Quarterly Report II/2012

REVENUES: **116.6** million euros

EBITDA: **18.1** million euros

FREE CASH FLOW: **6.6** million euros

QSC AG

Key Data

All amounts in € million	01/04/–30/06/ 2012	01/04/–30/06/ 2011	01/01/–30/06/ 2012	01/01/–30/06/ 2011
Revenues	116.6	121.8	232.6	226.9
EBITDA	18.1	19.3	35.6	39.8
Depreciation/amortization [1]	13.2	12.9	26.6	25.3
EBIT	4.9	6.4	9.0	14.5
Net profit	2.9	3.9	5.2	10.4
Earnings per share [2] (in €)	0.02	0.03	0.04	0.07
Return on revenue (in percent)	2.5	3.2	2.2	4,.6
EBITDA margin (in percent)	15.5	15.8	15.3	17.5
EBIT margin (in percent)	4.2	5.3	3.9	6.4
Free cash flow	6.6	7.0	12.3	28.9
Capital expenditures	10.9	12.7	19.6	19.1
Capex ratio [3] (in percent)	9.3	10.4	8.4	8.4
Equity			195.1 [4]	207.3 [5]
Long-term liabilities			43.5 [4]	54.7 [5]
Short-term liabilities			153.7 [4]	129.3 [5]
Balance sheet total			392.3 [4]	391.3 [5]
Equity ratio (in percent)			49.7	53.0
Xetra closing price as of 30/06/ (in €)			2.18	3.00
Number of shares as of 30/06/			137,306,877	137,216,039
Market capitalization as of 30/06/			299.3	411.6
Employees as of 30/06/			1,417	1,258

[1] including non-cash share-based payments

[2] basic and diluted

[3] ratio of capital expenditures to revenues

[4] as of June 30, 2012

[5] as of December 31, 2011

Highlights

Strong growth in Direct Sales
During the second quarter of 2012, the QSC Group grew its Direct Sales revenues by 29 percent year on year to € 45.9 million; in comparison to the first quarter of 2012, the growth rate stood at 9 percent. Overall, the QSC Group generated revenues of € 116.6 million in the second quarter of 2012, compared to € 121.8 million the year before.

Extensive Outsourcing agreement with Amprion
Amprion GmbH, one of Europe's leading transmission network operators, inked a comprehensive Outsourcing agreement on May 31, 2012. The solution plan from QSC subsidiary INFO AG includes transitioning Amprion's IT infrastructure, its IT systems, as well as all data. In the future, INFO AG will also assume operating responsibility for this former RWE subsidiary's information technology, including the applications landscape.

QSC now marketing Outsourcing know-how as a product
In early May 2012, QSC debuted its first product in a line of new offerings for efficient IT Outsourcing: QSC-Housing. This modular concept enables Housing solutions to be put together swiftly and individually based upon the customer's needs. While the customer continues to maintain their system, the QSC Group assumes responsibility for smooth server operation at its data centers – from installation and maintenance to electrical supply and air conditioning right through to fire protection and extensive security plans.

New partners for Open Access platform
In May 2012, the QSC Group succeeded in convincing two additional regional providers with their own fiber optic networks, Cologne-based NetCologne as well as Regensburg-based R-KOM, about the advantages of QSC's Open Access platform. This platform is a network, process and services hub for providers and users of Next Generation Access (NGA) and provides partners the opportunity of marketing their regional infrastructure on a national basis.

Share buy-back program off to a successful start
On May 11, 2012, the Management Board resolved to launch the Company's first share buy-back program, with the intention of acquiring up to 10 percent of the capital stock by year-end 2012. As of July 31, 2012, QSC had already acquired 6,738,498 shares, representing 4.91 percent of the Company's capital stock.

Merger process concluded earlier than anticipated
On July 17, 2012, the QSC Group announced that the process of merging INFO AG with a wholly-owned QSC subsidiary had been concluded ahead of schedule. This provides the opportunity of both driving Group-wide collaboration as well as moving organizational and human resources integration forward.

Dear Shareholders,

In May, for the second time in a matter of months, we were able to announce an Outsourcing contract that represents an entirely new dimension for the QSC Group. Our Company will be assuming responsibility for the IT infrastructure, the IT systems, as well as the entire applications landscape of Amprion, one of Europe's leading power grid operators. In January, we had already received an order from technology provider Olympus Europe with a term of five years and a volume of € 27 million. While, as a TC provider, QSC had previously termed two million euro contracts as major orders, we are now winning contracts that involve ten times and more volume. We also owe our ability to move into this new dimension to the fact that the QSC Group can today cover 60 to 70 percent of a customer's ICT budget with its own products and services.

Yet it takes six to nine months before these kinds of major orders can turn into regular revenues. This is the lead time our experts need to transition the IT systems and applications. During this period, they build an appropriate infrastructure in our data centers, create interfaces between existing systems and QSC platforms, and update numerous customer IT modules. In other words: QSC has to first invest before it can amortize these orders. In view of the multiple-year terms they involve and the opportunity for further intensifying the customer relationship during this period, these investments offer a tremendous payoff.

Merger considerably simplifies collaboration within the Group

Large Outsourcing orders provide QSC with a good foundation for sustained growth in the coming years. At the same time, we are driving the in-house integration of the two IT providers INFO AG and INFO Holding (formerly IP Partner). In July, we were able to reach a crucial milestone much sooner than we had planned: The merger of INFO AG with INFO Holding and the subsequent delisting of INFO AG. This merger will considerably simplify Group-wide collaboration. During the current quarter, alone, for example, we will be able to drive centralization of Purchasing operations, as well as the consolidation of infrastructure locations; this had originally not been scheduled to occur in key locations until the first quarter of 2013.

Near term, these kinds of measures involve costs; yet these measures will be paying off in the years to come: The QSC Group is becoming stronger and more powerful and will be operating with a consistent culture, a consistent, lean organizational structure and efficient processes. Given this backdrop, as well, 2012 will be a year of preparation as we travel the road toward becoming an ICT provider.

And as we traveled this road, QSC made progress on multiple levels during the past quarter: Thanks to our broad portfolio, we were able to win any number of additional marketing partners in the IT environment faster than we had thought. With QSC-Housing, we launched a product offensive in the IT Outsourcing market in May; and following our "cospace" collaboration platform,

this was followed in July by the QSC-Analyser, our next in-house software-based development. In addition, more and more regional fiber optic network operators are going with our Open Access platform; during the second quarter, two additional prominent providers were added, NetCologne and Regensburg-based R-KOM.

TC revenues are still preventing these advances from manifesting themselves in the form of rising overall revenues and profitability. Markets like call by call or ADSL2+ are dominated by stiff price competition, in which QSC does not engage. Instead, we are focusing on forward-looking ICT business. The development in Direct Sales shows just how much progress QSC is making here: Revenues rose by 9 percent over the first quarter of 2012, and by a strong 29 percent year on year. Our evolution into an ICT provider is paying off!

Cologne, August 2012

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Arnold Stender

Thomas Stoek

QSC Share Performance

Euro crisis and concerns about the economy burden capital market • Following often significant share price rises at beginning of the year, the mood on the German capital market clouded up again during the second quarter with the DAX dropping 8 percent and the TecDAX losing 6 percent of its value. This decline was primarily attributable to the sustained discussion about the future of the European common currency, the euro, as well as increasing signs of renewed economic weakness.

QSC shares succeeded in going against this negative trend; their trading price of € 2.18 on June 29, 2012, was up marginally from their closing price of € 2.17 at the end of March. This means that they were able to swiftly compensate for their losses stemming from the transfer of some 25.2 million shares that had been held by long-term QSC shareholder Baker Capital to predominantly U.S. investors and the subsequent wave of sell-offs. The oversupply had depressed trading prices for QSC shares to as low as € 1.65 in May 2012. The QSC share price recovery was sustained in July. By July 31, 2012, trading prices had risen to € 2.32, thus advancing by 11 percent since the outset of the year.

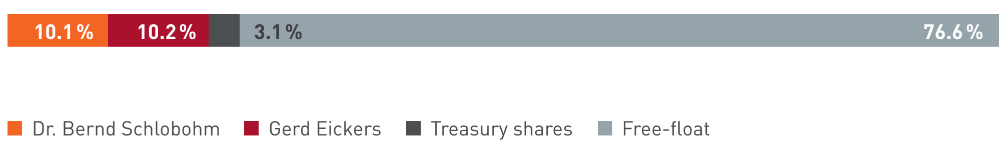
QSC shares up 11 percent since the outset of the year

The temporary slump in trading prices played a major role in the lower trading volumes: At € 76.3 million, they were down 33 percent from the preceding quarter and were 43 percent lower year on year. However, with an average of 638,000 shares changing hands each day, QSC shares continue to number among the 30 most widely-traded technology stocks in Germany. It should also be noted that these numbers contain only trades on the XETRA as well as on the Frankfurt Stock Exchange; in a new study, Close Brothers Seydler Bank AG found that only 59 percent of QSC trades occurred there. 41 percent are already being accounted for by alternative, off-exchange platforms, which are being increasingly utilized by institutional investors, in particular.

SHARE PRICE PERFORMANCE (indexed)

Successful start to share buy-back program • For the first time in its history, the Company, itself, acquired QSC shares on the stock exchange during the second quarter of 2012. On May 11, 2012, the Management Board resolved to acquire treasury shares totaling up to 10 percent of the Company's capital stock by December 31, 2012, which represents 13,699,913 shares. The Management Board thus utilized an authorizing resolution adopted by the Annual Shareholders Meeting on May 20, 2010. On July 6, 2012, the Management Board announced that the Company had crossed the 3-percent threshold and was now holding 3.1 percent of all shares, or 4,230,532 shares.

SHAREHOLDER STRUCTURE AS OF JULY 6, 2012



As of this date, the largest shareholders continued to be the Company's two founders, Dr. Bernd Schlobohm and Gerd Eickers, holding 10.1 and 10.2 percent, respectively; both of these individuals had increased their shareholdings on May 18, 2012, with each acquiring 100,000 shares on the stock exchange. At the beginning of July, the free-float was 76.6 percent with the Register of Shares showing that institutional investors accounted for 62 percent and private investors for 38 percent.

QSC distributes dividend of 8 cents per share

During the past quarter, all shareholders participated in the Company's first dividend distribution; the Annual Shareholders Meeting on May 16, 2012, had concurred with the proposal by the Management and Supervisory Boards to distribute a dividend in the amount of 8 cents per share.

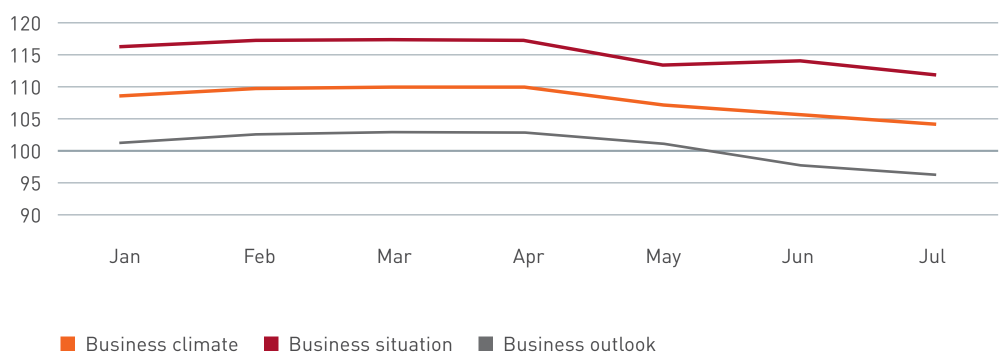
Consolidated Interim Report QII/2012

GENERAL ECONOMIC CONDITIONS

Rising economic uncertainty • While there were increasing indications of an economic recovery during the first quarter of 2012, the warning signs once again predominated during the past quarter. The leading German economic barometer, the ifo Business Climate Index, retreated in all segments from April through June: In June, the surveyed entrepreneurs viewed their own situation, the current climate and their own expectations more poorly than in the previous three months. In fact, the ZEW Economic Expectations, an indicator from the Center for European Economic Research, plummeted by 27.7 points, the most serious drop since October 1998. In addition to the persistent euro crisis, this growing pessimism is also being fueled by weaker growth once again in both the industrial and emerging countries. The strong fluctuations that are being displayed by major economic indicators are also a manifestation of the nervousness and insecurity of many market players, making planning more difficult for enterprises in all sectors of the economy.

Major economic indicators fall in second quarter

IFO BUSINESS CLIMATE INDEX (2005 index value = 100)



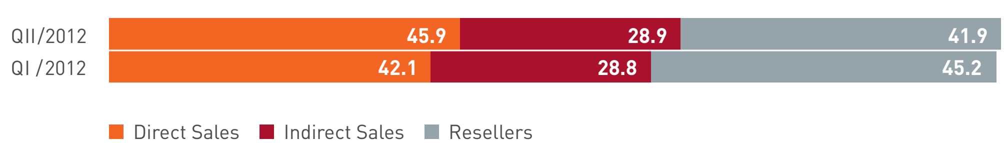
In this environment, the German ICT industry is developing on a comparatively robust note. In a study published in June 2012, the European Information Technology Observatory (EITO) comes to the conclusion that ICT revenues in Germany are expected to rise by 1.6 percent during the current year, thus outpacing the other countries of Europe. However, what should be noted in this connection is that there continues to be a two-track development within this market: Rising IT revenues are offsetting stagnating or declining revenues in the TC sector.

Every second enterprise interested in Cloud solutions • Cloud applications are a major growth driver in the ICT market; and German companies, too, are utilizing them more and more often in organizing their daily work. Web- and videoconferencing are enjoying strong popularity in this connection, especially among smaller organizations. While there is an initial hesitation to deploy isolated Cloud-based e-mail and telephony solutions, keen interest exists in completely virtualized workplace solutions. These are the conclusions contained in a current PAC study that was supported by QSC, "Communication & Collaboration from the Cloud," which queried over 200 individuals who are responsible for ICT in organizations with workforces of at least 20 people in Germany. The study shows that one out of every two companies is interested in workplace solutions from the Cloud. One in every ten organizations is already utilizing Net-based collaboration solutions in the workplace.

COURSE OF BUSINESS

Direct Sales sailing success course • The operating business of the QSC Group developed on a positive note during the second quarter of 2012, with revenues rising by € 0.6 million from the first quarter of 2012 to € 116.6 million. Revenue growth of € 3.8 million in Direct Sales offset revenue declines of € 3.3 million among resellers, while revenues remained constant in Indirect Sales.

REVENUE MIX (in € million)



The dynamics in Direct Sales are coming, in particular, from strong demand for Outsourcing solutions. In the second quarter of 2012, the QSC Group was able to announce another important contract with Amprion GmbH, one of Europe's leading transmission network operators. The solution plan for this former RWE subsidiary includes transitioning Amprion's entire IT infrastructure, its IT systems, as well as all data, followed by the responsibility for all of its IT operations. This long-term Outsourcing agreement marks the second time within a matter of months that the QSC Group has signed an agreement moving it into an entirely new dimension. As in the case of the contract with Olympus Europa Holding in January 2012, during the coming months QSC will initially be putting the prerequisites in place for smooth IT operations and incurring corresponding capital expenses and advance payments in this connection before this major contract culminates in Direct Sales revenues.

The Company concludes agreements in an entirely new dimension

New Outsourcing offering in Indirect Sales • Indirect Sales, too, has to incur lead times before new products and new partners can produce additional revenues and contribution margins. During the second quarter of 2012, the Company debuted its first product in an entire line of new Outsourcing offerings that are currently under development. The modular concept enables Housing solutions to be put together swiftly and individually based upon the customer's needs. The QSC Group assures smooth server operation at its data centers – from installation and maintenance to electrical supply and air conditioning right through to fire protection and extensive security plans. Moreover, at this year's Microsoft Worldwide Partner Conference in Toronto, Canada, QSC announced that it would be bringing to market in the coming months the first joint hybrid Cloud offerings that are being planned with Microsoft Germany.

In addition to broadening its IT-related product portfolio, the QSC Group also expanded its partner network during the past quarter to include further IT systems houses and regional IT service providers. As of July 31, 2012, the network already consisted of 353 companies – following the appropriate training, this will serve as a good foundation for marketing the QSC Group's entire ICT portfolio.

As of Mid 2012, QSC has more than 353 sales partners

Conventional TC revenues continue to decline • The third business unit, Resellers, again saw a sharp drop in conventional TC revenues in the second quarter of 2012. This stronger-than-expected decline in revenues applies, in particular, to the Wholesale ADSL2+ offering and the voice revenues that build upon it. The QSC Group continues to refuse to engage in the stiff price competition in this market, preferring instead to incur revenue declines in this low-margin business.

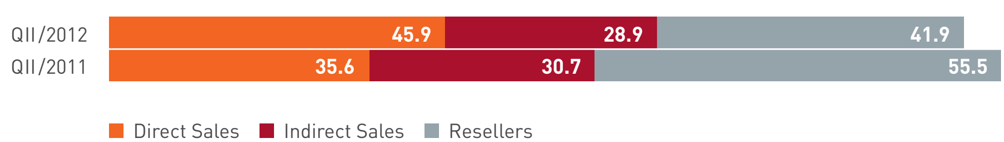
Progress in the transformation process • The differing development of the three business units underscores the strategic importance of the Company's transformation process into an ICT provider. From quarter to quarter, the QSC Group is reducing its dependence upon conventional TC business, while at the same time increasingly participating in the growth of the IT market. The Company is also broadening its IT competence by recruiting additional professionals, and with its new products and marketing partners, it is laying the groundwork for sustained growth in the coming years.

One key prerequisite for the Company's planned medium-term growth consists of seamless collaboration within the entire QSC Group; in fiscal 2011, the Company had acquired two IT providers, INFO AG and IP Partner. During the past quarter, QSC again focused on bundling its competencies in Sales and Marketing. With a view to the ongoing process to merge INFO AG with INFO Holding (formerly IP Partner), more far-reaching measures had not yet been implemented. On July 17, 2012, this merger was recorded in the commercial register. Further information in this regard is contained in the reports on subsequent events and outlook.

PROFITABILITY

Direct Sales develops into top revenue-producing segment • In the second quarter of 2012, the QSC Group generated revenues of € 116.6 million, compared to € 121.8 million for the same quarter the year before. While ICT revenues in Direct Sales advanced by € 10.3 million to € 45.9 million during this same period, predominantly conventional TC revenues with resellers decreased by € 13.6 million to € 41.9 million. Revenues in Indirect Sales stood at € 28.9 million, compared to € 30.7 million for the same quarter one year earlier. The second quarter marked the first time that Direct Sales had advanced to become the segment with the highest revenues in the QSC Group.

REVENUE MIX (in € million)



Revenue shortfall of € 3 million due to regulatory order

In comparing these numbers with the corresponding quarter the year before, it should be noted that there had already been for the last time a revenue shortfall of some € 3 million that was attributable to an order by the German Federal Network Agency to lower termination fees effective July 1, 2011. These termination fees are a transitory item for the QSC Group, which it passes on to its individual customers. During the first six months of 2012, this revenue shortfall added up to some € 6 million. Overall, however, the QSC Group grew its revenues year on year from € 226.9 million to € 232.6 million, as INFO AG had only been included in the consolidation since acquisition of the majority interest on May 2, 2011.

Gross margin stable at 32 percent • The initial consolidation of INFO AG during the course of the second quarter of 2011 makes it difficult for this Quarterly Report to provide comparability with the corresponding period one year earlier. Consequently, some comparisons contained in this Report therefore relate to the first quarter of 2012. This facilitates the ability to understand the progress that the QSC Group has made during the past quarter, especially with a view to revenues and profitability.

In the second quarter of 2012, lower revenues, especially with resellers, went hand in hand with decreasing cost of revenues, which declined by € 3.8 million year on year to € 79.1 million. This decrease is all the more remarkable as the high-growth Direct Sales segment records a major share of its Outsourcing and Consulting business costs in this line item and this business unit is steadily expanding its workforce in response to the rising volume of new orders. The bottom line: Just as in the same quarter the year before, the QSC Group was able to earn a gross margin of 32 percent.

There was also a modest decrease in sales and marketing expenses by comparison with the second quarter of 2011: From € 11.7 million for the corresponding quarter the year before to € 10.4 million for the past quarter. Rising human resources expenses, especially in Direct Sales, were temporarily offset by lower commission payments and allowances paid to marketing partners.
General and administrative expenses rose to € 8.8 million in the second quarter of 2012, compared to € 7.3 million for the same quarter the year before. Following the acquisition of INFO AG, the QSC Group had been operating two fully functional headquarters of publicly traded corporations. Added to this were the costs of the impending merger of INFO AG in the second quarter.
A further aspect that should be noted in connection with all expense line items is the fact that cross-locational collaboration within the QSC Group is resulting in additional expenses on the order of 1 to 2 million euros per quarter. These costs are incurred for travel, for example, for the integration of IT systems, as well as for external consulting resources.

Temporarily higher expenses due to cross-locational collaboration

EBITDA margin again stands at 16 percent • As a result of lower revenues during the past quarter, EBITDA totaled € 18.1 million, compared to € 19.3 million for the same period one year earlier; the EBITDA margin remained stable at 16 percent. EBITDA is defined as earnings before interest, taxes, amortization of deferred non-cash share-based payments, as well as depreciation and amortization of property, plant and equipment, and intangible assets. The QSC Group was able to increase its EBITDA by € 0.6 million over the first quarter of 2012, which improved its EBITDA margin by 1 percentage point.

EBITDA (in € million)

Depreciation expense rose by € 0.3 million year on year to € 13.2 million in the second quarter of 2012, declining by € 0.3 million from the first quarter of 2012. This improved operating profit by € 0.9 million quarter to quarter to € 4.9 million; in the same quarter the year before, EBIT had stood at € 6.4 million.
The initial consolidation of INFO AG had led to a rise in financial debt since May 2011. This increased the financial loss from € -1.0 million the year before to € -0.7 million.

Consolidated net profit stands at € 2.9 million • Similarly to EBITDA and EBIT, consolidated net profit, too, improved over the first quarter of 2012 and weakened relative to the second quarter of 2011. At € 2.9 million, consolidated net profit was up by € 0.6 million from the first quarter of

2012 and down by € 1.0 million compared to the same quarter the year before. In the second half of 2012, the QSC Group thus earned a consolidated net profit of € 5.2 million, in contrast to € 10.4 million for the same period one year earlier.

CONSOLIDATED NET PROFIT (in € million)

This decline was attributable, on the one hand, to the higher costs resulting from the consolidation of INFO AG as well as from increased collaboration within the QSC Group. On the other hand, revenues in conventional TC business have been declining from quarter to quarter, which is presently still temporarily decreasing the total revenues of the QSC Group year on year. However, the sustained high growth dynamic in Direct Sales is assuring that revenues will be rising from quarter to quarter in fiscal 2012.

PROFITABILITY BY SEGMENT

Operating business in Direct Sales develops on highly positive note

Strong dynamic in Direct Sales • Revenues in Direct Sales rose by 29 percent year on year to € 45.9 million and by 9 percent relative to the first quarter of 2012. This increase shows that, in addition to the positive effect of the INFO AG consolidation as of May 2, 2011, the very good development of operating business also contributed to this significant growth. Direct Sales has increasingly been successful in handling proposals and contracts with its in-house resources; this is due to the ongoing recruitment of additional IT professionals.

REVENUES, DIRECT SALES (in € million)

Segment EBITDA rising from quarter to quarter • The strong growth dynamic in Direct Sales is necessitating the ongoing expansion of its workforce, as well as the additional utilization of external IT consultants. Moreover, this business unit bears all of the sales, marketing, general and administrative expenses of INFO AG, which had been maintaining a fully functional headquarters of a publicly traded corporation until the summer of 2012.

In view of this situation, segment EBITDA of € 6.1 million in the second quarter of 2012 remained below the previous year's corresponding level of € 8.1 million. Quarter to quarter, however, Direct Sales was able to significantly improve its profitability – by € 1.4 million. Segment EBITDA margin rose by 2 percentage points from the first quarter of 2012 to 13 percent. This margin should be viewed in a positive light, especially given the fact that with INFO AG, QSC also acquired personnel-intensive Consulting business, which traditionally operates with lower margins than other lines of business.

EBITDA, DIRECT SALES (in € million)

While segment EBIT of € 0.6 million, too, was down from the previous year's level of € 4.0 million, it was up by € 1.4 million from the first quarter of 2012.

Indirect Sales developing on a stable note • Revenues of € 28.9 million in the Indirect Sales Business Unit in the past quarter were down marginally from € 30.7 million for the same quarter the year before, remaining unchanged from the preceding quarter. These revenues predominantly stem from demand on the part of existing ICT marketing partners for broadband DSL lines, the corresponding preliminaries, as well as IP-based voice services.

REVENUES, INDIRECT SALES (in € million)

Attractive margins in partner business • Indirect Sales is presently the QSC Group's most profitable business unit. In the second quarter of 2012, it earned a segment EBITDA of € 8.3 million, compared to € 5.9 million for the same quarter one year earlier; the segment EBITDA margin improved from 19 percent to 29 percent. This rise was attributable to the rigorous industrialization of processes, especially in this business unit. Moreover, this business unit is also rigorously utilizing the opportunities that are offered by the Next Generation Network to earn reasonable margins with voice services, as well. This produced an 80-percent rise in segment EBIT to € 5.4 million in the second quarter of 2012; at 19 percent, the EBIT margin was nearly twice as high as in the same quarter one year earlier.

EBIT margin in Indirect Sales reaches 19 percent

EBITDA, INDIRECT SALES (in € million)

Significantly lower revenues in Wholesale ADSL2+ business

Continued decline in reseller revenues • At € 41.9 million in the second quarter of 2012, revenues in the Resellers segment were down by 25 percent from their level of € 55.5 million for the corresponding quarter one year earlier, and declined by 7 percent from the first quarter of 2012. This decrease was primarily attributable to significantly lower revenues in Wholesale ADSL2+ business; as a result, there was also a reduction in the volume of voice revenues that are generated over these DSL lines.

REVENUES, RESELLERS (in € million)

One of the ways this business unit is tapping into new revenue potential for the coming years is through rigorous expansion of its Open Access business. In May, 2012, the QSC Group won two additional regional providers as partners, Cologne-based NetCologne and Regensburg-based R-KOM.

Price competition burdening segment profitability • Lower revenues and sustained stiff price competition in conventional TC business led to a sharp drop in profitability in the second quarter of 2012. At € 3.7 million, by comparison with € 5.3 million the year before, segment EBITDA remained below the previous year's level, as did segment EBIT, which stood at € -1.1 million for the past quarter, in contrast to € -0.6 million for the same period one year earlier.

EBITDA, RESELLERS (in € million)

FINANCIAL POSITION AND NET WORTH

Operating cash flow reaches € 18.2 million • In the second quarter of 2012, QSC generated € 18.2 million in cash flow from operating activities, compared to € 20.4 million for the corresponding quarter the year before. On the other hand, cash flow used in investing activities decreased to € -10.5 million, by comparison with € -52.3 million for the same quarter one year earlier, when QSC had acquired the majority interest in INFO AG and had, at the same time, paid the second tranche of the purchase price for IP Partner. At € 0.3 million, cash flow used in financing activities was up from the level of € -4.8 million for the corresponding prior-year quarter.

Free cash flow of € 12.3 million in first half of 2012 • The QSC Group generated a free cash flow of € 6.6 million in the second quarter of 2012; after six months, this metric totals € 12.3 million. This central steering metric reflects the change in net liquidity/debt prior to acquisitions and distributions. The following table shows all parameters as of June 30, 2012, and March 31, 2012:

in € million	June 30, 2012	March 31, 2012
Liquidity		
Cash and short-term deposits	36.9	29.0
Available-for-sale assets	0.3	0.3
Liquidity	**37.3**	**29.3**
Interest-bearing liabilities		
Liabilities under financing arrangements	(11.4)	(12.4)
Liabilities due to banks	(64.2)	(44.2)
Interest-bearing liabilities	**(75.6)**	**(56.6)**
Net debt	**(38.3)**	**(27.3)**

Accordingly, liquidity improved by € 8.0 million in the second quarter of 2012; liabilities under financing arrangements again decreased by € 1.0 million to € -11.4 million as of June 30, 2012. However, since there was also a € 20.0 million rise in liabilities due to banks, net debt rose by € 11.0 million to € -38.3 million as of June 30, 2012.

However, this rise was solely attributable to two factors that do not relate to operating activities:
- The first distribution of a dividend resulted in a cash burn of € 11.0 million in the second quarter of 2012.
- In the second quarter of 2012, the QSC Group purchased treasury shares valued at € 6.6 million within the context of the share buy-back program that was launched in May 2012.

Since the free cash flow metric is based upon the financial strength of an entity's operating business, it was not impacted by this total cash burn of € 17.6 million. This resulted in a free cash flow of € 6.6 million.

Drawing down long-term debt • Long-term liabilities decreased to € 43.5 million as of June 30, 2012, by comparison with € 54.7 million as of December 31, 2011. This decline was essentially attributable to the reduction of the entire deferral line item to € 11.4 million, compared to € 20.9 million at year-end 2011. QSC utilizes this line item, in particular, to accrue TELE2's payment for premature termination of the Plusnet contract prior to the end of its original term on December 31, 2013.
Short-term liabilities rose to € 153.7 million, compared to € 129.3 million as of December 31, 2011. In this connection, trade accounts payable temporarily rose to € 59.6 million, in contrast to € 46.6 million at year end; during the same period, liabilities due to banks increased from € 28.2 million to € 50.2 million. On the other hand, short-term liabilities under financing arrangements saw a further decline from € 6.7 million to € 4.7 million, and other short-term liabilities to € 9.2 million, compared to € 14.4 million as of December 31, 2011.

Further decline in liabilities under financing arrangements

Share buy-back program impacts shareholders' equity • Shareholders' equity totaled € 195.1 million as of June 30, 2012, in contrast to € 207.3 million on December 31, 2011. The equity ratio stood at 50 percent.

EQUITY RATIO

For the first time, QSC is recording a treasury share line item under capital stock. On May 11, 2012, the Management Board had resolved to acquire up to 10 percent of the Company's capital stock on the stock exchange through December 31, 2012; this corresponds to 13,699,913 shares. As of June 30, 2012, the Company already possessed 3,398,930 treasury shares; in this connection, each share's mathematical percentage of the capital stock amounts to € 1. The Company records any acquisition price for QSC shares paid in excess of this amount directly under accumulated deficit.

Consequently, capital stock decreased to € 133.9 million as of June 30, 2012, compared to € 137.3 million as of December 31, 2011. The consolidated loss increased by € 3.2 million as a result of the share buy-back program; overall, the accumulated deficit rose by € 9.1 million to € -81.2 million as of June 30, 2012, in contrast to € -72.1 million at year-end 2011. In this connection, the Company's first dividend distribution in May 2012 led to a € 11.0 million increase. On the other hand, the consolidated net profit of € 5.1 million in the first half of 2012 had the effect of reducing the loss.

QSC Group invests € 10.9 million in second quarter • Capital expenditures (capex) rose to € 10.9 million in the second quarter of 2012, by comparison with € 8.7 million in the first quarter of 2012 and € 12.7 million in the second quarter of 2011. This quarter-to-quarter rise correlates with the major Outsourcing contracts the Company has won, as these kinds of contracts necessitate preliminary capital investments, including those needed for transitioning the customer's IT systems, hardware and software to QSC's own data centers. In the first half of 2012, QSC invested a total of € 19.6 million, corresponding to 8 percent of revenues.

Investment ratio stands at 8 percent in first half of 2012

CAPITAL EXPENDITURES (in € million)

Ongoing depreciation expense reduces value of long-term assets • As a result of continued depreciation, the value of long-term assets declined to € 284.4 million as of June 30, 2012, compared to € 291.4 million as of December 31, 2011. The value of property, plant and equipment decreased by € 3.9 million to € 112.8 million, and the value of intangible assets declined by € 4.9 million to € 51.4 million; this line item is where the QSC Group records capital expenses for customer connections, among other things.

Short-term assets rose to € 107.9 million in the second quarter of 2012, in contrast to € 99.8 million as of December 31, 2011. While liquid assets grew by € 13.1 million to € 36.9 million during this period, trade accounts receivable decreased by € 10.8 million to € 54.9 million.

HUMAN RESOURCES

Significant expansion in Direct Sales • In the second quarter of 2012, the QSC Group grew its workforce by 51 people to a total of 1,417 as of June 30, 2012. In view of growing revenues in Direct Sales, INFO AG recruited additional IT Outsourcing and IT Consulting experts. Its workforce totaled 736 people as of June 30, 2012. QSC AG, itself, employed a workforce of 542 people on this date, INFO Holding (formerly IP Partner) 77, and network operating company Plusnet 62.

WORKFORCE

In spite of the higher manpower level, some 80 positions still remain vacant. QSC is utilizing a broad spectrum of measures to increase the pool of job applicants and thus close existing gaps. In-house training of new blood is playing a key role: In the third quarter, some 40 young men and women will begin in-house training at the QSC Group.

RISK REPORT

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

SUBSEQUENT EVENTS

INFO AG merger concluded earlier than anticipated • On July 17, 2012, the merger of INFO Gesellschaft für Informationssysteme AG ("INFO AG") with wholly-owned QSC subsidiary INFO Gesellschaft für Informationssysteme Holding AG ("INFO Holding") went into effect following official registration in INFO Holding's commercial register. INFO AG in its previous form then became defunct and became an element of INFO Holding. At the same time, all shares held by minority INFO AG shareholders were transferred to INFO Holding in consideration of a cash settlement, which means that there are now no further obstacles to delisting the shares of INFO AG.

No further obstacles to delisting the shares of INFO AG

INFO Holding will continue the existing INFO AG corporate name and brand. To accomplish this, the former INFO Holding was renamed INFO AG on July 17, 2012, as well. This corporation is headquartered in Hamburg and is being managed by a four-person management board under the Chairmanship of Jürgen Hermann, who is also the Chief Financial Officer of QSC AG. Further members of the management board are Stefan Freyer, responsible for Outsourcing, Consulting and Innovation, Henning Reinecke, responsible for sales and marketing, as well as Dr. Jürgen Mattfeldt. A former general manager of network operating company Plusnet, he was appointed to the management board in June 2012, where he is now responsible for centralizing purchasing operations and infrastructure.

This earlier-than-scheduled merger is simplifying collaboration within the QSC Group. The Company will already be able to begin implementing measures aimed at greater integration in the third quarter of 2012, although they had not originally been scheduled until the first quarter of 2013. At the same time, this will also enable the QSC Group to streamline its organizational structure and put in place consistent management structures in such areas as Finance, Marketing and Human Resources.
Other than the above, QSC is not aware of any reportable events of particular importance subsequent to the close of the quarter.

OUTLOOK REPORT

QSC tightens guidance • During the first half of 2012, the QSC Group was able to again accelerate its transformation process into an ICT provider: With its forward-looking Outsourcing and Consulting business, Direct Sales developed into the segment with the highest revenues, and the INFO AG merger was completed earlier than expected. On the other hand, conventional TC revenues declined even faster than at the outset of the year given the stiff price competition.
Against this backdrop, the QSC Group is tightening the guidance it had announced on March 5, 2012: The Company now anticipates revenues of between € 480 and € 490 million, an EBITDA margin of 16 percent, as well as a free cash flow of between € 22 and € 26 million. Although the Company will be initiating any number of measures during the remaining quarters aimed at increased integration following the merger, which had not been expected to predominantly come to fruition until the coming year under the Company's former planning, QSC is thus reiterating all of the minimum targets it had announced at the outset of the year.

The Company anticipates revenues of between € 480 and € 490 million

Swift integration enjoys priority • The QSC Group views fiscal 2012 as a year of preparation in order to reach its full strength and power. The INFO AG merger will enable even more extensive preparations than had originally been planned to be made during the current year. These include centralization of Purchasing, the consolidation of infrastructure locations, as well as cross-locational consolidation of customer management. The focus continues to be on utilizing sales and marketing synergies and tapping into additional revenue potential; however, cost synergies can also be realized, especially in Purchasing and the ICT infrastructure.
Just how much potential is being opened up by unbridled collaboration within the QSC Group is demonstrated by its successes in new customer business, most recently winning the Amprion order, for example. QSC therefore expects growth in Direct Sales to significantly outpace the market in 2012. While conventional TC revenues in the Resellers Business Unit will continue to decline, QSC anticipates rising revenues in the second half of the year in the Indirect Sales Business Unit, fuelled by rising demand for the preliminaries required for voice services. Against this backdrop, quarter-to-quarter revenue growth is likely to accelerate overall during the second half of the year.

Ongoing change in cost structure • The differing development of its business units is altering the cost structure of the QSC Group. High-growth Direct Sales is comparatively personnel-intensive, and this business unit is being forced to also utilize external consultants in order to cope with the high level of new orders; both of these factors increase cost of revenues.

Increased integration of INFO AG already in second half of 2012

Moreover, during the second half of fiscal 2012 the QSC Group will additionally be initiating measures aimed at increased integration of INFO AG following the merger. While the expenses these measures involve will temporarily increase both cost of revenues as well as sales and marketing expenses for several quarters to come, they will especially impact general and administrative expenses in the third quarter of 2012: The direct merger costs, alone, total nearly one million euros. However, general and administrative expenses will be the most likely source of savings thereafter, to no small degree because INFO AG will be delisted from the stock exchange during the third quarter of 2012.

Continuing the share buy-back program • During the first half of fiscal 2012, strong cash flow from operating business was offset by cash burns, in particular for ongoing capital expenses as well as for enabling shareholders to participate in the Company's success. In the second quarter of 2012, QSC had distributed its first dividend and also launched a share buy-back program in view of the current development of trading prices; by June 30, QSC had acquired shares valued at € 6.6 million. The Company can acquire treasury shares totaling up to 10 percent of the capital stock, i.e. up to 13,699,913 shares, through December 31, 2012, which would lead to a maximum total cash burn of € 29 million given today's trading prices.

In July 2012, sustained strong cash flows from operating business were offset for the last time by a payment of the acquisition of INFO AG: Following the merger of INFO AG with INFO Holding, the cash settlement to the remaining INFO AG shareholders in the amount of € 5.8 million was due and payable.

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

Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Euro amounts in thousands (K€)

	01/04/–30/06/ 2012	01/04/–30/06/ 2011	01/01/–30/06/ 2012	01/01/–30/06/ 2011
Net revenues	**116,616**	**121,831**	**232,647**	**226,911**
Cost of revenues	(79,128)	(82,885)	(157,203)	(151,021)
Gross profit	**37,488**	**38,946**	**75,444**	**75,890**
Sales and marketing expenses	(10,424)	(11,729)	(22,174)	(21,865)
General and administrative expenses	(8,798)	(7,326)	(17,604)	(13,549)
Depreciation and non-cash share-based payments	(13,164)	(12,939)	(26,646)	(25,340)
Other operating income	2	83	236	172
Other operating expenses	(190)	(628)	(304)	(832)
Operating profit	**4,914**	**6,407**	**8,952**	**14,476**
Financial income	139	130	285	217
Financial expenses	(1,147)	(798)	(2,175)	(1,150)
Net profit before income tax	**3,906**	**5,739**	**7,062**	**13,543**
Income tax	(1,036)	(1,813)	(1,899)	(3,144)
Net profit	**2,870**	**3,926**	**5,163**	**10,399**
thereof attributable to non-controlling interests	69	421	53	421
thereof attributable to owners of QSC AG	2,801	3,505	5,110	9,978
Earnings per share (basic) in €	**0.02**	**0.03**	**0.04**	**0.07**
Earnings per share (diluted) in €	**0.02**	**0.03**	**0.04**	**0.07**

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/06/ 2012	01/01/–30/06/ 2011
Cash flow from operating activities		
Net profit before income taxes	7,062	13,543
Depreciation and amortization of fixed assets	26,420	25,298
Non-cash share-based payments	226	(80)
Loss from disposal of long-term assets	635	376
Changes in provisions	(4,182)	714
Changes in receivables from former shareholders	-	28,358
Changes in trade receivables	10,540	7,394
Changes in trade payables	12,386	(2,120)
Changes in other assets and liabilities	(21,814)	(25,702)
Cash flow from operating activities	**31,273**	**47,781**
Cash flow from investing activities		
Purchase from acquisition of subsidiary less liquid assets acquired	-	(56,523)
Purchase of intangible assets	(4,637)	(7,662)
Purchase of property, plant and equipment	(11,944)	(7,599)
Cash flow from investing activities	**(16,581)**	**(71,784)**
Cash flow from financing activities		
Dividends paid	(10,985)	-
Disbursements for share buy-back	(6,640)	-
Issuance of convertible bonds	-	1
Proceeds from issuance of common stock	59	175
Repayment of other short- and long-term liabilities	-	(576)
Proceeds (Repayment) of loans granted	20,605	(12,357)
Repayment of liabilities under financing arrangements	(4,579)	(4,441)
Cash flow from financing activities	**(1,540)**	**(17,198)**
Change in cash and short-term deposits	**13,152**	**(41,201)**
Cash and short-term deposits at beginning of period	23,755	46,233
Cash and short-term deposits at end of period	**36,907**	**5,032**
Interest paid	1,952	1,025
Interest received	393	216
Income tax paid	3,534	547

CONSOLIDATED BALANCE SHEET (unaudited)

Euro amounts in thousands (K€)

	Jun. 30, 2012	Dec. 31, 2011
ASSETS		
Long-term assets		
Property, plant and equipment	112,823	116,740
Land and buildings	29,634	28,313
Goodwill	76,265	76,265
Other intangible assets	51,405	56,289
Trade receivables	3,881	3,622
Prepayments	1,684	1,718
Other long-term assets	739	518
Deferred tax assets	7,961	7,961
Long-term assets	**284,392**	**291,426**
Short-term assets		
Trade receivables	54,907	65,705
Prepayments	9,537	4,526
Inventories	1,606	1,563
Other short-term assets	4,609	3,944
Available-for-sale financial assets	342	341
Cash and short-term deposits	36,907	23,755
Short-term assets	**107,908**	**99,834**
TOTAL ASSETS	392,300	391,260

	Jun. 30, 2012	Dec. 31, 2011
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Equity attributable to owners of QSC AG		
Capital stock	**137,307**	**137,257**
Nominal value of treasury shares from share buy-back	(3,399)	-
Capital stock	**133,908**	**137,257**
Capital surplus	140,331	140,095
Other capital reserves	(361)	(362)
Accumulated deficit	(81,185)	(72,069)
Equity attributable to owners of QSC AG	**192,693**	**204,921**
Equity attributable to non-controlling interests	2,431	2,378
Shareholders' equity	**195,124**	**207,299**
Liabilities		
Long-term liabilities		
Long-term liabilities under financing arrangements	6,734	6,879
Liabilities due to banks	13,942	15,404
Convertible bonds	15	15
Accrued pensions	5,674	5,339
Other provisions	963	1,036
Deferred income	11,401	20,914
Deferred tax liabilities	4,739	5,065
Long-term liabilities	**43,468**	**54,652**
Short-term liabilities		
Trade payables	59,585	46,617
Short-term liabilities under financing arrangements	4,674	6,698
Liabilities due to banks	50,248	28,181
Other provisions	2,319	2,879
Accrued taxes	4,104	5,764
Deferred income	23,614	24,781
Other short-term liabilities	9,164	14,389
Short-term liabilities	**153,708**	**129,309**
Liabilities	**197,176**	**183,961**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	392,300	391,260

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

Euro amounts in thousands (K€)

	Equity attributable to owners of QSC AG				
	Capital stock	Capital surplus	Other capital reserves	Accumulated deficit	Total
Balance as of January 1, 2012	**137,257**	**140,095**	**(362)**	**(72,069)**	**204,921**
Net profit for the period				5,110	5,110
Other comprehensive income for the period, net of tax			1		1
Total comprehensive income			**1**	**5,110**	**5,111**
Conversion of convertible bonds	50	9			59
Non-cash share-based payments		227			227
Treasury share buy-back	(3,399)			(3,241)	(6,640)
Dividend distribution				(10,985)	(10,985)
Balance as of June 30, 2012	**133,908**	**140,331**	**(361)**	**(81,185)**	**192,693**
Balance as of January 1, 2011	**137,128**	**139,593**	**(1,291)**	**(91,382)**	**184,048**
Total comprehensive income				9,978	9,978
Non-cash share-based payments			(99)		(99)
Total comprehensive income			**(99)**	**9,978**	**9,879**
Acquisition with non-controlling interests					
Public offer for acquisition of non-controlling interests				(13,539)	(13,539)
Acquisition of non-controlling interests following initial consolidation				(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**

Equity attributable to non-controlling interests	Total shareholders' equity	
2,378	**207,299**	**Balance as of January 1, 2012**
53	5,163	Net profit for the period
	1	Other comprehensive income for the period, net of tax
53	**5,164**	**Total comprehensive income**
	59	Conversion of convertible bonds
	227	Non-cash share-based payments
	(6,640)	Treasury share buy-back
	(10,985)	Dividend distribution
2,431	**195,124**	**Balance as of June 30, 2012**
-	**184,048**	**Balance as of January 1, 2011**
421	10,399	Total comprehensive income
(33)	(132)	Non-cash share-based payments
388	**10,267**	**Total comprehensive income**
4,620	4,620	Acquisition with non-controlling interests
	(13,539)	Public offer for acquisition of non-controlling interests
		Acquisition of non-controlling interests
(3,265)	(6,394)	following initial consolidation
	175	Conversion of convertible bonds
	42	Non-cash share-based payments
1,743	**179,219**	**Balance as of June 30, 2011**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/06/ 2012	01/01/–30/06/ 2011
Other comprehensive income		
Actuarial losses on defined benefit pension plans	1	(194)
Tax effect, total	–	62
Other comprehensive income	**1**	**(132)**
Net profit for the period	5,163	10,399
Total comprehensive income for the period	**5,164**	**10,267**
thereof attributable to non controlling interests	53	388
thereof attributable to owners of QSC AG	5,111	9,879

Notes to the Consolidated Interim Financial Statements

CORPORATE INFORMATION

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

GENERAL PRINCIPLES

1 Basis of preparation

The unaudited Consolidated Interim Financial Statements of QSC AG and its subsidiaries (Consolidated Interim Financial Statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and their interpretations by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with International Accounting Standards (IAS) 34, “Interim Financial Reporting.” The Consolidated Interim Financial Statements do not include all the information and disclosures required in annual financial statements and should be read in conjunction with the Group’s Consolidated Financial Statements as of December 31, 2011.

It is the opinion of the Management Board that the Consolidated Interim Financial Statements contain all adaptations that are necessary for a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The financial results presented in the Consolidated Interim Financial Statements for the period from January 1 through June 30, 2012, do not necessarily indicate the development of future results.

Except for the accounting policies described below, the Consolidated Interim Financial Statements have been drawn using the same accounting policies as applied in the Consolidated Financial Statements for the 2011 fiscal year.

In connection with drawing up the consolidated interim financial statements under IFRS, it is necessary to make certain estimates and judgments that relate to the assets and liabilities recorded in the balance sheet as well as to information on contingent receivables and liabilities on the date of the balance sheet. Actual amounts may therefore differ from those estimates. No major changes have been made to the Management Board's estimates in conjunction with the application of accounting and valuation methods relative to the consolidated financial statements for the fiscal year ended December 31, 2011.

The Consolidated Interim Financial Statements are rounded, except when otherwise indicated to the nearest thousand (K€)

2 Basis of consolidation

The Consolidated Interim Financial Statements comprise the financial statements of QSC AG and its subsidiaries as of June 30, 2012. There has been no change in the number of companies included in the consolidation since December 31, 2011

3 Segment reporting

In accordance with IFRS 8, QSC identifies reportable segments on the same basis as is used internally by Management for evaluating performance and making decisions. The internal segmentation was changed in fiscal 2011 following the acquisitions of INFO AG and IP Partner AG. Consequently, the comparison figures in these quarterly financial statements for the first quarter of calendar year 2011 have already been adjusted to reflect the new segmentation. QSC's segmentation conforms to its customer structure, as explained below.

The Direct Sales Business Unit focuses on more than 8,000 larger and mid-size enterprises in Germany and also includes the business of subsidiaries INFO AG and IP Partner, which were acquired in fiscal 2011. Its portfolio comprises national and international site networking, outsourcing solutions, data center services, such as Housing and Hosting, as well as Cloud services to an increasing extent. IT Consulting is a further important element of this business unit's portfolio; the QSC Group is a consulting partner for SAP and Microsoft solutions.

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

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

Management has stipulated operating profit, i.e. earnings before interest and taxes (EBIT) in accordance with IFRS, as the key steering parameter for the segments. Thus, costs are fully attributed to their respective business units; also performed is a complete calculation of profit or loss with the exception of interest and taxes. Both the direct and indirect attribution of costs to the individual segments corresponds to the Company's internal reporting system and steering logic. There were also directly and indirectly attributable items of assets and liabilities. With the exception of deferred tax assets and liabilities, assets and liabilities that are indirectly attributable are allocated according to financial viability on the basis of contribution margins.

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/04/ – 30/06/2012					
Net revenues	**45,895**	**28,850**	**41,871**	**-**	**116,616**
Cost of revenues	(30,221)	(14,990)	(33,917)		(79,128)
Gross profit	**15,674**	**13,860**	**7,954**	**-**	**37,488**
Sales and marketing expenses	(4,267)	(3,423)	(2,734)		(10,424)
General and administrative expenses	(5,322)	(2,065)	(1,411)		(8,798)
Depreciation and amortization	(5,410)	(2,803)	(4,838)		(13,051)
Non-cash share-based payments	(44)	(38)	(31)		(113)
Other operating income	(24)	(102)	(62)		(188)
Operating profit	**607**	**5,429**	**(1,122)**	**-**	**4,914**
Assets	184,562	112,734	87,043	7,961	392,300
Liabilities	73,152	30,447	88,838	4,739	197,176
Capital expenditures	7,960	1,847	1,070	-	10,877

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/04/-30/06/2011					
Net revenues	**35,565**	**30,740**	**55,526**	**-**	**121,831**
Cost of revenues	(20,448)	(17,384)	(45,053)		(82,885)
Gross profit	**15,117**	**13,356**	**10,473**	**-**	**38,946**
Sales and marketing expenses	(3,917)	(4,585)	(3,227)		(11,729)
General and administrative expenses	(3,095)	(2,297)	(1,934)		(7,326)
Depreciation and amortization	(4,084)	(2,901)	(5,938)		(12,923)
Non-cash share-based payments	(3)	(3)	(10)		(16)
Other operating income	19	(581)	17		(545)
Operating profit	**4,037**	**2,989**	**(619)**	**-**	**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€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/ – 30/06/2012					
Net revenues	**87,958**	**57,664**	**87,025**	**-**	**232,647**
Cost of revenues	(57,416)	(29,866)	(69,921)		(157,203)
Gross profit	**30,542**	**27,798**	**17,104**	**-**	**75,444**
Sales and marketing expenses	(9,243)	(7,050)	(5,881)		(22,174)
General and administrative expenses	(10,457)	(4,235)	(2,912)		(17,604)
Depreciation and amortization	(10,835)	(5,609)	(9,975)		(26,419)
Non-cash share-based payments	(89)	(76)	(62)		(227)
Other operating income	(113)	167	(122)		(68)
Operating profit	**(195)**	**10,995**	**(1,848)**	**-**	**8,952**
Assets	184,562	112,734	87,043	7,961	392,300
Liabilities	73,152	30,447	88,838	4,739	197,176
Capital expenditures	13,742	3,743	2,088	-	19,573

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/-30/06/2011					
Net revenues	**59,282**	**58,700**	**108,929**	**-**	**226,911**
Cost of revenues	(30,726)	(34,424)	(85,871)		(151,021)
Gross profit	**28,556**	**24,276**	**23,058**	**-**	**75,890**
Sales and marketing expenses	(6,990)	(8,709)	(6,166)		(21,865)
General and administrative expenses	(5,612)	(4,363)	(3,574)		(13,549)
Depreciation and amortization	(7,047)	(5,896)	(12,356)		(25,299)
Non-cash share-based payments	(10)	(8)	(23)		(41)
Other operating income	(73)	(589)	2		(660)
Operating profit	**8,824**	**4,711**	**941**	**-**	**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

4 Share buy-back program

During the period from May 21, 2012, through June 30, 2012, QSC acquired 3,398,930 shares, representing 2.48 percent of the capital stock, at an average price of € 1.9487 per share under a corresponding resolution of the Annual Shareholders Meeting. During the first half of fiscal 2012, QSC spent a total of K€ 6,640 for share buy-backs, reducing capital stock by K€ 3,399 and net profit by K€ 3,241.

5 Related party transactions

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

in K€	Net revenues	Expenses	Cash received	Cash paid
01/01/ – 30/06/2012				
IN-telegence GmbH	433	20	558	16
Teleport Köln GmbH	18	3	24	3
QS Communication Verwaltungs				
Service GmbH	-	106	-	126
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	-	777	-	92

in K€	Trade receivables	Trade payables
As of June 30, 2012		
IN-telegence GmbH	96	7
Teleport Köln GmbH	4	-
As of December 31, 2011		
IN-telegence GmbH & Co. KG	141	-
Teleport Köln GmbH	6	-

6 Management Board

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

7 Supervisory Board

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

8 Subsequent events

The announced conversion squeeze-out and the resulting merger of INFO Gesellschaft für Informationssysteme AG ("INFO AG") with wholly-owned QSC subsidiary INFO Gesellschaft für Informationssysteme Holding AG ("INFO Holding") went into effect on July 17, 2012, through an entry in the commercial register for INFO Holding. INFO Holding is now a wholly-owned subsidiary of QSC AG, and will continue the existing INFO AG corporate name and brand. The purchase price for the remaining 307,943 no-par shares of stock totaled K€ 5,812.

Cologne, August 2012

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Arnold Stender

Thomas Stoek

Calendar

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November 5, 2012

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