Quarterly Report III / 2009

3rd Quarter € + 2.6 million free cash flow
Net indebtedness reduced to € -3.0 million
18 % EBITDA margin € 2.1 million net profit
Anticipated higher free cash flow in **2009**

QSC AG

Key Data

All amounts in € millions	01/07/-30/09/ 2009	01/07/-30/09/ 2008	01/01/-30/09/ 2009	01/01/-30/09/ 2008
Revenues	104.4	103.6	315.7	301.3
Gross profit	+35.3	+33.3	+107.5	+95.5
EBITDA	+19.2	+18.3	+57.7	+43.9
EBIT	+3.1	+2.6	+7.9	-1.8
Net profit (loss)	+2.1	+2.1	+4.6	-3.5
Earnings per share [1] (in €)	+0.02	+0.02	+0.03	-0.03
Free cash flow	+2.6	-4.4	+9.2	-23.6
Capital expenditures	10.3	21.1	34.7	69.4
Liquidity			42.5 [2]	49.2 [3]
Equity			159.3 [2]	154.4 [3]
Balance sheet total			327.0 [2]	353.2 [3]
Equity ratio (in percent)			48.7 [2]	43.7 [3]
Share price as of 30/09/ (in €)			1.82	1.30
Number of shares as of 30/09/			136,998,137	136,994,137
Market capitalization as of 30/09/			249.3	178.1
Employees as of 30/09/			660	696

[1] basic and diluted

[2] as of September 30, 2009

[3] as of December 31, 2008

Highlights

Partner distribution network expanded
In the third quarter of 2009, QSC was able to win two strong distribution partners, ALLNET and Michael Telecom, for the business customer market for convergent voice and data products, as well as for the IPfonie centraflex virtual telephone system, in particular. Overall, these two distributors work on a nationwide scale with a total of far more than 10,000 specialty retailers.

18-percent EBITDA margin
In the third quarter of the current fiscal year 2009, QSC earned an EBITDA of € 19.2 million on revenues of € 104.4 million, as opposed to € 18.3 million for the same quarter the year before; this represents an EBITDA margin of 18 percent. EBITDA for the first nine months already totals € 57.7 million – an increase of 31 percent over the first nine months of 2008.

Positive free cash flow totals € 2.6 million
Free cash flow totaled € 2.6 million in the third quarter of the current fiscal year, as opposed to € -4.4 million for the third quarter of 2008. This further reduced QSC's net indebtedness to € -3.0 million as of September 30, 2009.

Net income stands at € 2.1 million
Totaling € 2.1 million, QSC earned its highest quarterly net income for the current fiscal year in the third quarter of 2009. After nine months, net income now totals € 4.6 million; the year before, QSC had still recorded a net loss of € -3.5 million at this point in time.

Net debts to be fully eliminated by year end
In its business thus far in 2009, the Company has been successfully focusing on high-margin revenues, enabling it to correspondingly adjust its guidance for the full 2009 fiscal year. QSC now anticipates an EBITDA at the upper end of the € 68- to € 78-million corridor that had been announced at the outset of the year, and revenues are expected to be at the lower end of the € 420- to € 440-million corridor. At the same time, QSC is increasing its free cash flow forecast to at least € 12 million, instead of the figure of at least € 10 million that had previously been announced. This will enable net indebtedness to be entirely eliminated by year end.

Letter to Our Shareholders

Dear Shareholders,

With a view to the global recession, we aligned our strategy at the outset of the year toward strengthening our profitability and financial position. And this is precisely what QSC has achieved during the first nine months of the current fiscal year: During this period, our Company earned a free cash flow of € 9.2 million, growing this metric € 32.8 million by comparison with the first nine months of 2008. During this same period, our EBITDA advanced by 31 percent to € 57.7 million – in spite of the world's most serious post-war economic and financial crisis.

EBITDA advances by 31 percent to € 57.7 million

Given this positive development, with the presentation of our 9-month report we are revising our guidance for the current fiscal year. We now anticipate an EBITDA at the upper end of the € 68- to € 78-million corridor that we announced at the outset of the year on revenues at the lower end of the € 420- to € 440-million corridor. So our focus on high-margin revenues is paying off; intentionally foregoing revenues with low-margin products has increased our profitability in the first three quarters of 2009.

At the same time, we are now planning on a positive free cash flow of at least € 12 million for the 2009 fiscal year, instead of the previously announced figure of at least € 10 million. This will enable us to eliminate our net indebtedness entirely by year end. So by year-end 2009, the liquid assets on QSC's accounts will cover at least all of our interest-bearing liabilities – only very few European telecommunications providers find themselves in a similarly comfortable financial position.

With its significantly higher profitability and financial position, we view QSC as also being well equipped for even a prolonged period of economic weakness. There are still no signs of when

businesses will again begin investing and loosen their rigorous cost management. In this kind of environment, QSC is continuing to focus on products and services that increase the productivity and flexibility of our small and mid-size customers.

QSC's new distributors reach far more than 10,000 specialty retailers

We are specifically broadening our distribution network. In the third quarter, QSC was able to win two strong partners, ALLNET and Michael Telecom, for the distribution of our IP-based products and services, first and foremost the award-winning IPfonie centraflex telephone system. Together, these two distributors reach far more than 10,000 specialty retailers, thus assuring our presence with small and mid-size businesses nationwide throughout Germany.

As a mid-size company serving mid-size companies, and thanks to our collaboration with strong partners, QSC is outstandingly positioned in the German telecommunications market. We intend to continue to utilize this advantage and the competitive edge we enjoy thanks to the establishment of our Next Generation Network early on, while continuing to give priority to strengthening our profitability and financial position.

Cologne, November 2009

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

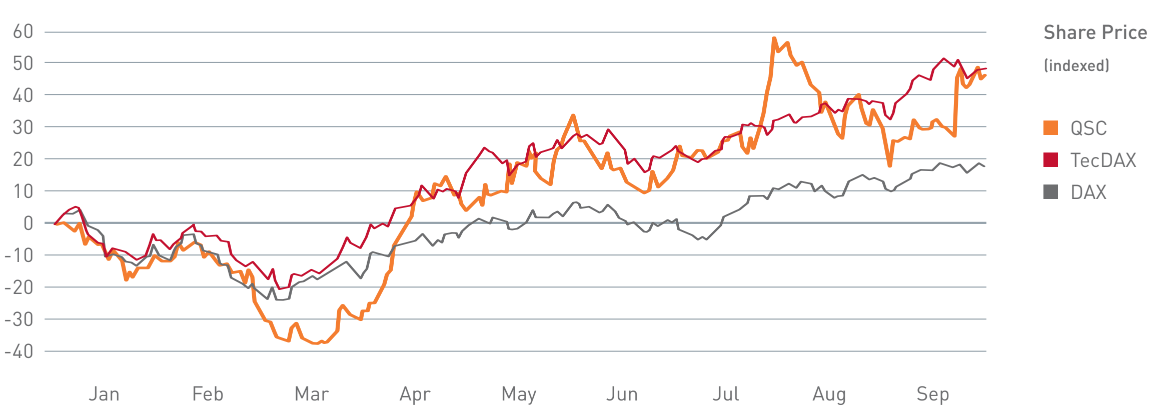
Joachim Trickl

QSC Share Performance

Share prices continue to advance in third quarter of 2009 • The share prices of publicly traded companies continued their broad-based recovery during the past quarter, as there were increasing signs that the global economic and financial crisis was gradually being overcome. In the past quarter, the DAX advanced by 18 percent, the TecDAX by an even stronger 21 percent. With trading prices rising by 26 percent to € 1.82, QSC shares again outperformed the market in the third quarter of 2009. QSC's shares have risen by 47 percent since the beginning of the year, thus compensating for a portion of the previous year's losses as a result of the economic and financial crisis. In addition to the friendly capital market environment, QSC shares also benefited from the positive development of the Company's operative business.
This positive development strengthened interest in QSC shares on the part of both institutional and private investors. In the third quarter of 2009, an average of 670,000 shares were traded daily on German stock exchanges; in the first quarter, this metric had stood at only 225,000 shares. Fueled by higher trading prices, in fact, trading revenues quintupled during this period: In the third quarter the trading revenues of QSC shares on German stock exchanges totaled € 73.7 million, as opposed to € 14.3 million in the first quarter of 2009.

Trading revenues of QSC shares quintuple in the first nine months of 2009

Rising number of shareholders • The Company's operative progress prompted numerous financial media to report on QSC shares and the potential they offer. This heightened the attention of private investors, in particular. Moreover, QSC is utilizing conferences, such as last September's 15th Cologne Equity Forum, to engage in a dialog with this investor group. As a consequence, the Register of Shares shows that the percentage of private investors among the Company's free float rose to 44 percent as of September 30, 2009, as opposed to 41 percent at midyear. The percentage of institutional investors thus stood at 56 percent.
Growing interest on the part of private investors also increased the total number of QSC shareholders. According to the Register of Shares, the Company's shares were spread among 30,472 shareholders as of September 30, 2009, as opposed to 29,421 at the outset of the year. The largest shareholders continue to be the Company's two founders, Dr. Bernd Schlobohm and Gerd Eickers, each holding 10.1 percent, as well as the U.S.-based Baker Capital investment company, which holds 24.5 percent.



Share Price Performance
(indexed)

Consolidated Interim Report QIII / 2009

GENERAL CONDITIONS

Only sluggish economic recovery anticipated • In mid-August 2009, the German Federal Office of Statistics reported that following four quarters, some of them with significant declines in gross domestic product (GDP), the German economy again recorded moderate growth of 0.3 percent. However in view of rising unemployment, growing government debt as well as problems in the financial sector that have not yet been finally overcome, it is still unclear whether this will develop into a sustained upswing. In their autumn report in October, the leading German economic research institutes stated that they expect to see only a sluggish economic recovery.

The telecommunications industry, too, is suffering from lackluster domestic demand, with 2009 revenues anticipated to decline by 2.4 percent to € 64.3 billion according to predictions by industry association BITKOM. Development within the industry remains divided: While stiff price competition continues to characterize legacy voice business, in particular, leading to revenue declines of nearly eight percent there in 2009, there is also a rising willingness on the part of business and residential customers to adopt innovative services such as Voice over IP (VoIP). According to BITKOM, the number of regular VoIP users rose by 20 percent to some 6.8 million this year. With its fully IP-capable Next Generation Network (NGN), QSC will be able to benefit particularly from this demand.

Number of VoIP users rises by 20 percent to 6.8 million

BUSINESS POSITION

Focusing on high-margin revenues • In the face of an environment that continues to be difficult, QSC is specifically focusing on strengthening its financial position and profitability, and is intentionally foregoing revenues that do not afford sufficient contribution margins. Nevertheless the Company was able to grow its revenues by five percent to € 315.7 million in the first nine months of the current fiscal year. In the third quarter of 2009, QSC recorded revenues of € 104.4 million, as opposed to € 103.6 million for the same quarter the year before.

Revenues
(in € millions)

Gross margin rises to 34 percent • Thanks to its successful focus on high-margin revenues, QSC was again able to record rising revenues and declining network expenses in the third quarter of 2009. At € 69.1 million, network expenses, which are recorded under cost of revenues, were down moderately from the previous year's level of € 70.3 million. As a result, gross profit rose to

€ 35.3 million during the past quarter, as opposed to € 33.3 million for the corresponding period the year before. Gross margin increased to 34 percent, as opposed to 32 percent for the same quarter one year earlier.

Gross Profit
(in € millions)

Strict cost discipline drove selling and marketing expenses down by 14 percent in the third quarter of 2009 to € 9.3 million, as opposed to € 10.8 million for the same quarter the year before. At € 6.5 million, however, general and administrative expenses in the third quarter of 2009 were up from their € 4.7-million level for the comparable period the year before. However QSC succeeded in reducing these expenses by some one million euros by comparison with the two preceding quarters, as the Company significantly restricted its collaboration with external consultants.

Third quarter of 2009 sees 18-percent EBITDA margin • In the first nine months of the current fiscal year, QSC earned an EBITDA of € 57.7 million, and has thus succeeded in growing this key metric for operative success by 31 percent year on year. In the third quarter of 2009, alone, QSC earned an EBITDA of € 19.2 million, as opposed to € 18.3 million for the same quarter one year earlier; the EBITDA margin stood at 18 percent. QSC defines EBITDA as earnings before interest, taxes, amortization of deferred non-cash share-based payments, as well as depreciation and amortization of fixed assets, intangible assets and goodwill.

QSC earns an EBITDA of € 19.2 million in third quarter of 2009

EBITDA
(in € millions)

Depreciation expense increased by merely three percent in the third quarter of 2009 to € 16.1 million, as opposed to € 15.7 million for the comparable period the year before. However depreciation expense has already declined one million euros by comparison with the first quarter of 2009, when depreciation expense had peaked at € 17.1 million.

Profitability up sharply • QSC was able to significantly grow its profitability in the first nine months of the current fiscal year. During this period, operating profit before interest and taxes, EBIT, rose to € 7.9 million; the year before, an operating loss of € -1.8 million had still been incurred. EBIT increased to € 3.1 million in the third quarter of 2009, as opposed to € 2.6 million for the same quarter one year earlier.

EBIT rises by 19 percent to € 3.1 million

EBIT
(in € millions)

The past quarter saw declining financial income due to lower interest rates and a smaller volume of monies to be invested, along with lower financial expense, as well, because QSC further reduced its interest-bearing liabilities in the third quarter of 2009. Earnings before income taxes thus stood at € 2.5 million, as opposed to € 2.2 million in the third quarter of 2008. During the first nine months of the current fiscal year, cumulative earnings before income taxes rose to € 5.8 million, as opposed to a loss of € -3.2 million for the corresponding period the year before. Given income taxes in the amount of € -1.2 million, essentially for deferred taxes, which do not impact profitability, QSC earned net income of € 4.6 million for the first nine months of the current fiscal year; the year before, a net loss in the amount of € -3.5 million had still been incurred. In the third quarter of 2009, alone, net income stood at € 2.1 million, the same as the year before; earnings per share continued to stand at € 0.02.

BUSINESS POSITION BY SEGMENT

Nearly 600,000 DSL lines connected • In the third quarter of 2009, revenues in the Wholesale/Reseller segment increased to € 62.8 million, as opposed to € 60.2 million for the same quarter the year before. As in the preceding quarters, increasing market saturation in the metropolitan areas and competition there in the form of aggressively priced offers from cable network operators were noticeable in connection with the Company's ADSL2+ Wholesale business. Nevertheless, QSC was able to connect 6,600 additional ADSL2+ lines, thus raising the total to 599,200 lines. This line of business accounted for 48 percent of segment revenues.

Wholesale / Resellers Revenues
(in € millions)

QSC was able to further expand its Wholesale voice business by comparison with the third quarter of 2008. In spite of stiffer price competition in the voice sector, this line of business has been supplying growing revenue contributions and generating attractive margins during the current fiscal year, as QSC can be extremely efficient in providing voice services over its fully IP-capable Next Generation Network. Wholesale voice business customers also include the large cable network operators, which means that QSC is participating in their rising market shares in the sale of Triple Play connections.

Highest-revenue segment provides highest EBITDA contribution • At € 12.1 million, QSC achieved its highest EBITDA in the Wholesale/Reseller segment in the third quarter of 2009, with the EBITDA margin standing at 19 percent. The minimal decline in segment EBITDA from the previous year's level of € 12.2 million was attributable to declining ADSL2+ new business. During this same period, however, segment EBIT advanced by 27 percent to € 1.4 million, as opposed to € 1.1 million for the same quarter the year before, as lower customer growth in ADSL2+ business goes hand in hand with lower capital expenditures, and thus depreciation expense, for connecting new customers.

Wholesale / Resellers EBIT
(in € millions)

Lower share of legacy voice telephony • Revenues in the Products segment stabilized in the third quarter of 2009, in spite of stiff price competition in legacy voice telephony: At € 22.8 million, revenues were at the same level as the preceding quarter; in the third quarter of 2008, they had stood at € 25.1 million. QSC intentionally accepted declining revenues in conventional voice business, as the Company insisted on achieving a sufficient contribution margin in connection with each and every offer. Leading industry medium teltarif.de paid tribute to the resulting continuity of rates in call-by-call business by again awarding QSC its Seal of Rate Approval in October 2009. As planned, the share of segment revenues accounted for by legacy voice business declined to 44 percent in the third quarter of 2009.

Products Revenues
(in € millions)

In contrast, there was a rise in the percentage of segment revenues accounted for by higher-margin IP-based products. These include the Q-DSLmax data product, as well as its employment in combination with Voice over IP products, the QSC Complete packages. In addition, more complex services are taking on increasing significance, first and foremost the IPfonie centraflex virtual telephone system. To strengthen the retail presence of this product, which was awarded the innovation prize at CeBIT 2009, QSC is currently establishing a new distribution channel for specialty distributors. In the third quarter of 2009, the Company was already able to win two strong distribution partners, ALLNET and Michael Telecom, who work nationwide with a total of far more than 10,000 specialty retailers.

EBITDA margin advances to 21 percent • The Company's focus on high-margin products is paying off: In spite of lower revenues, QSC grew its EBITDA to € 4.7 million in the third quarter of 2009, as opposed to € 4.2 million for the same quarter one year earlier; during this period, the EBITDA margin rose from 17 percent to 21 percent. This means that QSC earned its highest margin in this segment, where the Company is benefiting from the extremely efficient cost structure of its Next Generation Network, especially in providing IP-based voice and data services. Thanks to its NGN, QSC was also able to increase segment EBIT by 38 percent to € 1.8 million, in spite of a nine-percent decline in revenues by comparison with the third quarter of 2008; EBIT in this segment also improved over the preceding quarters.

Products EBIT
(in € millions)

Steadily rising revenues in Managed Services • Revenues in the Managed Services segment rose moderately to € 18.8 million in the third quarter of 2009, as opposed to € 18.4 million for the same quarter the year before. The positive development of new business continued to be offset by greater recession-related price sensitivity in connection with contract extensions. On the one hand, QSC is winning new small and mid-size customers in its new business, while on the other the Company is systematically broadening its portfolio of products and services among its existing customers. Its existing IP-VPN solutions enable QSC to implement these kinds of additional services, such as the integration of a virtual telephone system. These kinds of telecommunications-based software-as-a-service solutions increase value added while simultaneously strengthening customer loyalty.

Managed Services Revenues
(in € millions)

EBITDA up sharply • During the current fiscal year, QSC has been optimizing and standardizing its processes in the Managed Services segment in order to achieve a sustained rise in profitability. This was one of the factors that increased segment EBITDA by 32 percent in the third quarter of 2009 to € 2.5 million, as opposed to € 1.9 million for the same quarter the year before. The Company's EBITDA margin improved to 13 percent, as opposed to 10 percent for the corresponding period one year earlier. Since this segment has to bear a higher percentage of depreciation expense as a result of its higher network utilization, segment EBIT declined marginally to € -0.1 million, as opposed to € 0.1 million in the third quarter of 2008.

Managed Services EBIT
(in € millions)

FINANCIAL POSITION AND NET WORTH

High cash flow influxes from operative business • As a result of the positive development of the Company's operative business, cash flow from operating activities improved during the first nine months of the current fiscal year: At € 52.2 million, this metric was up 14 percent from the previous year's level of € 45.8 million. Cash flow from investing activities, on the other hand, declined to € -25.5 million during the first nine months of 2009, as opposed to € -48.5 million for the comparable period one year earlier. During the first nine months of the current fiscal year, the continued reduction of debt under finance leasing operations generated a cash flow from financing activities in the amount of € -33.4 million, as opposed to € -23.8 million for the corresponding period the year before.

Net indebtedness down to only € -3.0 million • QSC's liquid assets, which in addition to cash and short-term deposits also include available-for-sale financial assets, thus totaled € 42.5 million as of September 30, 2009, as opposed to € 49.2 million as of December 31, 2008. During this period, QSC reduced its interest-bearing liabilities – which include, in particular, liabilities to financial institutions as well as debt under finance lease contracts – by € 15.8 million; on balance, QSC lowered the volume of its interest-bearing liabilities by € 4.1 million in the third quarter of 2009. The Company thus recorded a positive free cash flow of € 2.6 million in the third quarter of 2009. During the first nine months, QSC has earned a free cash flow of € 9.2 million, reducing its net debts by the same amount. Net indebtedness amounted to € -3.0 million as of September 30, 2009, as opposed to € -12.2 million at the close of the previous fiscal year on December 31, 2008.

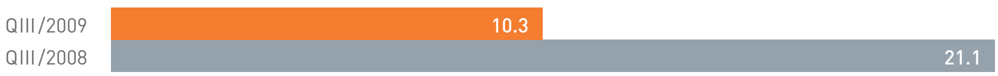
QSC reduces interest-bearing liabilities by € 15.8 million in 2009

in T €	30/09/2009	31/12/2008
Capital management		
Finance lease liabilities	(26,761)	(37,533)
Other short-term liabilities	(3,693)	(8,778)
Liabilities to financial institutions	(15,000)	(15,000)
Fixed rate debts	**(45,454)**	**(61,311)**
plus cash and short-term deposits	42,126	48,823
plus available-for-sale financial assets	330	327
Net liquidity	**(2,998)**	**(12,161)**

Equity ratio rises to 49 percent • The swift reduction of QSC's net debts reduced the share of short- and long-term liabilities in its balance sheet, while strengthening the importance of shareholders' equity. As of September 30, 2009, QSC has reduced long-term liabilities to € 58.9 million, as opposed to € 76.4 million at the close of the fiscal year on December 31, 2008. In this connection, long-term liabilities under finance lease contracts declined to € 10.0 million, as opposed to € 17.4 million at year-end 2008. Short-term liabilities, too, declined to € 108.7 million, as opposed to € 122.4 million at year-end 2008. As a result of the Company's net income, shareholders' equity thus rose to € 159.3 million as of September 30, 2009, as opposed to € 154.4 million as of December 31, 2008. During this period, the equity ratio increased from 44 percent to 49 percent.

Equity Ratio

Customer-related capital expenditures dominate • In the third quarter of 2009, capital expenditures totaled € 10.3 million, as opposed to € 21.1 million for the same period the year before, when the picture had still been characterized by a greater number of new customers in ADSL2+ business and the resulting capital expenditures for connecting them. In the third quarter of 2009, 61 percent of the above total was accounted for by customer-related investments, while 30 percent went to the maintenance and ongoing modernization of the Company's nationwide infrastructure.

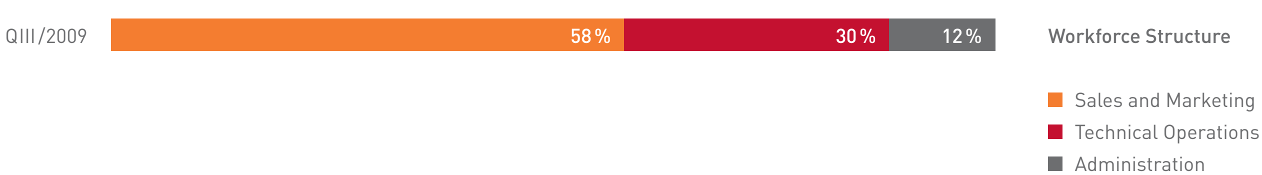


Capital Expenditures
(in € millions)

On the Assets side of the balance sheet, the lower level of capital expenditures, coupled with scheduled depreciation, reduced the value of long-term assets to € 220.2 million as of September 30, 2009, as opposed to € 236.9 million at year-end 2008. There was also a decline in the value of short-term assets, as QSC employed a portion of its liquid assets to continue drawing down its indebtedness; for this reason, too, the total for this metric declined to € 106.9 million, as opposed to € 116.3 million. Short-term assets continue to be fully financed by short-term liabilities; only a smaller share of long-term assets are covered by same-term debt, while the vast majority continues to be covered by shareholders' equity.

HUMAN RESOURCES

Stable workforce • As of September 30, 2009, QSC employed a workforce of 660 people. Natural attrition lowered this number marginally by five people by comparison with the preceding quarter. Aside from this, with its current manpower level QSC sees itself well aligned for the business development that it anticipates in the coming quarters.
58 percent of the Company's 660 employees were working in customer-related operations as of September 30, 30 percent in engineering and technology activities, and only 12 percent in administration. This mix, which has remained stable for some time now, underscores the alignment of the entire QSC organization toward the needs of its customers; this kind of focus on serving the customer is valued and being rewarded in particular by the Company's core target group, small and mid-size businesses.



Workforce Structure

RISK REPORT

No material changes in risk position • In the third quarter of 2009, there were no material changes in the risks presented in the 2008 Annual Report. Nevertheless, the risks presented therein, like other risks or incorrect assumptions, could mean that actual future results would vary from QSC's expectations. All statements contained in this unaudited Consolidated Interim Report that are not historical facts are forward-looking statements. They are based upon current expectations and projections of future events, and could therefore change over the course of time.

OUTLOOK

QSC raises its free cash flow forecast to at least € 12 million

Net debts to be eliminated entirely by year end • In its business thus far in 2009, QSC has been successfully focusing on high-margin revenues, enabling it to correspondingly revise its guidance for the full fiscal year: The Company now anticipates an EBITDA at the upper end of the € 68- to 78-million corridor that had been announced at the outset of the year, and revenues at the lower end of the € 420- to € 440-million corridor. At the same time, QSC is raising its free cash flow forecast: An anticipated free cash flow of at least € 12 million, instead of the previously announced figure of at least € 10 million, will enable net indebtedness to be eliminated entirely by year end. Moreover, the Company continues to anticipate sustained net income.

This increase in guidance is being made even though QSC does not presently see any sustained recovery of the German economy. The fourth quarter, too, is likely to be characterized by stiff price competition, especially in legacy voice telephony, as well as by a hesitation to invest on the part of enterprises. In this kind of environment, QSC will continue to focus on improving the quality of its revenues, and will give higher profitability priority over higher revenues.

This is especially clear to see from the Company's focus on high-margin revenues in the Products segment. With the establishment of a new distribution channel for specialty distributors, QSC is supporting marketing efforts for its higher-margin IP-based products, first and foremost the IPfonie centraflex virtual telephone system.

Expansion of the Next Generation Network early on now affording opportunities • In offering its IP-based products and services, QSC is benefiting from the expansion of its infrastructure into a fully IP-capable Next Generation Network early on. This also affords opportunities for the Company, such as both its unrivaled positioning in the German telecommunications market as a mid-size company serving mid-size companies, as well as its ability to increase the value added per customer by integrating additional services into IP-VPN solutions.

With the expansion of its NGN and its network expansion project, QSC concluded the capital investment phase back in 2008. The Company anticipates capital expenditures of less than € 50 million during the current fiscal year, with the majority consisting of customer-related investments. In addition to higher operative cash flow influxes, the declining level of capital expenditures will play a key role in QSC's significantly rising level of free cash flow during the current fiscal year.

Consolidated Interim Financial Statements

CONSOLIDATED STATEMENTS OF INCOME (unaudited)

Euro amounts in thousands (T €)

	01/07/-30/09/ 2009	01/07/-30/09/ 2008	01/01/-30/09/ 2009	01/01/-30/09/ 2008
Net revenues	104,402	103,635	315,696	301,344
Cost of revenues	(69,147)	(70,291)	(208,202)	(205,889)
Gross profit	**35,255**	**33,344**	**107,494**	**95,455**
Selling and marketing expenses	(9,336)	(10,839)	(29,623)	(34,400)
General and administrative expenses	(6,480)	(4,724)	(21,697)	(18,354)
Depreciation and non-cash share-based payments	(16,079)	(15,708)	(49,839)	(45,720)
Other operating income	110	534	2,027	1,439
Other operating expenses	(349)	(40)	(505)	(268)
Operating profit (loss)	**3,121**	**2,567**	**7,857**	**(1,848)**
Financial income	190	585	636	1,700
Financial expenses	(864)	(994)	(2,700)	(3,057)
Net profit (loss) before income taxes	**2,447**	**2,158**	**5,793**	**(3,205)**
Income taxes	(370)	(83)	(1,233)	(332)
Net profit (loss)	2,077	2,075	4,560	(3,537)
Earnings per share (basic) in €	**0.02**	**0.02**	**0.03**	**(0.03)**
Earnings per share (diluted) in €	**0.02**	**0.02**	**0.03**	**(0.03)**

CONSOLIDATED BALANCE SHEETS (unaudited)

Euro amounts in thousands (T €)

	Sept. 30, 2009	Dec. 31, 2008
ASSETS		
Long-term assets		
Property, plant and equipment	132,658	141,028
Goodwill	50,014	50,014
Other intangible assets	36,723	45,008
Other long-term financial assets	785	828
Long-term assets	**220,180**	**236,878**
Short-term assets		
Trade receivables	54,244	57,880
Prepayments	4,575	3,051
Inventories	3,325	3,690
Other short-term financial assets	2,250	2,547
Available-for-sale financial assets	330	327
Cash and short-term deposits	42,126	48,823
Short-term assets	**106,850**	**116,318**
TOTAL ASSETS	327,030	353,196

	Sept. 30, 2009	Dec. 31, 2008
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Capital stock	136,998	136,998
Capital surplus	563,546	563,197
Other reserves	(1,141)	(1,141)
Consolidated balance sheet loss	(540,066)	(544,626)
Shareholders' equity	**159,337**	**154,428**
Liabilities		
Long-term liabilities		
Long-term liabilities of other minority shareholders	44,208	53,790
Long-term portion of finance lease obligations	9,974	17,381
Convertible bonds	22	22
Accrued pensions	671	678
Other long-term liabilities	1,321	2,774
Deferred tax liabilities	2,752	1,735
Long-term liabilities	**58,948**	**76,380**
Short-term liabilities		
Trade payables	49,816	49,954
Short-term portion of finance lease obligations	16,787	20,152
Liabilities to financial institutions	15,000	15,000
Provisions	1,462	1,924
Deferred revenues	16,052	22,200
Other short-term liabilities	9,628	13,158
Short-term liabilities	**108,745**	**122,388**
Liabilities	**167,693**	**198,768**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	327,030	353,196

CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Euro amounts in thousands (T €)

	01/01/-30/09/ 2009	01/01/-30/09/ 2008
Cash flow from operating activities		
Net profit (loss) before income taxes	5,793	(3,537)
Depreciation and amortization	49,490	45,228
Non-cash share-based payments	346	497
Loss from disposal of long-term assets	577	152
Changes in provisions	(686)	3,136
Changes in trade receivables	3,636	4,420
Changes in trade payables	(138)	(11,198)
Changes in other financial assets and liabilities	(6,862)	7,080
Cash flow from operating activities	**52,156**	**45,778**
Cash flow from investing activities		
Purchase of available-for-sale financial assets	-	(25,117)
Disposal of available-for-sale financial assets	-	28,648
Purchase of intangible assets	(17,909)	(32,310)
Purchase of property, plant and equipment	(7,592)	(19,685)
Cash flow from investing activities	**(25,501)**	**(48,464)**
Cash flow from financing activities		
Changes in convertible bonds	-	4
Repayment of liabilities to minority interest shareholders	(9,582)	(3,098)
Proceeds from issuance of common stock	-	657
Assumption (Repayment) of other short- and long-term liabilities	(5,085)	1,220
Disposal of loans granted	-	(5,000)
Repayment of finance lease	(18,685)	(17,586)
Cash flow from financing activities	**(33,352)**	**(23,803)**
Change in cash and short-term deposits	**(6,697)**	**(26,489)**
Change in cash and short-term deposits at January 1	48,823	74,132
Cash and short-term deposits at September 30	**42,126**	**47,643**
Interest paid	2,452	3,349
Interest received	633	1,992

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

Euro amounts in thousands (T €)

	01/01/-30/09/ 2009	01/01/-30/09/ 2008
Comprehensive income (loss)	4,560	(3,537)
Other comprehensive income (net of taxes)	-	1
Total comprehensive income (loss) [1]	4,560	(3,536)

[1] Attributable to equity holders of the parent

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)

Euro amounts in thousands (T €)

	Equity attributable to equity holders of the parent				
	Capital stock	Capital surplus	Other capital reserves	Consolidated balance sheet loss	Total share-holders' equity
Balance at January 1, 2009	136,998	563,197	(1,141)	(544,626)	154,428
Total comprehensive income				4,560	4,560
Non-cash share-based payments		349			349
Balance at September 30, 2009	**136,998**	**563,546**	**(1,141)**	**(540,066)**	**159,337**
Balance at January 1, 2008	136,358	562,501	(289)	(544,095)	154,475
Total comprehensive loss				(3,537)	(3,537)
Income and expense directly recognized in equity			1		1
Net loss and recognized income and expense			1	(3,537)	(3,536)
Conversion of convertible bonds	635	22			657
Non-cash share-based payments		492			492
Balance at September 30, 2008	136,993	563,015	(288)	(547,632)	152,088

Notes to the Consolidated Interim Report

CORPORATE INFORMATION

QSC AG (QSC, the Company or the Group) is a nationwide telecommunications provider with its own DSL network that offers comprehensive broadband communication to business customers: From leased lines in a variety of bandwidths to voice and data services to networking of enterprise locations (IP-VPN).
QSC is a stock corporation registered in the Federal Republic of Germany whose legal domicile is Mathias-Brüggen-Strasse 55, 50829 Cologne, Germany. The Company is carried on the Register of Companies of the Local Court of Cologne under the number HRB 28281. QSC has been listed on the Deutsche Börse Stock Exchange since April 19, 2000, and on the Prime Standard since the beginning of 2003 following the reorganization of the equity market. On March 22, 2004, QSC was added to the TecDAX index, which includes the 30 largest and most liquid technology issues in the Prime Standard.

BASIS OF PREPARATION

1 General principles

The unaudited Consolidated Interim Financial Statements of QSC AG and its subsidiaries (Consolidated Interim Financial Statements) have been prepared in accordance with the International Financial Reporting Standards (IFRS) and their interpretation by the International Financial Reporting Interpretations Committee (IFRIC) in accordance with International Accounting Standards (IAS) 34, "Interim Financial Reporting." The Consolidated Interim Financial Statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as of December 31, 2008. It is the opinion of the Management Board that the Consolidated Interim Financial Statements contain all adaptations that are necessary for a true and fair view of the assets, liabilities, financial position and profit or loss of the Group. The financial results presented in the Consolidated Interim Financial Statements for the period from January 1 through September 30, 2009, do not necessarily indicate the development of future results.
The accounting principles applied in preparing the Consolidated Interim Financial Statements correspond essentially to the accounting principles that had been used in preparing the Consolidated Financial Statements for the 2008 fiscal year. Following publication of the revised financial reporting pronouncement IAS 1, "Presentation of Financial Statements (revised)", the Consolidated Interim Financial Statements contain, for the first time, a separate single statement of comprehensive income. It allows the presentation of net profit and of all directly recognized changes in equity during the reporting period that do not result from owner transactions, where the owners are acting in their capacity as owners.

In fiscal year 2008, after operating the core net for eight years, management performed an assessment of the initially assumed useful lives. It was determined that the actual useful lives are significantly longer than the initially assumed eight years for building improvements and the five years assumed for installed technology. In fiscal 2009, following the successful launch of VoIP marketing, the initially assumed lives for the relevant network components were also assessed and adjusted. For this reason, the useful lives of building improvements and of installed technology were extended from eight to ten and from five to eight years, respectively. According to IAS 8, the result of those revised assumptions is taken into consideration in the reporting period and subsequent periods. The following table provides the necessary details to be stated in the case of changes in estimates according to IAS 8, and shows the impact on the net results for the corresponding periods.

in T €	01/01/-30/09/ 2009	01/01/-30/09/ 2008
Network equipment and plant	9,709	6,769
Building improvements	479	803
Impact of changes in estimates	**10,188**	**7,572**

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

2 Basis of consolidation

The consolidated financial statements comprise the financial statements of QSC AG and its subsidiaries as of September 30, 2009. There has been no change in the number of companies included in the consolidation since December 31, 2008.

3 Segment reporting

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

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

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

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

in T €	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/07/-30/09/2009					
Net revenues	**18,810**	**22,800**	**62,792**		**104,402**
Cost of revenues	(11,446)	(12,216)	(45,485)		(69,147)
Gross profit	**7,364**	**10,584**	**17,307**	**-**	**35,255**
Selling and marketing expenses	(2,727)	(3,562)	(3,047)		(9,336)
General and administrative expenses	(2,094)	(2,258)	(2,128)		(6,480)
Depreciation and amortization	(2,535)	(2,845)	(10,583)		(15,963)
Non-cash share-based payments	(47)	(33)	(36)		(116)
Other operating income	(79)	(80)	(80)		(239)
Operating profit (loss)	**(118)**	**1,806**	**1,433**	**-**	**3,121**
Assets	68,113	93,170	165,747	-	327,030
Liabilities	24,927	30,279	109,735	2,752	167,693
Capital expenditures	3,082	869	6,328	-	10,279

in T €	Managed Services	Products	Wholesale / Resellers	Reconciliation	Consolidated
01/07/-30/09/2008					
Net revenues	**18,374**	**25,078**	**60,183**		**103,635**
Cost of revenues	(11,104)	(14,304)	(44,883)		(70,291)
Gross profit	**7,270**	**10,774**	**15,300**	**-**	**33,344**
Selling and marketing expenses	(3,924)	(5,076)	(1,839)		(10,839)
General and administrative expenses	(1,611)	(1,699)	(1,414)		(4,724)
Depreciation and amortization	(1,754)	(2,839)	(10,999)		(15,592)
Non-cash share-based payments	(14)	(27)	(75)		(116)
Other operating income	164	165	165		494
Operating profit	**131**	**1,298**	**1,138**	**-**	**2,567**
Assets	76,257	102,820	183,502	-	362,579
Liabilities	33,205	41,635	129,147	6,504	210,491
Capital expenditures	2,919	3,997	14,226	-	21,142

in T €	Managed Services	Products	Wholesale/ Resellers	Reconciliation	Consolidated
01/01/-30/09/2009					
Net revenues	**55,885**	**70,374**	**189,437**		**315,696**
Cost of revenues	(33,126)	(38,766)	(136,310)		(208,202)
Gross profit	**22,759**	**31,608**	**53,127**	**-**	**107,494**
Selling and marketing expenses	(8,491)	(11,307)	(9,825)		(29,623)
General and administrative expenses	(7,628)	(7,399)	(6,670)		(21,697)
Depreciation and amortization	(7,712)	(10,179)	(31,599)		(49,490)
Non-cash share-based payments	(82)	(84)	(183)		(349)
Other operating income	437	457	628		1,522
Operating profit (loss)	**(717)**	**3,096**	**5,478**	**-**	**7,857**
Assets	68,113	93,170	165,747	-	327,030
Liabilities	24,927	30,279	109,735	2,752	167,693
Capital expenditures	6,223	5,994	22,466	-	34,683

in T €	Managed Services	Products	Wholesale/ Resellers	Reconciliation	Consolidated
01/01/-30/09/2008					
Net revenues	**54,525**	**78,304**	**168,515**		**301,344**
Cost of revenues	(30,664)	(46,946)	(128,279)		(205,889)
Gross profit	**23,861**	**31,358**	**40,236**	**-**	**95,455**
Selling and marketing expenses	(12,382)	(15,535)	(6,483)		(34,400)
General and administrative expenses	(7,009)	(6,002)	(5,343)		(18,354)
Depreciation and amortization	(5,889)	(9,815)	(29,524)		(45,228)
Non-cash share-based payments	(74)	(128)	(290)		(492)
Other operating income	390	390	391		1,171
Operating profit (loss)	**(1,103)**	**268**	**(1,013)**	**-**	**(1,848)**
Assets	76,257	102,820	183,502	-	362,579
Liabilities	33,205	41,635	129,147	6,504	210,491
Capital expenditures	9,024	11,962	48,432	-	69,418

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

4 Related party transactions

During the first nine months of 2009, 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 T €	Net revenues	Expenses	Cash received	Cash paid
01/01/-30/09/2009				
IN-telegence GmbH & Co. KG	556	128	663	132
Teleport Köln GmbH	9	82	10	97
QS Communication Verwaltungs				
Service GmbH	-	114	-	145
01/01/-30/09/2008				
IN-telegence GmbH & Co. KG	38	2	45	(10)
Teleport Köln GmbH	10	51	12	62
QS Communication Verwaltungs				
Service GmbH	-	100	-	126

in T €	Trade receivables	Trade payables
At September 30, 2009		
IN-telegence GmbH & Co. KG	74	(20)
Teleport Köln GmbH	2	(7)
QS Communication Verwaltungs Service GmbH	-	-
At December 31, 2008		
IN-telegence GmbH & Co. KG	75	-
Teleport Köln GmbH	1	(6)
QS Communication Verwaltungs Service GmbH	-	(9)

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

5 Litigation

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

6 Management Board

	Shares		Convertible bonds	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
Dr. Bernd Schlobohm	13,818,372	13,818,372	350,000	350,000
Jürgen Hermann	145,000	89,840	47,000	47,000
Joachim Trickl	5,000	5,000	250,000	-

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

7 Supervisory Board

	Shares		Convertible bonds	
	Sept. 30, 2009	Sept. 30, 2008	Sept. 30, 2009	Sept. 30, 2008
John C. Baker	10,000	10,000	-	-
Herbert Brenke	187,820	187,820	-	10,000
Gerd Eickers	13,877,484	13,877,484	-	-
David Ruberg	14,563	14,563	-	-
Klaus-Theo Ernst *	500	500	3,258	3,258
Jörg Mügge *	4,000	-	6,000	6,000

* Employee representative

Cologne, November 2009

Dr. Bernd Schlobohm
Chief Executive Officer

Jürgen Hermann

Joachim Trickl

Calendar

Publication of Annual Report
March 31, 2010

Annual Shareholders Meeting
May 20, 2010

Conferences / Events
November 10-11, 2009
German Equity Forum Fall 2009
Deutsche Börse, Frankfurt

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