0 million for the same prior-year quarter; the EBITDA margin amounted to 12 percent. Segment EBIT reached € 2.2 million, as opposed to € 1.9 million in the second quarter of 2010; this represents a margin of 3 percent.

WHOLESALE / RESELLERS EBIT (in € millions)

FINANCIAL POSITION AND NET WORTH

Operating cash flow rises to € 20.4 million • In the second quarter of 2011, QSC earned € 20.4 million in cash flow from operating activities, as opposed to € 13.6 million in the second quarter of 2010. Cash used in investing activities rose to € -52.3 million, as opposed to € -5.4 million in the second quarter of 2010. This line item records, in particular, payments for the acquisition of INFO AG, less acquired liquid assets, as well as the second tranche of the purchase price for IP Partner totaling € -42.7 million. Cash used in financing activities amounted to € -4.8 million in the second quarter of 2011, as opposed to € -5.2 million for the same quarter one year earlier.

OPERATING CASH FLOW (in € millions)

QSC earns free cash flow of € 7.0 million • In the second quarter of 2011, QSC generated a free cash flow in the amount of € 7.0 million. This key steering metric reflects the change in net liquidity/indebtedness prior to the acquisitions. The following table shows all parameters as of the two closing dates, March 31 and June 30, 2011.

In € million	Jun. 30, 2011	Mar. 31, 2011
Liquidity		
Cash and cash equivalents	5.0	41.8
Available-for-sale assets	0.3	0.3
Liquidity	**5.3**	**42.1**
Interest-bearing liabilities		
Short-term liabilities under financing contracts	(6.8)	(4.1)
Long-term liabilities under financing contracts	(8.2)	(1.3)
Liabilities to banks	(20.4)	(3.9)
Interest-bearing liabilities	**(35.4)**	**(9.3)**
Net liquidity / indebtedness	**(30.1)**	**+32.8**

This reduced liquidity, which also includes available-for-sale assets in addition to cash and cash equivalents, by € 36.8 million in the second quarter of 2011. Interest-bearing liabilities, on the other hand, rose by € 26.1 million. However, these changes were predominantly attributable to the two acquisitions:

- During the past quarter, the second tranche of the purchase price for IP Partner lowered liquidity by € 2.5 million.
- QSC paid € 40.2 million for the acquisition of the majority interest in INFO AG.
- In addition, QSC initially consolidated INFO AG's net indebtedness in the amount of € 27.1 million in its Consolidated Interim Financial Statements.

Overall, the acquisition-related changes amount to € 69.8 million. However, these numbers are not taken into consideration in viewing free cash flow, which is based upon the financial strength of operative business, resulting overall in a positive free cash flow in the amount of € 7.0 million.

FREE CASH FLOW (in € millions)

QSC predominantly utilizes its strong financial position to finance acquisitions • The Company is essentially utilizing two sources in financing the acquisitions of INFO AG and IP Partner: Available liquid assets and its ongoing positive free cash flow. Utilization of these sources of financing, like the initial consolidation of INFO AG, influenced the Company's financial position as of June 30, 2011. This is because QSC also acquired short- and long-term liabilities within the framework of these acquisitions.
Long-term liabilities increased to 18.8 million as of June 30, 2011, as opposed to € 7.2 million as of December 31, 2010. In addition to consolidation of the long-term liabilities of INFO AG under financing agreements, this rise was also attributable to the initial inclusion of this subsidiary's existing pension provisions in the Consolidated Interim Financial Statements.
Short-term liabilities rose to € 172.0 million as of June 30, 2011, as opposed to € 140.9 million at year-end 2010. This rise was caused, in particular, by two line items: Liabilities to banks doubled to € 20.4 million, as opposed to € 10.0 million as of December 31, 2010; this was a result of the initial consolidation of INFO AG and IP Partner. Moreover, QSC records liabilities in the amount of € 13.5 million from the tender offer as of June 30, 2011; this represents the counter-value of all outstanding shares of INFO AG prior to the tender offer.

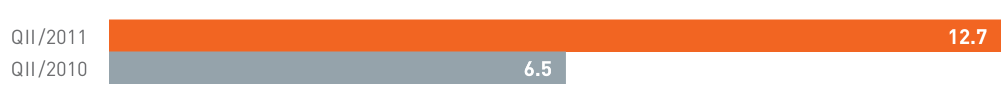
High equity ratio documents unbroken financial strength • Shareholders' equity declined moderately to € 179.2 million as of June 30, 2011, as opposed to € 184.0 million on December 31, 2010. Consolidated net income in the amount of € 10.4 million was offset by entries against shareholders' equity for the acquisition of further shares of INFO AG. The Notes to the Consolidated Financial Statements contain further information in this regard relating to the "Acquisition of non-controlling shares." The equity ratio thus remained at a sound, high level of 48 percent as of June 30, 2011.

EQUITY RATIO

IP Partner doubles floor space for Housing and Hosting projects

Non-recurring rise in capital investments • Capital expenditures increased to € 12.7 million in the second quarter of 2011, as opposed to € 6.5 million for the same quarter one year earlier. Around € 3 million of this amount was attributable to the construction of a new data center for DATEV by IP Partner; during the current fiscal year, this subsidiary is doubling the amount of floor space available for Housing and Hosting projects.
As a result, infrastructure accounted for 46 percent of capital investments, 42 percent were customer related, while the remaining 12 percent were attributable to investments in plant and equipment.

CAPITAL EXPENDITURES (in € millions)



Sharp rise in long-term assets • As a result of the acquisitions, total long-term assets increased to € 281.8 million as of June 30, 2011, as opposed to € 189.3 million on December 31, 2010. Goodwill, alone, provisionally grew to € 98.2 million, as opposed to € 49.3 million as of December 31, 2010. The value of property, plant and equipment increased to € 123.1 million, as opposed to € 108.1 million at the close of the 2010 fiscal year. For the first time, QSC's Consolidated Interim Financial Statements additionally record land and buildings in the amount of € 28.0 million; INFO AG owns its corporate headquarters in Hamburg, which also houses the data center.
Current assets, on the other hand, declined to € 88.3 million in the second quarter of 2011, as opposed to € 142.9 million as of December 31, 2010. Former Plusnet co-shareholder TELE2 had already settled the outstanding receivable in the amount of € 28.4 million in the first quarter of 2011. The decline in cash and cash equivalents from € 46.2 million as of December 31, 2010, to € 5.0 million was attributable to the expenditures for the acquisition of IP Partner and INFO AG.

HUMAN RESOURCES

Workforce rises to 1,258 people • As of June 30, 2011, QSC employed a total workforce of 1,258 people, more than twice as many as at year-end 2010. This rise was essentially attributable to the acquisition of INFO AG and IP Partner. At the end of June, 612 people were employed at INFO AG, 62 at IP Partner. QSC AG, itself, employed 511 people, network operating company Plusnet, 62, and domain specialist EPAG, 11.

RISK REPORT

No major change in risk position • In the second 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.

REPORT ON SUBSEQUENT EVENTS

Joachim Trickl to leave QSC • On July 14, 2011, QSC announced that Chief Operating Officer (COO) Joachim Trickl would be leaving the Company effective August 31, 2011, in order to pursue new challenges. Joachim Trickl had been with QSC since February 1, 2009, where he drove, in particular, the operating and selling activates of the three business units: Managed Services, Products and Wholesale/Reseller. During his term of office, he was able to bring to a successful conclusion QSC's rigorous alignment toward the business customer market, expansion of the portfolio to include value-added services, as well as the Company's development into a solutions provider.

Tender offer term for INFO AG expires • The public tender offer for INFO AG expired subsequent to the end of the period covered by this Report. QSC's holdings now total 3,675,971 INFO shares, or 91.90 percent of voting rights. The chapter entitled "Course of Business" contains further information relating to this acquisition.

QSC holds 91.90 percent of INFO voting rights

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

OUTLOOK REPORT

Guidance reiterated • Following the successful conclusion of the public tender offer for INFO AG, QSC will be focusing during the coming months on intensifying collaboration with this company as well as with IP Partner, which was acquired in early 2011. Particular attention will be paid to utilizing opportunities for collaboration in selling and marketing operations. QSC anticipates that these preparations will culminate in significantly positive contributions to both revenues and profitability during the course of the coming fiscal year.

Plans call for first distribution of a dividend for 2011

In spite of the costs, time, and effort that the above involves, QSC is reiterating its guidance for the full 2011 fiscal year: The Company anticipates that free cash flow will rise to between € 35 and € 45 million. Moreover, plans call for the first distribution of a dividend for the current fiscal year.

FREE CASH FLOW (in € millions)

* planned

Two-track development of ICT market • QSC anticipates that its market will again fail to see uniform development in the coming quarters. The stiff price competition is likely to continue in voice business, in particular, and might even intensify. QSC is also observing a growing trend toward shakeout competition and price wars in Wholesale DSL business as well as in connection with standard TC products. As in the past, the Company will be taking a cautious approach in this kind of environment and will continue to ensure that it earns a sufficient contribution margin on every product and every service.

In view of these developments in the TC market, the Company's evolution early on into a provider of ICT services is now paying off handsomely. This is because it is enabling QSC to benefit from the growing demand for Housing, Hosting, IT Outsourcing and IT Consulting, for example. And Cloud Computing is playing an increasingly important role in this environment. Industry association BITKOM assumes that revenues in this market will quadruple to € 8 billion by the year 2015.

The Outlook Report in the 2010 Annual Report contains further information on the development of individual markets in fiscal 2011 and beyond, under "Future General Industry Conditions."

Growth of IP-based revenues • Analogously to the development of the market, QSC anticipates that its revenues will also develop on a two-track basis in the coming quarters: Declining revenues in the traditional lines of business as a TC network operator are likely to be offset by the rising IP-based revenues as a provider of ICT services. The Managed Services segment, in particular, which records the vast majority of the revenues of the two new subsidiaries INFO AG and IP Partner, is expected to benefit from this growth.

Aside from this, two decisions by the German Federal Network Agency should be taken into consideration in comparing revenues year on year: The reduction of the termination fees for mobile calls is resulting in a revenue decline of nearly € 5 million per quarter during the current fiscal year at QSC; the reduction of the fees for fixed-line calls, effective July 1, 2011, is likely to involve revenue declines in the low single-digit million euro range.

Sustained cost discipline • Given the challenges, especially in voice business, QSC is sustaining its strict cost discipline throughout all of the Company's operations. QSC regularly reviews its existing cost structure, especially regarding standardized voice and data services, and realizes savings potential resulting, for example, from a streamlining of the existing infrastructure or renegotiation of contracts for preliminary services.
These measures, along with the growth of the Company's typically high-margin IP-based revenues and declining depreciation expense, will help to strengthen QSC's profitability during the current fiscal year.

Collaboration with new subsidiaries the cause of additional costs • During the course of the coming months, QSC will be intensifying collaboration with INFO AG and increasingly integrating IP Partner. In doing so, the Company is putting in place the prerequisites for realizing existing potential, in particular cross-selling, during the course of the coming fiscal year. However, these preparations will involve non-recurring costs during the current fiscal year. These costs will result, for example, from increased travel between the locations in Cologne (QSC), Hamburg (INFO) and Nuremberg (IP Partner), the redesign of the QSC Group's Look & Feel, as well as the inclusion of external experts in individual projects. For the third and fourth quarter, the Company estimates costs on the order of € 1 to € 2 million per quarter for this.

Acquistion costs estimated to be €1m to €2m per quarter

QSC soundly financed • In the third quarter of 2011, QSC will acquire all 619,483 INFO shares that were offered to the Company within the context of the public tender offer. The Company has already recorded a liability in the amount of € 13.5 million for this purpose in the Consolidated Interim Financial Statements for the period ended June 30, 2011. Moreover, the Company had already paid the final tranche of the purchase price for IP Partner in the amount of € 7.5 million at the end of July.
QSC will utilize its financial strength to finance this transaction, too, and, in addition to current free cash flow, will utilize an existing credit facility that has only been partially drawn upon. At the same time, the Company will continue to pursue conclusion of an agreement on a line of credit for the coming fiscal year, and anticipates that these talks will be concluded in Q3 2011.
With its existing line of credit and a positive free cash flow, QSC thus views itself as being well financed for the coming quarters. Overall, the Company anticipates a positive free cash flow in the amount of between € 35 and € 45 million for fiscal 2011.
This financial strength of QSC's operative business is also making a major contribution toward financing planned capital investments. One key area consists of doubling the floor space available at IP Partner for Housing and Hosting services. Overall, QSC anticipates that capital expenses will account for a maximum of 8 percent of revenues in fiscal 2011.

Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Euro amounts in thousands (K€)

	01/04/–30/06/ 2011	01/04/–30/06/ 2010	01/04/–30/06/ 2011	01/04/–30/06/ 2010
Net revenues	**121,831**	**104,923**	**226,911**	**210,829**
Cost of revenues	(82,885)	(66,881)	(151,021)	(135,172)
Gross profit	**38,946**	**38,042**	**75,890**	**75,657**
Sales and marketing expenses	(11,729)	(10,911)	(21,865)	(22,583)
General and administrative expenses	(7,326)	(7,335)	(13,549)	(14,167)
Depreciation and non-cash share-based payments	(12,939)	(14,603)	(25,340)	(30,236)
Other operating income	83	77	172	648
Other operating expenses	(628)	(142)	(832)	(244)
Operating profit	**6,407**	**5,128**	**14,476**	**9,075**
Financial income	130	29	217	148
Financial expenses	(798)	(533)	(1,150)	(1,066)
Net profit before income tax	**5,739**	**4,624**	**13,543**	**8,157**
Income tax	(1,813)	(339)	(3,144)	(661)
Net profit	**3,926**	**4,285**	**10,399**	**7,496**
thereof attributable to non-controlling interests	421	-	421	-
thereof attributable to owners of QSC AG	3,505	4,285	9,978	7,496
Earnings per share (basic) in €	**0.03**	**0.03**	**0.07**	**0.05**
Earnings per share (diluted) in €	**0.03**	**0.03**	**0.07**	**0.05**

CONSOLIDATED BALANCE SHEET (unaudited)

Euro amounts in thousands (K€)

	Jun. 30, 2011	Dec. 31, 2010
ASSETS		
Long-term assets		
Property, plant and equipment	123,099	108,087
Land and buildings	27,951	-
Goodwill	98,154	49,279
Other intangible assets	23,452	22,959
Other long-term financial assets	613	498
Deferred tax assets	8,484	8,484
Long-term assets	**281,753**	**189,307**
Short-term assets		
Trade receivables	63,666	61,284
Receivables from former shareholders	-	28,358
Prepayments	10,361	2,883
Inventories	1,214	1,045
Other short-term financial assets	7,649	2,774
Available-for-sale financial assets	339	332
Cash and short-term deposits	5,032	46,233
Short-term assets	**88,261**	**142,909**
TOTAL ASSETS	**370,014**	**332,216**

	Jun. 30, 2011	Dec. 31, 2010
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Equity attributable to owners of QSC AG		
Capital stock	137,213	137,128
Capital surplus	139,725	139,593
Other capital reserves	(1,390)	(1,291)
Accumulated deficit	(98,072)	(91,382)
Equity attributable to owners of QSC AG	177,476	184,048
Equity attributable to non-controlling interests	1,743	-
Shareholders' equity	179,219	184,048
Liabilities		
Long-term liabilities		
Long-term liabilities under financing arrangements	8,151	2,044
Convertible bonds	21	20
Accrued pensions	6,038	1,067
Deferred tax liabilities	4,624	4,108
Long-term liabilities	18,834	7,239
Short-term liabilities		
Trade payables	44,749	38,043
Short-term liabilities under financing arrangements	6,842	5,493
Liabilities relating to public tender offer	13,539	-
Liabilities due to banks	20,432	10,000
Other provisions	7,813	2,085
Accrued taxes	4,493	2,215
Deferred cost	58,299	69,842
Other short-term liabilities	15,794	13,251
Short-term liabilities	171.961	140,929
Liabilities	190,795	148,168
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	370,014	332,216

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Euro amounts in thousands (K€)

	01/01/ – 30/06/ 2011	01/01/ – 30/06/ 2010
Cash flow from operating activities		
Net profit before income taxes	13,543	8,157
Depreciation and amortization	25,298	25,763
Non-cash share-based payments	(80)	(9)
Loss from disposal of long-term assets	376	586
Changes in provisions	714	2,181
Changes in receivables from former shareholders	28,358	-
Changes in trade receivables	7,394	(1,062)
Changes in trade payables	(2,120)	(610)
Changes in other financial assets and liabilities	(25,702)	(9,731)
Cash flow from operating activities	**47,781**	**25,275**
Cash flow from investing activities		
Purchase of subsidiary less liquid assets acquired	(56,523)	-
Purchase of intangible assets	(7,662)	(9,242)
Purchase of property, plant and equipment	(7,599)	(1,928)
Cash flow from investing activities	**(71,784)**	**(11,170)**
Cash flow from financing activities		
Issuance of convertible bonds	1	-
Repayment of liabilities to other shareholders	-	(553)
Proceeds from issuance of common stock	175	-
Repayment of other short- and long-term liabilities	(576)	(1,079)
Repayment of loans granted	(12,357)	-
Repayment of liabilities under financing arrangements	(4,441)	(9,736)
Cash flow from financing activities	**(17,198)**	**(11,368)**
Change in cash and short-term deposits	**(41,201)**	**2,737**
Change in cash and short-term deposits as of January 1	46,233	40,952
Cash and short-term deposits as of June 30	**5,032**	**43,689**
Interest paid	1,025	1,023
Interest received	216	142
Income tax paid	547	93

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/06/ 2011	01/01/–30/06/ 2010
Other comprehensive income		
Actuarial gains on defined benefit pension plans	(194)	-
Tax effect, total	62	-
Other comprehensive income	**(132)**	**-**
Net profit for the period	10,399	7,496
Total comprehensive income for the period	**10,267**	**7,496**
Total comprehensive income attributable to:		
Non-controlling interests	388	-
Owners of QSC AG	9,879	7,496

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Euro amounts in thousands (K€)

	Equity attributable to owners of QSC AG				
	Capital stock	Capital surplus	Other capital reserves	Accumulated deficit	Total
Balance as of January 1, 2011	137,128	139,593	(1,291)	(91,382)	184,048
Net profit for the period				9,978	9,978
Other comprehensive income for the period, net of tax			(99)		(99)
Total comprehensive income			(99)	9,978	9,879
Acquisition with non-controlling interests					
Public offer to acquire non-controlling interests				(13,539)	(13,539)
Acquisition of non-controlling interests up to reporting date				(3,129)	(3,129)
Conversion of convertible bonds	85	90			175
Non-cash share-based payments		42			42
Balance as of June 30, 2011	137,213	139,725	(1,390)	(98,072)	177,476
Balance as of January 1, 2010	136,998	563,687	(1,129)	(539,844)	159,712
Total comprehensive income				7,496	7,496
Non-cash share-based payments		121			121
Balance as of June 30, 2010	136,998	563,808	(1,129)	(532,348)	167,329

Equity attributable to non-controlling interests	Total share-holders' equity	
-	184,048	**Balance as of January 1, 2011**
421	10,399	Net profit for the period
		Other comprehensive income for the period, net of tax
388	10,267	**Total comprehensive income**
4,620	4,620	Acquisition with non-controlling interests
		Public offer to acquire non-controlling interests
		Acquisition of non-controlling interests
(3,265)	(6,394)	up to reporting date
	175	Conversion of convertible bonds
	42	Non-cash share-based payments
1,743	179,219	**Balance as of June 30, 2011**
-	159,712	**Balance as of January 1, 2010**
	7,496	Total comprehensive income
	121	Non-cash share-based payments
-	167,329	**Balance as of June 30, 2010**

Notes to the Consolidated Interim Financial Statements

CORPORATE INFORMATION

QSC AG (QSC or the Company) offers small and mid-size enterprises an extensive range of ICT services – from telephony, data transfer, Housing and Hosting right through to IT Outsourcing and IT Consulting. With its subsidiaries INFO AG, a full-line provider of IT services headquartered in Hamburg, and IP Partner AG, a Housing and Hosting specialist headquartered in Nuremberg, the QSC Group numbers among the leading mid-size providers of ICT services in Germany. QSC offers custom-tailored Managed Services for individual ICT needs, as well as a comprehensive product portfolio for customers and marketing partners that can be modularly adapted to suit the communications and IT needs in question. QSC offers its services on the basis of its own Next Generation Networks (NGN) and operates an Open Access platform, which unites a wide range of broadband technologies.

QSC is a stock corporation registered in the Federal Republic of Germany whose legal domicile is Mathias-Brüggen-Strasse 55, 50829 Cologne, Germany. The Company is carried on the Register of Companies of the Local Court of Cologne under Number HRB 28281. QSC has been listed on the Deutsche Börse Stock Exchange since April 19, 2000, and on the Prime Standard since the beginning of 2003, following the reorganization of the equity market. On March 22, 2004, QSC was added to the TecDAX index, which includes the 30 largest and most liquid technology stocks 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 International Financial Reporting Standards (IFRS) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting." The Consolidated Interim Financial Statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group's Consolidated Financial Statements as of December 31, 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 June 30, 2011, do not necessarily indicate the development of future results.

Except for the accounting policies described below, the Consolidated Interim Financial Statements have been drawn using the same accounting policies as applied in the Consolidated Financial Statements for the 2010 fiscal year. The new accounting policies result from the first-time inclusion of IP Partner AG and INFO AG in the Consolidated Interim Financial Statements for the six-month period ended June 30, 2011:

Leasing • The Group decides on a case by case basis whether to lease or buy items. In accordance with IAS 17, items attributable to the Group as economic owner are recognized as assets and depreciated over their useful lives or, if shorter, over the lease period. The obligation arising from the leasing arrangements is recognized as a liability and reduced over the lease period by the capital portion of the lease payments. Contracts classified as finance leases relate primarily to arrangements for IT equipment and computer center technology. Leased assets are measured at their fair value or, if lower, at the present value of the minimum lease payments during the non-cancelable period of the lease.
Under the rules contained in IFRIC 4, the Group also is deemed to be the lessor in certain multi-component arrangements. In these cases, the amounts due from the lessees under finance lease arrangements are recognized as discounted receivables at an amount equal to the net investment in the lease and reported within "Trade receivables".
In the case of a multi-component contract, the arrangements are separated into a service component for services to be rendered and a trading component for the leased-out hardware. Revenues for services rendered are recognized on a time-allocated basis (pro rata temporis) over the term of the contract and revenues relating to trading are recognized in full in the year in which the contract is signed.
Future receivables arising on construction contracts are accounted for using the percentage of completion (PoC) method in accordance with IAS 11 if there is a customer-specific order. Profit is recognized by reference to the stage of completion of the contract when total contract costs and contract revenue of the relevant contract can be measured reliably in accordance with the requirements of IAS 11. The stage of completion of a contract is determined using the cost-to-cost method (IAS 11.30a). When the above requirements are met, total contract revenue is recognized by reference to the stage of completion of the contract. Contract costs comprise costs relating directly to the contract as well as indirectly attributable production overheads. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized immediately as an expense.
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 June 30, 2011. The circle of consolidated companies has been expanded to include the following companies by comparison with December 31, 2010:

IP Partner AG • On December 21, 2010, QSC published an ad hoc release relating to the acquisition of all of the shares of IP Partner AG, in Nuremberg. The effective date of the share transfer (acquisition date) was January 3, 2011. IP Partner AG operates two computer centers, located in Munich and Nuremberg, with more than 10,000 servers serving in excess of 1,000 customers. Construction of further computer centers with a total area of over 3,000 sqm is currently under way. The acquisition of IP Partner AG is part of the strategy of accelerating QSC's transformation from being a telecommunications provider to becoming an integrated information and communications technology (ICT) service provider, capable of providing a broader range of services to its predominantly mid-size corporate customers.
The preliminary purchase price amounts to K€ 24,684 and comprises three components. On January 3, 2011, QSC paid K€ 15,000 in cash to the former shareholders, followed by a further K€ 2,500 on May 5, 2011. Under the terms of the purchase agreement, the final installment in the maximum amount of K€ 7,500 falls due for payment at the end of April 2012 at the latest, whereby the actual date is dependent, amongst other factors, on the performance of the IP Partner Group. Transaction costs amounting to K€ 81 were also incurred in conjunction with the acquisition and have been recognized as an expense for the period and are included in other operating expenses.
The IP Partner AG-Group contributed revenue of K€ 9,909 and earnings of K€ 2,208 to QSC for the six-month period ended June 30, 2011. The fair value of the identifiable assets and liabilities of the IP Partner AG-Group at acquisition date were as follows:

in K€	Recognized on acquisition
Assets	
Intangible assets	14
Property, plant and equipment	5,575
Trade receivables	264
Other assets	1,170
Cash on hand and at bank	1,021
Assets	**8,044**
Liabilities	
Provisions	(883)
Liabilities to banks	(3,559)
Trade payables	(591)
Other liabilities	(1,191)
Liabilities	**(6,224)**
Fair value of net assets acquired	**1,820**
Acquisition cost	24,684
Fair value of net assets acquired	(1,820)
Preliminary amount recognized as goodwill	**22,864**

Costs of purchase as well as the fair values of acquired assets and liabilities have been measured 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 has been provisionally increased by K€ 22,864. 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.

INFO Gesellschaft für Informationssysteme AG • On May 2, 2011, QSC concluded a purchase agreement with MZ Erste Vermögensverwaltungsgesellschaft mbH, Hamburg, a major shareholder of INFO Gesellschaft für Informationssysteme AG, Hamburg, (INFO AG) for the purchase of 58.98 percent of the 4,000,000 issued shares of INFO AG for a price of € 14.35 per share. MZ Erste Vermögensverwaltungsgesellschaft mbH has therefore sold all of its shares it previously held in INFO AG. INFO AG also held 251,403 of its own shares (treasury shares).
Transaction costs of K€ 810 arising in conjunction with the transaction have been recognized as an expense for the period and are included in other operating expenses.
INFO AG is an independent provider for IT outsourcing and IT consulting services in Germany.

Its portfolio of services comprises the planning, implementation and subsequent operation of complex IT solutions for national and international mid-size companies. INFO AG has three computer centers in Hamburg and Oberhausen with a total area of over 6,000 sqm. At the same time INFO AG is also an SAP system-house and a Microsoft Gold Certified Partner. The takeover of INFO AG extends and enhances QSC's portfolio with additional IT expertise and will significantly accelerate QSC's transformation from a telecommunications provider to ICT service provider. With a workforce of just under 1,300 employees, the expanded Group will be able to offer a comprehensive range of ICT services to mid-size corporate customers – ranging from voice and data communications, Housing, Hosting, IT outsourcing through to IT consulting, thus strengthening QSC's position as an independent ICT service provider.

INFO AG contributed consolidated revenue of K€ 16,709 and earnings of K€ 1,299 to the QSC Group for the period from May 2 to June 30, 2011. If the acquisition had taken place with effect from January 1, 2011, management estimates that INFO AG's consolidated revenue for the first six months of 2011 would have been K€ 48,066 and that the profit attributable to the QSC Group would have been K€ 1,108.

The fair value of the identifiable assets and liabilities of the IP Partner INFO AG at acquisition date were follows:

in K€	Recognized on acquisition
Assets	
Intangible assets	2,892
Property, plant and equipment	41,183
Trade receivables	7,844
Receivables from affiliated companies	1,562
Other assets	4,324
Deferred tax asset	1,469
Cash on hand and at bank	235
Assets	**59,509**
Liabilities	
Provisions	(5,672)
Liabilities to banks	(19,245)
Trade payables	(8,871)
Other liabilities	(13,259)
Liabilities	**(47,047)**
Fair value of net assets acquired	**12,462**
thereof attributable to QSC AG 62.93%	7,842
Acquisition cost	33,853
Fair value of net assets acquired	(7,842)
Preliminary amount recognized as goodwill	**26,011**

The fair values of acquired assets and liabilities have been measured 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 has been increased provisionally by K€ 26,011. This essentially reflects the anticipated synergies stemming from the joint activities of INFO AG and QSC, in particular in the field of Managed Services. Goodwill is not tax deductible.
Moreover, newly founded tengo 01052 GmbH has been fully consolidated in the Consolidated Financial Statements since March 11, 2011. tengo 01052 markets voice products for private customers, in particular call-by-call products.

Acquisition of non-controlling interests • During the period from May 5 to 18, 2011, QSC acquired – outside the stock market – a further 446,000 shares of INFO AG from Joh. Berenberg, Gossler & Co. KG for a total consideration of K€ 6,394. As a result of the transaction, equity attributable to non-controlling interests was reduced by K€ 1,591 and the Group's accumulated deficit increased by K€ 4,802.
QSC has issued a public offer for the remainder of INFO AG's shares (943,512 shares). As a consequence of the public offer, QSC recognized a purchase price liability of K€ 13,539. The Group's accumulated deficit increased by the same amount.
The Offer Document was published on June 9, 2011. The period for accepting the takeover bid expired on July 7, 2011. Up to June 30, 2011 QSC had been offered 462,378 shares for an aggregate purchase price of K€ 6,635. As a result, equity attributable to non-controlling interests was reduced by K€ 1,674 and the Group's accumulated deficit was decreased by the same amount.
On the assumption that 100 percent of INFO AGs shares are acquired on the basis of the purchase price of € 14.35 per share stipulated in the takeover offer, a maximum purchase price of K€ 53,786 would arise.

	Number of shares	Holding as of % (as proportion of 4,000,000 shares)	Holding as of % (as proportion of 3,748,497 shares)	in €
Shareholder				
MZ Erste Vermögensverwaltungs-gesellschaft mbH (May 2, 2011)	2,359,085	58.98	62.93	33,852,869.75
Purchase of shares from Berenberg (May 5-18, 2011)	446,000	11.15	11.90	6,393,850.00
Sub-total	**2,805,085**	**70.13**	**74.83**	**40,246,719.75**
Takeover bid to June 30, 2011	462,378	11.56	12.33	6,635,124.30
Takeover bid	481,134	12.03	12.84	6,904,272.90
Treasury shares	251,403	6.29	-	-
Total	**4,000,000**	**100.00**	**100.00**	**53,786,116.95**

3 Segment reporting

In accordance with IFRS 8, QSC identifies reportable segments on the same basis as is used internally by management for evaluating performance and making decisions.

The Managed Services segment markets its activities to in excess of 8,000 large and mid-size enterprises in Germany. QSC offers tailored ICT solutions to this target group, selling directly to the entities concerned. The segment's services range from IP-based virtual private networks (IP-VPN) and related services, ITC outsourcing solutions such as Housing and Hosting through to IT consulting. The majority of the activities of the new subsidiaries, INFO AG and IP Partner, is attributable to the Managed Services segment.

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
01/04/ – 30/06/2011					
Net revenues	34,882	19,241	67,708	-	121,831
Cost of revenues	(20,258)	(9,203)	(53,424)		(82,885)
Gross profit	14,624	10,038	14,284	-	38,946
Sales and marketing expenses	(4,089)	(3,469)	(4,171)		(11,729)
General and administrative expenses	(3,078)	(2,302)	(1,946)		(7,326)
Depreciation and amortization	(4,013)	(2,920)	(5,990)		(12,923)
Non-cash share-based payments	(3)	(3)	(10)		(16)
Other operating income	17	(581)	19		(545)
Operating profit	3,458	763	2,186	-	6,407
Assets	151,957	73,193	136,380	8,484	370,014
Liabilities	55,641	19,328	111,202	4,624	190,795
Capital expenditures	6,088	1,508	5,114	-	12,710

in K€	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/04/-30/06/2010					
Net revenues	18,501	21,092	65,330	-	104,923
Cost of revenues	(8,367)	(11,262)	(47,252)		(66,881)
Gross profit	10,134	9,830	18,078	-	38,042
Sales and marketing expenses	(3,176)	(2,993)	(4,742)		(10,911)
General and administrative expenses	(2,528)	(2,534)	(2,273)		(7,335)
Depreciation and amortization	(2,640)	(2,768)	(9,145)		(14,553)
Non-cash share-based payments	(20)	(15)	(15)		(50)
Other operating income	(20)	(21)	(24)		(65)
Operating profit	1,750	1,499	1,879	-	5,128
Assets	66,822	77,200	158,537	-	302,559
Liabilities	17,469	23,034	91,133	3,594	135,230
Capital expenditures	1,574	1,587	3,329	-	6,490

in K€	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/01/ – 30/06/2011					
Net revenues	**58,227**	**39,795**	**128,889**	**-**	**226,911**
Cost of revenues	(30,643)	(19,922)	(100,456)		(151,021)
Gross profit	**27,584**	**19,873**	**28,433**	**-**	**75,890**
Sales and marketing expenses	(7,525)	(6,177)	(8,163)		(21,865)
General and administrative expenses	(5,555)	(4,392)	(3,602)		(13,549)
Depreciation and amortization	(6,979)	(5,900)	(12,420)		(25,299)
Non-cash share-based payments	(10)	(8)	(23)		(41)
Other operating income	(67)	(594)	1		(660)
Operating profit	**7,448**	**2,802**	**4,226**	**-**	**14,476**
Assets	151,957	73,193	136,380	8,484	370,014
Liabilities	55,641	19,328	111,202	4,624	190,795
Capital expenditures	8,471	3,626	6,973	-	19,070

in K€	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/01/-30/06/2010					
Net revenues	**36,648**	**42,779**	**131,402**	**-**	**210,829**
Cost of revenues	(16,584)	(22,872)	(95,716)		(135,172)
Gross profit	**20,064**	**19,907**	**35,686**	**-**	**75,657**
Sales and marketing expenses	(6,243)	(6,426)	(9,914)		(22,583)
General and administrative expenses	(4,838)	(4,938)	(4,391)		(14,167)
Depreciation and amortization	(5,334)	(5,619)	(19,162)		(30,115)
Non-cash share-based payments	(49)	(35)	(37)		(121)
Other operating income	(15)	(12)	431		404
Operating profit	**3,585**	**2,877**	**2,613**	**-**	**9,075**
Assets	66,822	77,200	158,537	-	302,559
Liabilities	17,469	23,034	91,133	3,594	135,230
Capital expenditures	3,015	3,073	7,652	-	13,740

4 Related party transactions

During the first six 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/–30/06/2011				
IN-telegence GmbH & Co. KG	314	17	326	25
Teleport Köln GmbH	9	5	10	6
QS Communication Verwaltungs				
Service GmbH	-	77	-	92
01/01/–30/06/2010				
IN-telegence GmbH & Co. KG	361	30	458	35
Teleport Köln GmbH	7	2	8	5
QS Communication Verwaltungs				
Service GmbH	-	84	-	116

in K€	Trade receivables	Trade payables
As of June 30, 2011		
IN-telegence GmbH & Co. KG	117	(4)
Teleport Köln GmbH	4	-
QS Communication Verwaltungs		
Service GmbH	-	-
As of December 31, 2010		
IN-telegence GmbH & Co. KG	70	(4)
Teleport Köln GmbH	3	-
QS Communication Verwaltungs		
Service GmbH	-	-

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	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
Dr. Bernd Schlobohm	13,818,372	13,818,372	200,000	300,000
Jürgen Hermann	180,000	145,000	200,000	47,000
Joachim Trickl	5,000	5,000	250,000	250,000

6 Supervisory Board

	Shares		Convertible Bonds	
	Jun. 30, 2011	Jun. 30, 2010	Jun. 30, 2011	Jun. 30, 2010
Herbert Brenke	187,820	187,820	-	-
John C. Baker	52,135	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	4,000	-	6,000

7 Subsequent events

QSC issued a public offer on June 9, 2011, to acquire the remainder of INFO AG's shares. This offer expired on July 7, 2011. The extended acceptance period ended on July 26, 2011. In total, 619,483 shares were offered to QSC for purchase under the terms of the takeover bid. In aggregate, taking account of the initial purchase from MZ Erste Vermögensverwaltungsgesellschaft mbH and the subsequent purchase outside the stock exchange, QSC holds 91.90 percent of the voting rights of INFO AG.
On July 14, 2011, QSC announced that Joachim Trickl, its Chief Operating Officer (COO), would be leaving the Company with effect from August 31, 2011, in order to pursue new career opportunities. Joachim Trickl's duties will be performed with immediate effect and until further notice by Thomas Surwald (Managed Services) and Arnold Stender (Products and Wholesale).
Effective July 20, 2011, Christian Seitz, member of the Management Board of IP Partner AG, resigned from his post. In accordance with the terms of the purchase agreement, the final installment was thus due for payment effective immediately.
On July 27, 2011, QSC disbursed the remaining purchase price payment of K€ 7,500 (including interest in the amount of K€ 150) to the sellers of IP Partner AG.

Cologne, August 2011

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Consolidated Interim Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Management Report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Cologne, August 2011

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

Calendar

Quarterly Report III / 2011
November 7, 2011

Conferences / Events
August 31, 2011
TMT Conference, Commerzbank, Frankfurt

September 6, 2011
WestLB Tech/Telco Day, London

September 7, 2011
TMT Conference, Deutsche Bank, London

September 28, 2011
German Investment Conference,
UniCredit, Munich

October 12, 2011
German Corporate Forum,
JPMorgan Cazenove, London

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

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