QSC AG: QUARTERLY REPORT

3rd Quarter 2013

QSC AG

Key Data

All amounts in € million	01/07/–30/09/ 2013	01/07/–30/09/ 2012	01/01/–30/09/ 2013	01/01/–30/09/ 2012
Revenues	113.8	120.5	340.3	353.2
EBITDA	19.4	20.4	57.4	56.0
Depreciation/amortization [1]	13.8	13.0	39.0	39.6
EBIT	5.5	7.4	18.4	16.4
Net profit	4.7	7.3	15.0	12.4
Earnings per share [2] (in €)	0.04	0.06	0.12	0.09
Return on revenue (in percent)	4.1	6.1	4.4	3.5
EBITDA margin (in percent)	17.0	16.9	16.9	15.9
EBIT margin (in percent)	4.8	6.1	5.4	4.6
Free cash flow	6.5	5.9	18.1	18.2
Capital expenditures (capex)	16.4	9.8	34.8	29.4
Capex ratio [3] (in percent)	14.4	8.1	10.2	8.3
Shareholders' equity			184.7 [4]	180.2 [5]
Long-term liabilities			105.2 [4]	96.0 [5]
Short-term liabilities			98.5 [4]	110.9 [5]
Balance sheet total			388.4 [4]	387.1 [5]
Equity ratio (in percent)			47.6 [4]	46.6 [5]
Xetra closing price as of 30/09/ (in €)			4.00	2.11
Number of shares as of 30/09/			123,870,137	137,306,877
Market capitalization as of 30/09/			495.5	289.7
Employees as of 30/09/			1,664	1,428

[1] including non-cash share-based remuneration

[2] basic and diluted

[3] ratio of capital expenditures to revenues

[4] as of September 30, 2013

[5] as of December 31, 2012

Highlights

Sustained high level of new orders

Order intake reached € 44.7 million in the third quarter of 2013. This means that since the beginning of the year QSC has already succeeded in winning orders totaling € 98.9 million from new and existing customers. During the past quarter, the Company again won numerous requests for proposals for SME Outsourcing and Networking projects, additionally benefiting from its extensive consulting know-how. The world's largest online coin dealer, MDM Deutsche Münze, for example, contracted with QSC to deploy the SAP merchandise management system on the basis of the new HANA database technology.

One-stop shopping for all ICT needs

The merger of INFO AG with QSC AG on August 6, 2013, concluded the Company's transformation from a TC provider into an integrated ICT provider. Following official entry of the merger in the commercial register, it is now possible to institute consistent leadership structures and working conditions at all locations and simplify cross-locational collaboration and steering.

Management Board expanded

The Supervisory Board appointed the two former management board members of INFO AG, Stefan Freyer and Henning Reinecke, to the QSC Management Board effective September 1. Stefan Freyer is now responsible for Operations, ICT Solutions business, IT Consulting, as well as the integration of IT and TC services at the technology level. Henning Reinecke, who had been responsible for Sales & Marketing at INFO AG, is now driving the market-based evolution of the Company's entire ICT portfolio.

QSC exhibits at IFA 2013

At the International Radio Exhibition (IFA) in Berlin from September 6 through 11, EEBUS initiative member QSC showcased a sample installation demonstrating the intelligent combination of modern Cloud solutions and household appliances and devices utilizing its self-developed QSC-Box. EEBUS is an organization comprising enterprises and associations from the German and international energy, telecommunications and electric power industries; its mission is to drive energy-efficient networking of electronic appliances and devices.

Share prices advance to 6-year high

The QSC share rally was sustained in the third quarter of 2013: Share prices appreciated by 44 percent to close at € 4.00 on September 30, a level that had not been seen since the summer of 2007. It was institutional investors, first and foremost, who invested in QSC shares, with both Netherlands-based fund management company Kempen Capital Management as well as Allianz Global Investors crossing the reportable 5- and 3-percent thresholds, respectively.

Jürgen Hermann

Barbara Stolz

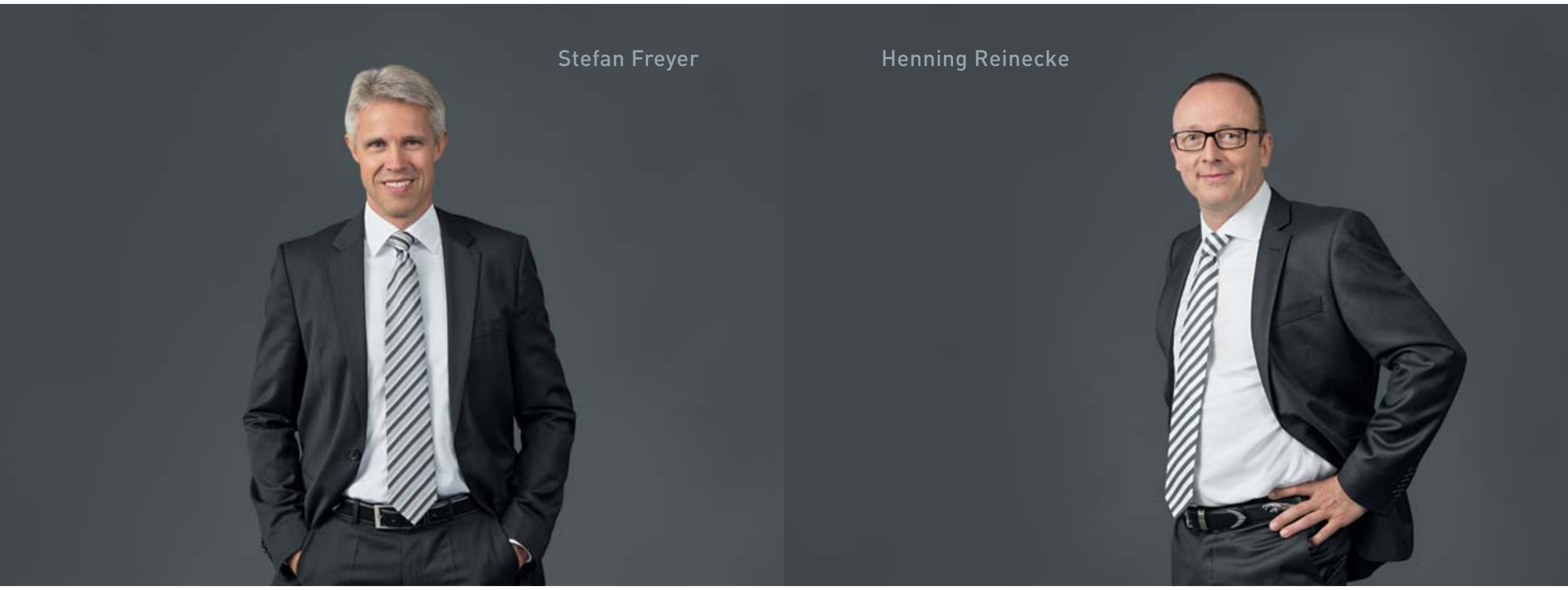
Dear Shareholders,

The merger of INFO AG with QSC AG in August 2013 concluded the final phase of our Company's transformation from a TC provider into an integrated ICT provider. The bundling of IT and TC know-how that we have now achieved at the "new" QSC is unrivalled anywhere in Germany. It offers the best prerequisites for developing and operating Cloud and integrated ICT services that will be viable in the future. And for doing it all with end-to-end quality, from the data center right through to the end-user's device.

The presentation of QSC-tengo, the workplace of the future, at CeBIT 2013 last March already demonstrated the kind of opportunities that can be produced by bundling IT and TC competence. And showcasing the QSC-Box at the International Radio Exhibition (IFA) in Berlin in September was another milestone. This self-developed Box was employed in a sample home automation installation, serving as the interface between household appliances/devices and a Cloud platform to provide intelligent communications control. This would enable a homeowner, for example, to receive a smartphone message if he or she had left home without turning off the kitchen stove, and to then turn it off remotely. This innovation was created within the framework of the EEBUS initiative, an organization comprising enterprises and associations from the energy, telecommunications and electric power industries.

QSC investing in future lines of business

The new QSC is moving into new and highly promising markets with these kinds of innovations. However, this necessitates that considerable investments be made in development operations and in recruiting the appropriate professionals. Growth in other forward-looking ICT lines of business, too, would be inconceivable without investments. The only way we can implement intelligent Outsourcing and Cloud projects for our customers, for example, is if we provision the appropriate resources as well as hardware and software in our data centers. While this might involve larger fluctuations in our capital expenditure ratio, depending upon the progress that is being made in individual projects, these investments will pay off over the term of the respective contracts, and at the same time commit customers to QSC long term.



QSC's in-house developments broaden portfolio

Internally, we are currently putting in place the prerequisites we need in order to utilize the numerous market opportunities as efficiently as possible. A consistent, cross-locational management structure has already been established following the merger. And the process of assuring consistent working conditions is scheduled to be concluded by year end. The new management structure can also be seen in the form of the Supervisory Board's decision to appoint two former INFO AG management board members to the QSC Management Board. Since September 1, our former colleague Arnold Stender has been focusing his energies on evolving and marketing QSC-tengo. Like the cospace communications platform, this in-house, Cloud-based development serves as a key module in QSC's broadened ICT portfolio.

Bundling our IT and TC competence under one roof enables and simplifies these kinds of innovations. Yet it takes enormous efforts and the personal enthusiasm and commitment of all of our people to ready these innovations for the real world and then market them. We are well aware that an enormous amount of work lies ahead of us, as well as a gigantic opportunity in the steadily growing market for Cloud and integrated ICT services.

Cologne, November 2013

Jürgen Hermann
Chief Executive Officer

Barbara Stolz

Stefan Freyer

Henning Reinecke

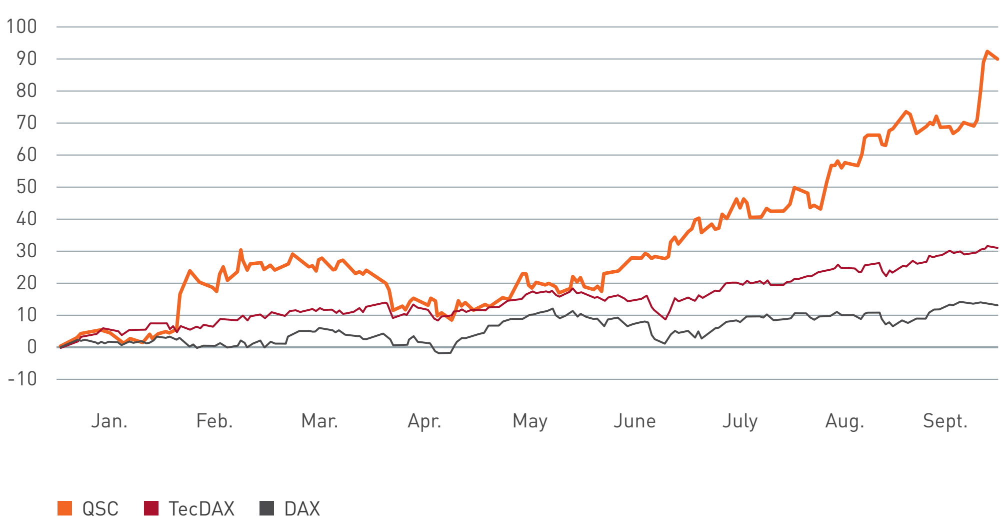
QSC Share Performance

QSC shares reach 6-year high • Trading prices for QSC shares stood at € 4.00 on September 30, 2013, a level that had last been seen in the summer of 2007. In connection with this rise, shares benefited from the friendly environment on the capital market. During the past quarter, the DAX rose by 8 percent to close at nearly 8,600 points, close to its historic high, while at the same time the TecDAX improved by 14 percent. This share price rally was sparked primarily by the prospect of a sustained policy of extremely easy money, by a brightening of economic prospects in Europe, as well as by sound corporate results.

In this environment, QSC shares advanced by 44 percent in the third quarter of 2013; they have already appreciated by 90 percent since the beginning of the year. This enabled QSC to close the valuation gap that had existed in previous years relative to the general capital market trend. In view of the tangible progress QSC has been making on its way toward becoming an integrated ICT provider, more and more investors are overcoming their skepticism regarding the success of the transformation process. Along with rising share prices, trading volume more than doubled year on year to € 132.0 million in the third quarter of 2013. An average of 590,000 QSC shares were traded per day; the year before, this metric had stood at 395,000.

QSC trading prices up by 44 percent in third quarter

QSC SHARE PRICE PERFORMANCE (indexed)



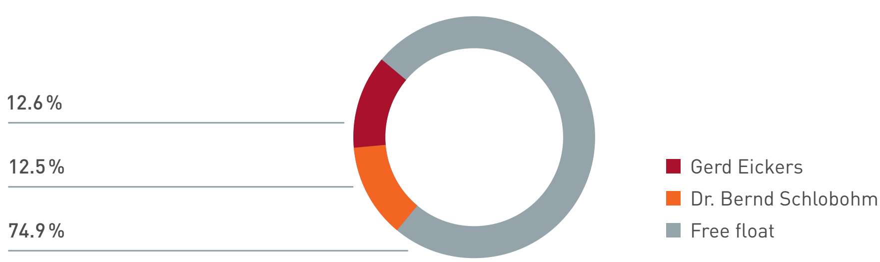
More than 5 percent of QSC shares held by Kempen Capital

Majority of analysts recommending QSC as a Buy • At the beginning of October, 7 of the 11 analysts who regularly follow QSC continued to view QSC shares as a Buy, even after their 90-percent share price rise; three recommended them as a Hold; and only one analyst advised profit-taking. The analysts substantiated their higher, some of them significantly higher, share price targets by citing the Company's operating progress and the resulting reduction of the risks inherent in its business model.

In view of this tangible progress, institutional investors, in particular, were active during the third quarter of 2013: In August, Netherlands-based fund management company Kempen Capital Management informed QSC that its percentage of voting rights had first passed the 3- and then the 5-percent threshold, as well. And in July, Allianz Global Investors had notified QSC that it held more than 3 percent of QSC's shares.

Investments by these and further institutional addresses have altered the structure of QSC's 25,422 shareholders as of September 30, 2013: During the past quarter, the percentage of the free float accounted for by institutional investors rose by 4 percentage points to 66 percent, with 34 percent in the hands of private investors. Overall, 74.9 percent of QSC shares are widely held. 12.6 percent and 12.5 percent, respectively, are held by the Company's two founders, Gerd Eickers and Dr. Bernd Schlobohm.

SHAREHOLDER STRUCTURE AS OF SEPTEMBER 30, 2013



Consolidated Interim Report QIII/2013

GENERAL ECONOMIC CONDITIONS

Economists anticipate upswing • Germany's leading economic research institutes see the German economy as being poised for an upswing in the fall of 2013. The autumn report that was presented in October 2013 showed that the kind of capital investments on the part of enterprises that are important for QSC are slowly picking up speed.
On the other hand, the ICT players, themselves, had their sights set on investments, even during the phase of economic sluggishness that is now drawing to a close. This can be seen from an analysis published in July 2013 of a KfW corporate survey conducted by industry association BITKOM. The analysis showed that 84 percent of the surveyed ICT players in Germany were investing in 2012, and nearly every second ICT provider planned to expand its investments during the current year. At the same time, many companies were also strengthening their research & development operations.

Declining importance of call-by-call and preselect business • The focus of investments in tangible assets and innovations is on forward-looking ICT lines of business, such as Cloud computing. Conventional TC business, on the other hand, continues to be characterized by stiff pricing competition as well as by heightened regulation. Plus changing usage patterns at the expense of Voice telephony. According to a study by VATM – an association of alternative TC providers – the number of Voice minutes will decline to 233 million per day this year; five years ago, this metric had stood at 266 million minutes per day. While the share of this volume accounted for by call-by-call and preselect connections had stood at 34 percent in 2008, the study predicts that it will fall to nearly 11 percent in 2013. It is impossible for QSC's Voice business to avoid this market development.

Stiff competition in conventional TC business

COURSE OF BUSINESS

Two-track development of business • In the third quarter of 2013, QSC generated revenues of € 113.8 million, which were within the corridor of expectations, in contrast to € 120.5 million for the same quarter one year earlier. Regulatory-induced and market-related shortfalls in conventional TC revenues were offset by growth in ICT business.
The significant reduction in mobile and fixed-network routing and interconnection fees, alone, that was ordered by the German Federal Network Agency have resulted in revenue declines totaling between € 7 and € 8 million per quarter year on year in the Resellers and Indirect Sales Business Units during the current fiscal year. Since QSC typically passes on these kinds of fees to its customers, this will not result in any noteworthy decrease in profitability. However, the German Federal Network Agency had additionally modified the structure of the fixed-network fees effective December 1, 2012. Since QSC, itself, operates a fixed network, this new regulation is reducing EBITDA by nearly one million euros a quarter.

In addition to heightened regulation, conventional Voice business is also suffering from both declining Voice volumes as well as stiff pricing competition. After being able to temporarily avoid this market trend during the first half of 2013, QSC was again forced to incur shortfalls in the third quarter of the current fiscal year. As a result, revenues with resellers, which stem mainly from conventional TC business, amounted to € 30.5 million for the past quarter, down significantly from the previous year's level of € 38.9 million.

REVENUES, RESELLERS (in € million)

Nor was the Indirect Sales Business Unit any longer able to fully offset the regulatory-induced and market-related revenue shortfalls in conventional TC business during in the third quarter of 2013 through growth through innovative ICT products. Revenues amounted to € 30.9 million, in contrast to € 32.1 million for the third quarter of 2012. To push ICT business, QSC strengthened its partner network; the focus is on training and certification for selected IT systems houses, IT service providers and specialty TC retailers. Indirect Sales markets its product portfolio through some 430 partners throughout Germany.

REVENUES, INDIRECT SALES (in € million)

Order intake totals € 44.7 million in third quarter

Direct Sales sailing growth course • Revenues in Direct Sales, which stem exclusively from ICT business, rose by 6 percent year on year to € 52.4 million in the third quarter of 2013. This growth in QSC's largest business unit was attributable to having won numerous requests for proposals in previous quarters. In the third quarter of 2013, too, the Company recorded high ongoing order intake of € 44.7 million from new and existing customers. In addition to numerous Outsourcing projects, the Company was also able to win such sophisticated Consulting projects as implementation of the SAP Business Warehouse on HANA at MDM Deutsche Münze, the world's largest coin dealer. Order intake had even reached a level of € 89.2 million in the same quarter the year before, as it was in this quarter that QSC had won the largest contract in the Company's history.

This contract transitioned to regular operations in the third quarter of 2013, which necessitated non-recurring investments in equipment and interfaces. Generally speaking, these numerous successes in Outsourcing business in fiscal 2012 and 2013 resulted in increased investments in QSC's own data centers as well as at its customers. Although these capital expenses will be amortized over the contract terms, they do temporarily increase the capital expenditures ratio.

REVENUES, DIRECT SALES (in € million)

Putting consistent processes and management structures in place • Following entry of the merger of INFO AG with QSC AG in the commercial register on August 6, 2013, the Company has been internally driving the establishment of consistent process and structures. Cross-locational management is now in place for all departments; and the Company is now showing one face to the customer under the QSC brand. The bundling of IT and TC know-how that we have achieved in this connection is unrivalled anywhere in Germany and creates an outstanding basis for developing and operating Cloud and integrated ICT services that will be viable in the future.

QSC-Box showcased at IFA 2013 • The Company's growing development competence was underscored by QSC's presence at the 2013 International Radio Exhibition (IFA) in Berlin. As a member of the EEBUS initiative, the Company presented a sample installation demonstrating the intelligent combination of modern Cloud solutions and household appliances/devices utilizing the new QSC-Box. EEBUS is an organization comprising enterprises and associations from the German and international energy, telecommunications and electric power industries whose aim is to drive smart, energy-efficient networking of electronic devices and appliances.

QSC showcases Cloud solution at IFA 2013

The Company is also embracing innovation in its existing ICT business. The new IP-based telephone system connection (SIP Trunk) named IPfonie extended connect is compatible with the internationally standardized SIPconnect 1.1 protocol, is flexibly scalable, offers a variety of uses and is suitable even for very large telephone systems. At the same time, the Company is modifying its IPfonie extended link product, the SIP Trunk for Microsoft Lync. It is now also available for the newest Lync Version 2013.

PROFITABILITY

Growth in operating business • In the third quarter of the current fiscal year, QSC generated revenues of € 113.8 million, in contrast to € 120.5 million for the corresponding quarter one year earlier. During the first nine months of the current fiscal year, the Company recorded aggregate revenues in the amount of € 340.3 million, by comparison with € 353.2 million for the same period one year before. During this period, growth in operating business was offset by a regulatory-induced revenue shortfall of nearly € 23 million (see also comments relating to the course of business).

Gross margin of 33 percent • Cost of revenues increased to € 75.9 million in the third quarter of 2013, in contrast to € 79.6 million for the same period one year earlier. Declining revenue-related expenses stood in contrast to rising personnel and development expenses. With these investments QSC is putting the prerequisites in place for future growth in ICT business. This produced a gross profit of € 37.9 million, as opposed to € 40.9 million for the third quarter of 2012. As in the previous quarters, the gross margin stood at 33 percent.
Sales and marketing expenses in the third quarter of 2013 stood at € 10.8 million, in contrast to € 11.3 million for the same period one year earlier. This item essentially includes personnel expenses, commission payments to sales partners and advertising expenses. General and administrative expenses, on the other hand, rose from € 9.2 million in the third quarter of 2012 to € 9.6 million for the past quarter. This amount includes non-recurring expenses relating to the merger of INFO AG with QSC AG in August 2013.

EBITDA rises to € 57.4 million after nine months

EBITDA margin continues to stand at 17 percent • In spite of the regulatory-induced profitability shortfalls as a result of the modified fee structure for fixed-network providers, QSC succeeded in earning an EBITDA margin of 17 percent in the third quarter of 2013, as it had for the same quarter the year before. In absolute numbers, EBITDA decreased by € 1.0 million to € 19.4 million during the past quarter. On a 9-month comparison basis, EBITDA nevertheless rose to € 57.4 million, by comparison with € 56.0 million for the same period one year earlier. EBITDA is defined as earnings before interest, taxes, amortization of deferred non-cash share-based remuneration, as well as depreciation and amortization of property, plant and equipment, and intangible assets.

EBITDA (in € million)

Depreciation expense rose to € 13.8 million from € 13.0 million in the third quarter of 2012. This rise was attributable to non-recurring write-downs on the INFO AG and IP Partner brands in the amount of € 1.6 million following the merger of INFO AG with QSC AG, which included the decision to operate under the QSC brand name in the future.
As a result of this higher depreciation expense, EBIT of € 5.5 million in the third quarter of 2013 was down from the previous year's level of € 7.4 million. However, totaling € 18.4 million after nine months of the current fiscal year, EBIT remained up from the previous year's level of € 16.4 million.

Consolidated net income of € 15.0 million after nine months • As a result of non-recurring write-downs and a lower positive tax effect, consolidated net income in the third quarter of 2013 amounted to € 4.7 million, compared to € 7.3 million for the corresponding period the year before. During the first nine months of the current fiscal year, QSC has earned consolidated net income of € 15.0 million, in contrast to € 12.4 million for the same period one year earlier. During this period, earnings per share improved from € 0.09 in the first nine months of 2012 to € 0.12 this year.

CONSOLIDATED NET INCOME (in € million)

PROFITABILITY BY SEGMENT

Direct Sales earns attractive margins, in spite of investments in future growth • Revenues in QSC's largest business unit, which comprises Outsourcing and Consulting solutions as well as international site networking and data center services, rose by 6 percent year on year in the third quarter of 2013 to € 52.4 million. Given growth that outpaced the market, as well as sustained high levels of new orders, this business unit has significantly increased its workforce during the course of the current fiscal year. Cost of revenues therefore rose by 15 percent to € 35.3 million in the third quarter of 2013.

Now that INFO AG has since been merged, during the current fiscal year Direct Sales is no longer solely bearing the administrative costs of what used to be QSC's largest subsidiary. Consequently, general and administrative expenses of € 3.3 million were down sharply from the previous year's level of € 5.5 million. Standing at € 4.4 million, sales and marketing expenses, too, were down from € 4.8 million in the third quarter of 2012. In Direct Sales, QSC focuses on direct contact with existent and prospective customers.

Direct Sales grows EBITDA by 23 percent

In spite of higher cost of revenues, Direct Sales was able to raise its segment EBITDA by 23 percent to € 10.1 million in the third quarter of 2013. The EBITDA margin improved by 2 percentage points to 19 percent. In view of non-recurring write-downs on the INFO AG and IP Partner brands in connection with the merger that are attributable to this segment, segment EBIT remained at the previous year's level of € 2.6 million.

EBITDA, DIRECT SALES (in € million)

Indirect Sales posts convincingly high margins • Indirect Sales markets a broad range of innovative ICT products and conventional TC offerings nationwide through some 430 partners, generating revenues of € 30.9 million in the third quarter of 2013, as opposed to € 32.1 million for the same quarter one year earlier. In contrast to the preceding quarters, this business unit was no longer able to fully offset market- and regulatory-induced revenue shortfalls in its TC business through growth through ICT products. Consequently, cost of revenues of € 16.5 million in the third quarter of 2013 were down from € 17.9 million for the same quarter the year before. Sales and marketing expenses, on the other hand, increased by € 0.2 million to € 3.8 million, and general and administrative costs rose by € 1.1 million to € 3.3 million due to the new allocation of these costs following the merger of INFO AG.

Given lower revenues of € 7.9 million, segment EBITDA was down from € 8.4 million for the comparable quarter one year earlier. Nor was EBIT of € 5.1 million in the third quarter of 2013 quite able to reach the previous year's level of € 5.7 million. With an EBITDA margin of 26 percent and an EBIT margin of 17 percent, Indirect Sales continued to earn far and away the highest margins of all three business units.

EBITDA margin of 26 percent in Indirect Sales

EBITDA, INDIRECT SALES (in € million)

Stiff pricing competition and regulation burden Resellers • The Resellers Business Unit is where QSC bundles its conventional TC business with service providers, who, in turn, serve residential customers. Stiff pricing competition and lower, regulatory-induced routing and interconnection fees led to a sharp decline in revenues here to € 30.5 million in the third quarter of 2013, as opposed to € 38.9 million for the same quarter the year before. Cost of revenues decreased to € 24.1 million in the third quarter of 2013, in contrast to € 30.8 million the year before, with sales and marketing expenses declining to € 2.6 million from € 2.9 million for the comparable quarter one year earlier. As a result of the new allocation of the costs of former INFO AG, on the other hand, general and administrative expenses rose from € 1.5 million in the third quarter of 2012 to € 2.9 million.

As a result, segment EBITDA of € 1.4 million in the third quarter of 2013 was down from the previous year's level of € 3.7 million, with the EBITDA margin being cut in half to 5 percent. At the EBIT level, the loss in the Resellers Business Unit rose to € -2.1 million in the third quarter of 2013, compared to € -0.8 million for the same period one year earlier. In viewing profitability by business unit, however, it should be noted that Resellers bears a considerable share of the costs of the infrastructure, which is so important in connection with QSC's business model.

EBITDA, RESELLERS (in € million)

FINANCIAL POSITION AND NET WORTH

Strong cash flows from operating activities • In the third quarter of 2013, QSC generated a cash flow from operating activities in the amount of € 23.8 million, compared to € 15.0 million for the same quarter one year earlier. This was attributable, first and foremost, to a positive effect on the accounts receivable side. Cash used in investing activities increased from € -8.3 million to € -12.8 million, as QSC made non-recurring investments in the third quarter of 2013, over and above the normal level of investments (see also comments relating to expenditures). Cash used in financing activities totaled € -2.4 million in the third quarter of 2013, in contrast to € -6.7 million for the same period one year earlier.

Free cash flow of € 18.1 million in first nine months of 2013 • In the third quarter of 2013, QSC earned a free cash flow of € 6.5 million; after nine months, this steering metric now stands at € 18.1 million. Free cash flow represents the changes in net liquidity/debit prior to acquisitions and distributions. The following table shows all parameters of relevance in this connection as of September 30, 2013, and June 30, 2013:

Free cash flow of € 6.5 million in third quarter

In € million	Sept. 30, 2013	June 30, 2013
Liquidity		
Cash and short-term deposits	51.8	43.2
Available-for-sale financial assets	0.3	0.3
Liquidity	**52.1**	**43.5**
Interest-bearing liabilities		
Liabilities under financing and finance lease arrangements	(13.8)	(10.4)
Liabilities due to banks	(86.7)	(88.0)
Interest-bearing liabilities	**(100.5)**	**(98.4)**
Net debt	(48.4)	(54.9)

Consequently, liquidity increased by € 8.6 million to € 52.1 million in the third quarter of 2013. Interest-bearing liabilities, on the other hand, rose only by € 2.1 million to € -100.5 million. This reduced net debt – and thus produced a positive free cash flow – by € 6.5 million.

Higher expenditures in third quarter of 2013 • Capital expenditures rose to € 16.4 million in the third quarter of 2013, as opposed to € 9.8 million for the comparable period one year earlier. Since Outsourcing projects were transitioned into regular operations earlier than had been planned, it was necessary to make investments in equipment and interfaces that had originally not been planned for the current and coming quarters. Plus non-recurring investments in modernizing the storage capacities of QSC's own data centers. This expansion had been scheduled for the winter of 2013/2014, but had to be moved forward because of ongoing successes in winning requests for proposals.

CAPITAL EXPENDITURES (in € million)

Earlier-than-planned investments of €6m in third quarter 2013

In addition to these earlier-than-planned investments, amounting to a total of some € 6 million, there were also regular capital expenses in the amount of some € 10 million, as in the third quarter of 2012. So depending upon the progress that is being made in transitioning major Outsourcing projects, it is not possible to preclude the possibility of strong quarter-to-quarter fluctuations in the future. Yet over the course of the year, capital expenditures are not expected to exceed the limit of 10 percent of revenues that has thus far been in place.

Depreciation reduces value of assets • As a result of ongoing depreciation expense, the value of long-term assets in the balance sheet decreased from € 279.4 million as of December 31, 2012, to € 274.9 million as of September 30, 2013. During this period, the value of property, plant and equipment, alone, declined by € 6.0 million to € 101.6 million as of September 30, 2013.
Short-term assets rose from € 107.7 million as of December 31, 2012, to € 113.5 million as of September 30, 2013. A € 17.0-million increase in liquid assets to € 51.8 million was offset by a € 13.2-million reduction in trade accounts receivable to € 50.6 million.

Shareholders' equity burdened by dividend payment and withdrawal of treasury shares from circulation • Shareholders' equity stood at € 184.7 million as of September 30, 2013, in contrast to € 180.2 million as of December 31, 2012. In this connection, capital stock decreased by € 13.6 million to € 123.9 million as a result of the withdrawal from circulation of treasury shares. As of December 31, 2012, QSC had still been separately presenting these shares at their par value; they had been acquired during the course of fiscal 2012 within the framework of a share buy-back program. Accumulated deficit, on the other hand, increased from € -82.8 million at year-end 2012 to € -92.5 million as of September 30, 2013. QSC charged both the withdrawal of treasury shares from circulation as well as the dividend payment in the amount of € 11.1 million directly against this metric. On the other hand, the loss was offset by consolidated net income of € 15.0 million during the first nine months of the current fiscal year.

Long-term financing for long-term assets • Long-term debt increased to € 105.2 million as of September 30, 2013, in contrast to € 96.0 million as of December 31, 2012. In this connection, liabilities due to banks rose from € 74.8 million at year-end 2012 to € 83.6 million; this metric was down modestly by comparison with June 30, 2013. This means that at the end of September, 105 percent of the Company's long-term assets of € 274.9 million were being financed through shareholders' equity and long-term debt.

Short-term debt decreased from € 110.9 million as of December 31, 2012, to € 98.5 million as of September 30, 2013. In this connection, trade accounts payable rose to € 56.8 million from € 52.5 million as of December 31, 2012. As planned, on the other hand, deferred income decreased further to € 10.7 million, as opposed to € 23.5 million at year-end 2012. QSC utilizes this line item primarily to record payments from former Plusnet co-shareholder TELE2 for premature termination of the contract, whose original term was to run through year-end 2013, and thus returns this line item on a periodic basis.

HUMAN RESOURCES

QSC continues to invest in professionals • In spite of the sometimes serious shortage of skilled professionals, QSC was able to win further ICT experts in the third quarter of 2013. As of September 30, 2013, the Company employed a total of 1,664 people – 236 more than one year earlier and 49 more than in the previous quarter. The majority of the ICT experts work at the Company's two key locations in Cologne and Hamburg; as of September 30, 424 people were working at Headquarters in Cologne, 887 in Hamburg. A further 73 employees were working in Nuremberg, which is where QSC is primarily driving its Housing business. The remaining 280 people were distributed among the Company's sales offices and branch locations throughout Germany, as well as in home offices. Four percent of the workforce work chiefly from their homes.

The Company wins 236 further professionals within a year

WORKFORCE

42 apprentices begin their training • Apprentices are a major element in the QSC workforce. In September 2013, 42 young adults began their training as qualified IT experts and business IT professionals or business administrators; nearly 40 percent are combining their apprenticeships with university studies. After 26 apprentices had passed their final examination last summer, with the majority being given full-time jobs, QSC currently employs a total of 107 apprentices.

QSC expands Management Board • At its meeting on August 29, 2013, the Supervisory Board appointed Stefan Freyer and Henning Reinecke to the Management Board of QSC AG effective September 1, 2013. Both are former members of the management board of INFO AG. Freyer had been responsible for Outsourcing, Consulting, Infrastructure and Innovation on the management board of INFO AG since 2007. He holds a post-graduate degree in Information Technology with a concentration on Economics and had previously headed up the Projects and Applications Management operations at INFO AG. As a member of the QSC Management Board, Freyer is responsible for Operations, ICT Solutions business and IT Consulting, and is driving the integration of IT and TC services at the technology level.

Reinecke had been on the management board of INFO AG since 2012, where he was responsible for Sales & Marketing. Before that, he had been in charge of Consulting and Outsourcing sales in North Germany. Prior to joining INFO AG, this business administrator had gathered 16 years of both national and international project, sales and leadership experience at international IT services provider CSC. On the QSC AG Management Board, Reinecke is responsible for the market-driven evolution of the Company's entire ICT portfolio. Since September 2013, former QSC Management Board member and managing director of tengo GmbH, Arnold Stender, has been devoting his full energies toward evolving the innovative QSC-tengo product family and shaping this Cloud service into a core product for ICT provider QSC.

RISK REPORT

No major change in risk position • During the third quarter of 2013, there were no major changes in the risks presented in the 2012 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

QSC is not aware of any reportable events of particular importance subsequent to the close of the quarter.

OUTLOOK REPORT

QSC reiterates guidance • Given the development of business to date, QSC is reiterating the guidance for the full fiscal year that it had announced in early March 2013: The Company anticipates an EBITDA margin of at least 17 percent and a free cash flow in the amount of at least € 24 million on revenues of at least € 450 million. Sharply rising ICT revenues will be offset by declining conventional TC revenues, especially in the Resellers Business Unit. TC business will additionally be burdened by several decisions issued by the German Federal Network Agency in the autumn of 2012: This, alone, will result in a revenue shortfall of some € 30 million and an EBITDA decline in the amount of € 3 to € 4 million year on year for the full 2013 fiscal year.

Direct Sales to develop on positive note • The continued high level of new orders is providing QSC's largest business unit with a very good foundation for sustained growth during the further course of fiscal 2013 and beyond. QSC anticipates that, year on year, revenues in Indirect Sales will continue to trend downward in the fourth quarter of 2013: Continued growth in revenues with ICT products will be offset by regulatory-induced and market-related revenue declines in conventional TC business. Given these developments, QSC expects to see significant decreases in the predominantly conventional TC revenues in the Company's third business unit, Resellers.

QSC investing in future growth • The dynamics of the Company's ICT revenues will necessitate investments in future growth during the coming quarters, as well. This relates, on the one hand, to ongoing expenditures for work on new products and for optimizing existing ones, as well as for recruiting ICT experts. On the other hand, this also applies with respect to capital expenditures, themselves: Given the strong order intake, QSC has to make higher preliminary investments at the data centers and for connecting new customers. The Company nevertheless anticipates that capital expenditures will again account for between 6 and 10 percent of revenues in the coming quarters, although there could be major fluctuations from quarter to quarter, as was recently seen. QSC is financing these investments predominantly from within, with the remainder being covered through utilization of a long-term credit arrangement with a banking consortium. The Company's financial strength is underscored by its sustained positive free cash flow, with QSC striving for a total of at least € 24 million for the full 2013 fiscal year. This free cash flow will also enable QSC to pay an attractive dividend for the 2013 fiscal year, with the previous year's dividend of € 0.09 per share serving as the minimum.

QSC to invest in future growth during the coming quarters

Consolidated Interim Financial Statements

CONSOLIDATED STATEMENT OF INCOME (unaudited)

Euro amounts in thousands (K€)

	01/07/–30/09/ 2013	01/07/–30/09/ 2012	01/01/–30/09/ 2013	01/01/–30/09/ 2012
Net revenues	**113,819**	**120,517**	**340,283**	**353,164**
Cost of revenues	(75,884)	(79,609)	(226,845)	(236,812)
Gross profit	**37,935**	**40,908**	**113,438**	**116,352**
Sales and marketing expenses	(10,760)	(11,264)	(30,991)	(33,438)
General and administrative expenses	(9,587)	(9,164)	(26,914)	(26,768)
Depreciation and non-cash share-based remuneration	(13,829)	(12,955)	(38,991)	(39,601)
Other operating income	1,928	326	2,776	562
Other operating expenses	(143)	(402)	(926)	(706)
Operating profit	**5,544**	**7,449**	**18,392**	**16,401**
Financial income	66	142	227	427
Financial expenses	(1,002)	(1,190)	(3,078)	(3,365)
Net profit before income tax	**4,608**	**6,401**	**15,541**	**13,463**
Income tax	114	882	(514)	(1,017)
Net profit	4,722	7,283	15,027	12,446
thereof attributable to non-controlling interests	-	92	-	145
thereof attributable to owners of QSC AG	4,722	7,191	15,027	12,301
Earnings per share (basic) in €	**0.04**	**0.06**	**0.12**	**0.09**
Earnings per share (diluted) in €	**0.04**	**0.06**	**0.12**	**0.09**

CONSOLIDATED BALANCE SHEET (unaudited)

Euro amounts in thousands (K€)

	30/09/2013	31/12/2012
ASSETS		
Long-term assets		
Property, plant and equipment	101,603	107,614
Land and buildings	27,008	27,259
Goodwill	76,265	76,265
Other intangible assets	52,422	50,525
Trade receivables	2,728	4,525
Prepayments	2,271	1,976
Other long-term assets	714	707
Deferred tax assets	11,855	10,539
Long-term assets	**274,866**	**279,410**
Short-term assets		
Trade receivables	50,561	63,814
Prepayments	6,623	4,413
Inventories	1,603	1,365
Other short-term assets	2,593	2,963
Available-for-sale financial assets	343	343
Cash and short-term deposits	51,767	34,820
Short-term assets	**113,490**	**107,718**
TOTAL ASSETS	388,356	387,128

	30/09/2013	31/12/2012
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Capital stock	123,870	137,307
Nominal value of treasury shares from share buy-back	-	(13,630)
Capital stock	123,870	123,677
Capital surplus	154,593	140,542
Other capital reserves	(1,207)	(1,207)
Consolidated retained earnings / (Accumulated deficit)	(92,517)	(82,776)
Shareholders' equity	184,739	180,236
Liabilities		
Long-term liabilities		
Long-term liabilities under financing		
and finance lease arrangements	8,800	7,200
Liabilities due to banks	83,613	74,817
Convertible bonds	23	13
Accrued pensions	6,969	6,905
Other provisions	675	856
Deferred income	801	932
Deferred tax liabilities	4,281	5,306
Long-term liabilities	105,162	96,029
Short-term liabilities		
Trade payables	56,798	52,452
Short-term liabilities under financing		
and finance lease arrangements	5,030	4,147
Liabilities due to banks	3,075	4,351
Other provisions	5,132	6,452
Accrued taxes	2,299	3,505
Deferred income	10,692	23,500
Other short-term liabilities	15,429	16,456
Short-term liabilities	98,455	110,863
Liabilities	203,617	206,892
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	388,356	387,128

CONSOLIDATED STATEMENT OF CASH FLOWS (unaudited)

Euro amounts in thousands (K€)

	01/01/ – 30/09/ 2013	01/01/ – 30/09/ 2012
Cash flow from operating activities		
Net profit before income tax	15,541	13,463
Depreciation and amortization of fixed assets	38,673	39,265
Non-cash income and expenditure	318	335
Loss from disposal of fixed assets	17	810
Changes in provisions	(5,498)	(5,857)
Changes in trade receivables	15,050	2,540
Changes in trade payables	5,020	15,044
Changes in other assets and liabilities	(15,824)	(19,357)
Cash flow from operating activities	**53,297**	**46,243**
Cash flow from investing activities		
Purchase of intangible assets	(11,011)	(7,646)
Purchase of property, plant and equipment	(18,060)	(17,188)
Cash flow from investing activities	**(29,071)**	**(24,834)**
Cash flow from financing activities		
Dividends paid	(11,138)	(10,985)
Payments for share buy-back	-	(22,608)
Issuance of convertible bonds	10	-
Purchase of additional interest in subsidiary following acquisition	-	(5,812)
Proceeds from issuance of common stock	296	59
Proceeds from loans granted	7,520	35,603
Repayment of liabilities under financing		
and finance lease arrangements	(3,967)	(4,506)
Cash flow from financing activities	**(7,279)**	**(8,249)**
Change in cash and short-term deposits	**16,947**	**13,160**
Cash and short-term deposits as of January 1	34,820	23,755
Cash and short-term deposits as of September 30	**51,767**	**36,915**
Interest paid	1,996	1,723
Interest received	207	571
Income tax paid	3,523	4,853

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

Euro amounts in thousands (K€)

	01/01/–30/09/ 2013	01/01/–30/09/ 2012
Other comprehensive income		
Actuarial gain on defined benefit pension plans	-	1
Other comprehensive income	**-**	**1**
Net profit for the period	15,027	12,446
Total comprehensive income for the period	**15,027**	**12,447**
thereof attributable to non-controlling interests	-	145
thereof attributable to owners of QSC AG	15,027	12,302

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	Consolidated retained earnings/ (Accum. deficit)	Total
Balance as of January 1, 2013	**123,677**	**140,542**	**(1,207)**	**(82,776)**	**180,236**
Net profit for the period	-	-	-	15,027	15,027
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income	**-**	**-**	**-**	**15,027**	**15,027**
Withdrawal of treasury shares	-	13,630	-	(13,630)	-
Conversion of convertible bonds	193	103	-	-	296
Dividend distribution	-	-	-	(11,138)	(11,138)
Non-cash share-based remuneration	-	318	-	-	318
Balance as of September 30, 2013	**123,870**	**154,593**	**(1,207)**	**(92,517)**	**184,739**
Balance as of January 1, 2012	**137,257**	**140,095**	**(362)**	**(72,069)**	**204,921**
Net profit for the period	-	-	-	12,301	12,301
Other comprehensive income for the period, net of tax	-	-	1	-	1
Total comprehensive income	**-**	**-**	**1**	**12,301**	**12,302**
Write-off of minority interest following squeeze-out	-	-	-	-	-
Acquisition of treasury shares	(10,673)	-	-	(11,935)	(22,608)
Conversion of convertible bonds	50	9	-	-	59
Dividend distribution	-	-	-	(10,985)	(10,985)
Non-cash share-based remuneration	-	336	-	-	336
Acquisition of non-controlling interests following initial consolidation	-	-	-	(3,289)	(3,289)
Balance as of September 30, 2012	126,634	140,440	(361)	(85,977)	180,736

Equity attributable to non-controlling interests	Total share-holders' equity	
-	**180,236**	**Balance as of January 1, 2013**
-	15,027	Net profit for the period
-	-	Other comprehensive income for the period, net of tax
-	**15,027**	**Total comprehensive income**
-	-	Withdrawal of treasury shares
-	296	Conversion of convertible bonds
-	(11,138)	Dividend distribution
-	318	Non-cash share-based remuneration
-	**184,739**	**Balance as of September 30, 2013**
2,378	**207,299**	**Balance as of January 1, 2012**
145	12,446	Net profit for the period
-	1	Other comprehensive income for the period, net of tax
145	**12,447**	**Total comprehensive income**
(2,523)	(2,523)	Write-off of minority interest following squeeze-out
-	(22,608)	Acquisition of treasury shares
-	59	Conversion of convertible bonds
-	(10,985)	Dividend distribution
-	336	Non-cash share-based remuneration
		Acquisition of non-controlling interests following
-	(3,289)	initial consolidation
-	180,736	Balance as of September 30, 2012

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. The Company thus numbers among the leading SME providers of ICT and Cloud services in Germany. QSC offers custom Managed Services for individual ICT requirements as well as a comprehensive product portfolio for customers and sales 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. Its 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. 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, 2012. 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, 2013, do not necessarily indicate the development of future results.

The Consolidated Interim Financial Statements have been prepared using the same accounting and valuation policies as were applied in the Consolidated Financial Statements for the 2012 fiscal year. Modifications to the IFRS whose application is mandatory beginning in fiscal year 2013 did not have any impact on the interim financial statements for the period ended September 30, 2013.
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, 2012.
The Consolidated Interim Financial Statements are rounded, except when otherwise indicated, to the nearest thousand (K€).

2 Consolidation

The Consolidated Interim Financial Statements comprise the financial statements of QSC AG and its subsidiaries as of September 30, 2013. There has been a change in the composition of the consolidated companies by comparison with December 31, 2012: Since February 21, 2013, newly founded companies Broadnet NGN GmbH, Q-loud GmbH and tengo complete GmbH, all domiciled in Cologne, have been fully consolidated in the Consolidated Financial Statements. All of them are cash contributions with a capital stock of K€ 25 each.
Through contracts dated April 3, 2013, four wholly-owned, previously fully consolidated subsidiaries of INFO AG were merged with it: INFO Business Systems GmbH, INFO Customer Service GmbH, both domiciled in Hamburg, IP Exchange GmbH and IPX-Server GmbH, both domiciled in Nuremberg. All of the mergers went into effect upon entry in the Commercial Register on May 27, 2013.
In accordance with a contract dated June 4, 2013, INFO AG, Hamburg, was then merged with QSC AG, Cologne. The merger took legal effect on August 6, 2013, when it was entered into the commercial register.

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. 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. 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 another 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, sales 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 income tax 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 income tax. Both the direct and indirect attribution of costs to the individual segments corresponds to the Company's internal reporting system and steering logic. There are also directly and indirectly attributable items under 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
01/07/–30/09/2013					
Net revenues	**52,444**	**30,855**	**30,520**	**-**	**113,819**
Cost of revenues	(35,305)	(16,470)	(24,109)		(75,884)
Gross profit	**17,139**	**14,385**	**6,411**	**-**	**37,935**
Sales and marketing expenses	(4,366)	(3,810)	(2,584)		(10,760)
General and administrative expenses	(3,328)	(3,344)	(2,915)		(9,587)
Depreciation and amortization	(7,438)	(2,708)	(3,503)		(13,649)
Non-cash share-based remuneration	(62)	(59)	(59)		(180)
Other operating income	616	640	529		1,785
Operating profit/(loss)	**2,561**	**5,104**	**(2,121)**	**-**	**5,544**
Assets	202,269	111,184	63,048	11,855	388,356
Liabilities	79,921	44,567	74,848	4,281	203,617
Capital expenditures	13,176	2,026	1,176	-	16,378

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/07/–30/09/2012					
Net revenues	**49,515**	**32,079**	**38,923**	**-**	**120,517**
Cost of revenues	(30,819)	(17,941)	(30,849)		(79,609)
Gross profit	**18,696**	**14,138**	**8,074**	**-**	**40,908**
Sales and marketing expenses	(4,788)	(3,579)	(2,897)		(11,264)
General and administrative expenses	(5,491)	(2,178)	(1,495)		(9,164)
Depreciation and amortization	(5,635)	(2,722)	(4,489)		(12,846)
Non-cash share-based remuneration	(44)	(36)	(29)		(109)
Other operating income	(181)	64	41		(76)
Operating profit/(loss)	**2,557**	**5,687**	**(795)**	**-**	**7,449**
Assets	192,536	110,257	83,929	7,961	394,683
Liabilities	78,656	36,008	94,828	4,455	213,947
Capital expenditures	6,050	2,365	1,429	-	9,844

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/ – 30/09/2013					
Net revenues	**153,322**	**92,128**	**94,833**	**-**	**340,283**
Cost of revenues	(101,354)	(49,219)	(76,272)		(226,845)
Gross profit	**51,968**	**42,909**	**18,561**	**-**	**113,438**
Sales and marketing expenses	(12,730)	(11,089)	(7,172)		(30,991)
General and administrative expenses	(9,129)	(9,515)	(8,270)		(26,914)
Depreciation and amortization	(18,724)	(8,129)	(11,820)		(38,673)
Non-cash share-based remuneration	(111)	(104)	(103)		(318)
Other operating income	644	743	463		1,850
Operating profit / (loss)	**11,918**	**14,815**	**(8,341)**	**-**	**18,392**
Assets	202,269	111,184	63,048	11,855	388,356
Liabilities	79,921	44,567	74,848	4,281	203,617
Capital expenditures	25,189	5,490	4,168	-	34,847

in K€	Direct Sales	Indirect Sales	Resellers	Reconciliation	Consolidated
01/01/ – 30/09/2012					
Net revenues	**137,473**	**89,743**	**125,948**	**-**	**353,164**
Cost of revenues	(88,235)	(47,807)	(100,770)		(236,812)
Gross profit	**49,238**	**41,936**	**25,178**	**-**	**116,352**
Sales and marketing expenses	(14,031)	(10,629)	(8,778)		(33,438)
General and administrative expenses	(15,948)	(6,413)	(4,407)		(26,768)
Depreciation and amortization	(16,470)	(8,331)	(14,464)		(39,265)
Non-cash share-based remuneration	(133)	(112)	(91)		(336)
Other operating income	(294)	231	(81)		(144)
Operating profit / (loss)	**2,362**	**16,682**	**(2,643)**	**-**	**16,401**
Assets	192,536	110,257	83,929	7,961	394,683
Liabilities	78,656	36,008	94,828	4,455	213,947
Capital expenditures	19,792	6,108	3,517	-	29,417

4 Treasury shares withdrawn from circulation, reducing capital stock

On January 9, 2013, the Management Board, with the consent of the Supervisory Board and on the basis of the authorizing resolution under Item 5 of the agenda, which was adopted by the Annual Shareholders Meeting on May 20, 2010, resolved to withdraw from circulation treasury shares that had already been acquired during the 2012 fiscal year utilizing the simplified procedure pursuant to § 71, Para. 1, No. 8, Sent. 6, German Stock Corporation Act ("AktG"), thus reducing the Company's capital stock. Through this resolution, all 13,629,913 bearer shares held by QSC AG at this point in time and mathematically accounting for € 1.00 per share of the capital stock were withdrawn from circulation. The reduction of capital stock went into effect on January 11, 2013.

The withdrawal of treasury shares from circulation reduced the capital stock of the Company by € 13,629,913.00. To comply with regulations under German stock corporation law (§ 237, Para. 5, German Stock Corporation Act), the capital surplus was increased by the same amount and charged to the accumulated deficit.

5 2012 stock option program

On May 16, 2012, the QSC Annual Shareholders Meeting agreed to the 2012 stock option program (2012SOP), which provides for the issuance of up to 5,000,000 convertible bonds with a par value of € 0.01 each to employees and, with the consent of the Supervisory Board, to members of the Management Board. A total of 962,800 convertible bonds out of the 3,479,700 convertible bonds awarded prior to September 30, 2013, were subscribed by the end of the third quarter. The subscription term ends on May 15, 2017, at the latest. The convertible bonds have a term of up to 8 years subsequent to subscription. The conversion right may be exercised – at the earliest after a waiting period of 4 years subsequent to subscription – only if at least one of the following two conditions is met: Either the trading price is at least 20 percent higher than the exercise price or the share has, in relative terms, outperformed the TecDAX.

6 Dividend

On May 29, 2013, the Annual Shareholders Meeting of QSC AG resolved to distribute a dividend of € 0.09 per dividend-entitled no-par share. The distribution, totaling € 11,138,038.83, was disbursed on May 30, 2013.

7 Litigation

In a judicial review proceeding ("Spruchverfahren") before the Hamburg Regional Court ("Landgericht"), 30 former minority shareholders of Broadnet AG have filed an application for the payment of an additional contribution in cash over and above the QSC AG shares, which they received in exchange for their Broadnet AG shares. In accordance with its ruling dated September 20, 2013, the Hamburg Regional Court stipulated that QSC must pay an additional contribution in cash of € 0.96 per share to all former minority shareholders of Broadnet AG. The additional contribution in cash is subject to interest at 2 percentage points above the base rate with effect from December 31, 2007, and at 5 percentage points above the base rate with effect from September 1, 2009. The costs of the proceedings are to be borne by QSC. The total amount of the additional contribution in cash is K€ 959 plus interest and is therefore in line with QSC's estimate. A number of the applicants immediately filed an appeal against the ruling with the Hamburg Higher Regional Court ("Oberlandesgericht"), with the consequence that the ruling is not yet legally binding. A provision has been recognized for these proceedings.
In 2012 a lawsuit was filed against QSC with the Cologne Regional Court. The plaintiff was seeking a payment of K€ 2,271 plus interest. The parties to this lawsuit concluded a judicial settlement on September 30, 2013, based on a proposal made by the court. Under the terms of the settlement, QSC agreed to pay K€ 909 (i.e. 40 percent) of the total claim to the plaintiff. The parties each agreed to pay 50 percent of the costs of the lawsuit and the settlement. The proceedings have therefore been terminated. QSC had previously recognized a provision for the full amount of the principal claim.
In 2012 a lawsuit was filed against Broadnet Services GmbH at the Commercial Division ("Kammer für Handelssachen") of the Regional Court in Cologne. The plaintiff is seeking a payment of K€ 1,812 plus interest. The Cologne Regional Court dismissed the lawsuit in a ruling dated June 6, 2013. The plaintiff lodged an appeal against the ruling on July 5, 2013, within the permitted time limit with the Cologne Higher Regional Court. A date has not yet been set for the hearing. Broadnet Services GmbH had previously recognized a provision for the full amount of the principal claim.
In 2012 a lawsuit was filed against Broadnet Services GmbH and 010090 GmbH with the Cologne Regional Court. The plaintiff is seeking payments totaling K€ 2,563 plus interest. The Cologne Regional Court dismissed the claim in a ruling dated September 26, 2013. The plaintiff has not yet lodged an appeal. The time limit for lodging an appeal has not yet expired. No provision has been recognized for this lawsuit.

8 Related party transactions

During the first nine months of 2013, 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 and predominantly utilizes network services provided by QSC. Teleport Köln GmbH supports QSC in installing 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/–30/09/2013				
IN-telegence GmbH	694	30	843	32
Teleport Köln GmbH	24	3	24	4
QS Communication Verwaltungs				
Service GmbH	-	156	-	185
01/01/–30/09/2012				
IN-telegence GmbH	676	29	845	34
Teleport Köln GmbH	26	4	34	5
QS Communication Verwaltungs				
Service GmbH	-	181	-	204

in K€	Trade receivables	Trade payables
30/09/2013		
IN-telegence GmbH	76	2
Teleport Köln GmbH	6	-
QS Communication Verwaltungs		
Service GmbH	-	-
30/09/2012		
IN-telegence GmbH	98	-
Teleport Köln GmbH	3	-
QS Communication Verwaltungs		
Service GmbH	-	11

9 Management Board

Following the conclusion of the 2012 fiscal year, Dr. Bernd Schlobohm had requested that the Supervisory Board not extend his Management Board term of office, which was set to expire on April 30, 2013, beyond the date of the Annual Shareholders Meeting planned for May 29, 2013. The Supervisory Board complied with this request on January 22, 2013. At the same meeting, the Supervisory Board appointed Jürgen Hermann to succeed Dr. Bernd Schlobohm as the Company's new Chief Executive Officer effective May 30, 2013.
On March 19, 2013, the Supervisory Board appointed Barbara Stolz to the position of Chief Financial Officer with effect from June 1, 2013, and on August 29, 2013, it appointed the two former members of INFO AG's management board, Stefan Freyer and Henning Reinecke, to QSC AG's Management Board with effect from September 1, 2013. Since that date, the former QSC Management Board member and managing director of tengo GmbH, Arnold Stender, has been focusing fully on developing QSC-tengo's innovative product family.

	Shares		Conversion rights	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Dr. Bernd Schlobohm (through May 29, 2013)	15,493,372	13,918,372	200,000	200,000
Jürgen Hermann	225,000	225,000	200,000	200,000
Arnold Stender (through August 31, 2013)	-	-	25,000 [1]	25,000
Barbara Stolz (from June 1, 2013)	-	-	30,000	30,000
Stefan Freyer (from September 1, 2013)	-	-	-	-
Henning Reinecke (ab 1. September 2013)	1,000 [2]	-	-	-

[1] Holdings at the time of retirement
[2] Holdings at the time of election

10 Supervisory Board

As scheduled, the Annual Shareholders Meeting on May 29, 2013, conducted elections for the shareholder-representative seats on the Supervisory Board. The Annual Shareholders Meeting voted for former QSC Chief Executive Officer Dr. Bernd Schlobohm, QSC co-founder Gerd Eickers, managing partner of the Horn & Company management consulting firm Dr. Frank Zurlino, and Ina Schlie, the head of the global tax department at SAP AG. Former Supervisory Board Chair Herbert Brenke and longstanding member David Ruberg had not been candidates for reelection.

On April 24, 2013, the QSC Group workforce had already elected Anne-Dore Ahlers and Cora Hödl as new employee representatives on the Supervisory Board. Former Supervisory Board members Klaus-Theo Ernst and Jörg Mügge had not been candidates for reelection.
In its meeting on May 29, 2013, the Supervisory Board elected Dr. Schlobohm as Supervisory Board Chair and Dr. Frank Zurlino as Vice Chair. Ina Schlie was selected to chair the Audit Committee, Gerd Eickers the Nominating and Personnel Committee. The newly formed Strategy Committee is headed up by Dr. Bernd Schlobohm.

	Shares		Conversion rights	
	30/09/2013	30/09/2012	30/09/2013	30/09/2012
Herbert Brenke (through May 29, 2013)	187,200 [2]	187,200	-	-
Dr. Bernd Schlobohm (from May 29, 2013)	15,493,372	13,918,372	200,000	200,000
Gerd Eickers	15,552,484	13,977,484	-	-
Ina Schlie	-	-	-	-
Dr. Frank Zurlino (from May 29, 2013)	10,000 [3]	-	-	-
Anne-Dore Ahlers [1] (from May 29, 2013)	-	-	2,700	-
Cora Hödl [1] (from May 29, 2013)	-	-	4,100	-
Klaus-Theo Ernst [1] (through May 29, 2013)	500 [2]	500	-	-
Jörg Mügge [1] (through May 29, 2013)	4,000 [2]	4,000	-	-
David Ruberg (through May 29, 2013)	14,563 [2]	14,563	-	-

[1] Employee Representative
[2] Holdings at the time of retirement
[3] Holdings at the time of election

Cologne, November 2013

Jürgen Hermann
Chief Executive Officer

Barbara Stolz

Stefan Freyer

Henning Reinecke

Calendar

Annual Shareholders Meeting
May 28, 2014

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