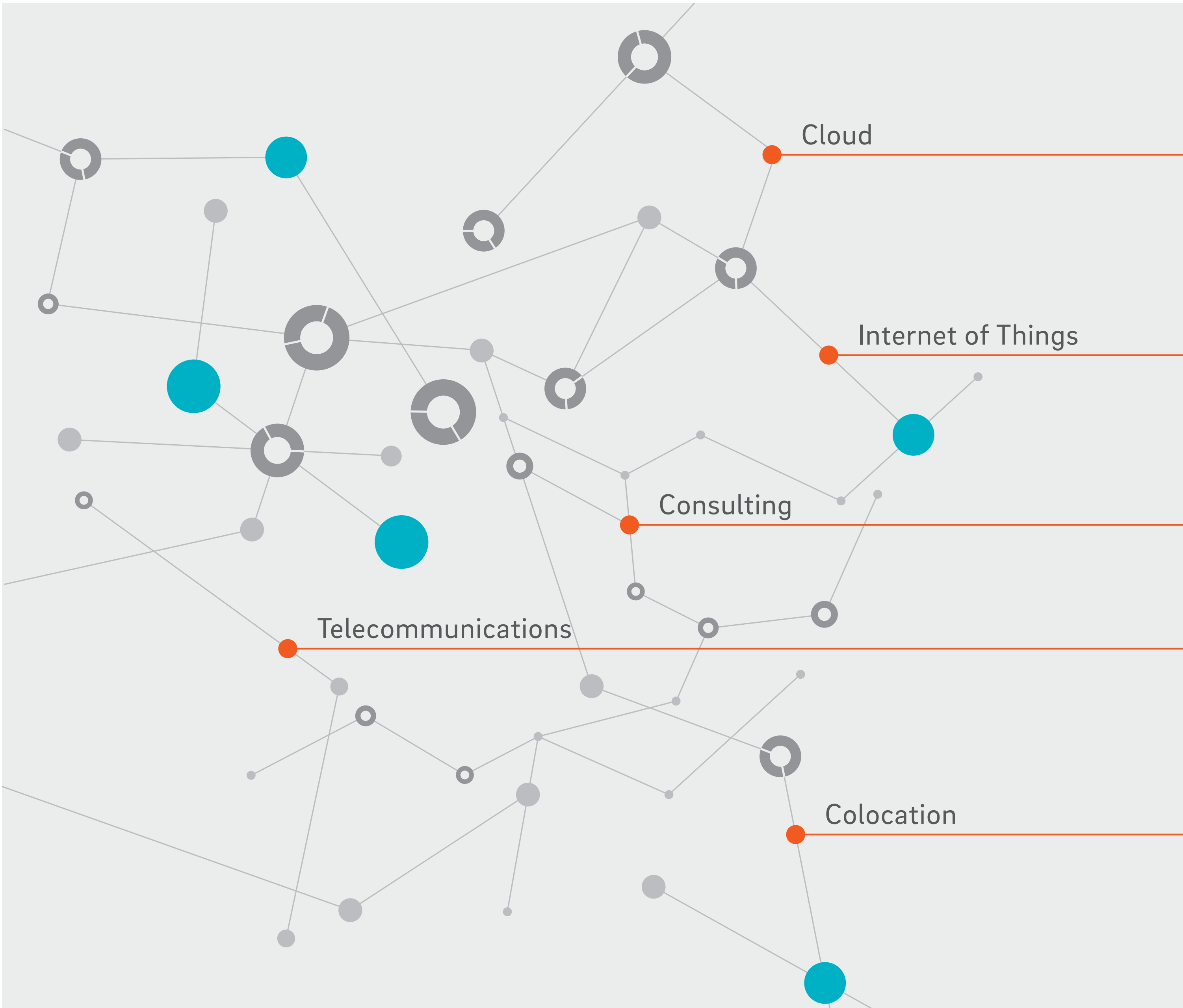


QUARTERLY STATEMENT

1 January to 31 March 2018

SECURE.
INNOVATIVE.
AT YOUR SIDE.

QSC AG

KEY DATA

€ million	01/01/ – 31/03/ 2018	01/01/ – 31/03/ 2017
Revenues	94.1	88.7
EBITDA	9.2	10.5
Depreciation and amortisation[1]	6.8	7.9
EBIT	2.4	2.6
Net income	0.9	0.6
Earnings per share[2] (in €)	0.01	0.01
Shareholders' equity	90.6[4]	89.5[5]
Long-term liabilities	148.5[4]	147.9[5]
Short-term liabilities	55.7[4]	59.6[5]
Balance sheet total	294.8[4]	297.1[5]
Equity ratio (in %)	30.7[4]	30.1[5]
Free cash flow	(0.8)	3.6
Liquidity	61.4[4]	61.9[5]
Capital expenditure (capex)	2.9	4.2
Capex ratio[3] (in %)	3.1	4.7
Xetra closing price as of 31 March (in €)	1.42	1.55
Number of shares as of 31 March	124,172,487	124,172,487
Market capitalisation as of 31 March	176.3	192.5
Number of employees as of 31 March	1,342	1,355

[1] Including non-cash share-based compensation.
[2] Basic and diluted.
[3] Ratio of capital expenditure to revenues.
[4] As of 31 March 2018.
[5] As of 31 December 2017.

QSC GENERATES REVENUE GROWTH OF 6%

QSC increases revenues to € 94.1 million. Revenues grew to € 94.1 million in the first quarter of 2018, compared with € 88.7 million in the previous year's period. As was already the case at the end of 2017, QSC particularly benefited from high demand in the international voice termination business. Telecommunications (TC) revenues grew by 16% year-on-year to € 53.4 million. Cloud revenues for the same period improved by 37% to € 7.1 million.

Success with existing and new customers. QSC's growth in the first quarter of 2018 was built on a broad foundation, as is apparent from several contracts concluded in recent months. Stadtwerke Ludwigsburg-Kornwestheim, for example, commissioned QSC to operate its fibre optic network. NetCologne is already using QSC's cloud platform for its new cloud-based telephony offering. And two existing customers, namely Creditreform and SportScheck, also extended their contracts.

New organisational structure successfully implemented. Since the start of the year, QSC's business units have enjoyed greater freedom to structure their activities and each have their own sales and technology operations. A spin-off of the TC business into a standalone company is also planned. This is to be decided by the Annual General Meeting in July 2018.

Consolidated net income rises to € 0.9 million. As expected, the EBITDA of € 9.2 million for the first quarter of 2018 fell short of the high previous year's figure of € 10.5 million. Irrespective of this, QSC generated further consolidated net income – of € 0.9 million, compared with € 0.6 million in the previous year's period.

2018 revenues tend towards the upper end of € 345 million to € 355 million range. After its strong start to the year, QSC expects its revenues to tend towards the upper end of the € 345 million to € 355 million range published in March 2018. The Company still expects to generate EBITDA of between € 35 million and € 40 million and free cash flow of more than € 10 million.

"QSC is growing again! It is still too early to talk of a turnaround, but we are heading in the right direction."

Jürgen Hermann, Chief Executive Officer

"The planned spin-off of the TC business is raising its visibility and demand is noticeably picking up. Not only that, the new organisational structure is showing the desired effects."

Stefan A. Baustert, Chief Financial Officer

SUMMARY OF FIRST QUARTER OF 2018

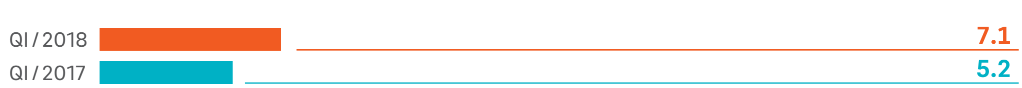
Business Performance

Growth driven by strong TC business. Revenues for the first quarter of 2018 rose to € 94.1 million, up from € 88.7 million in the previous year's period. As was already the case at the end of the 2017, QSC particularly benefited from high demand in the international voice termination business. TC revenues grew by 16% year-on-year to € 53.4 million. Cloud revenues for the same period improved by 37% to € 7.1 million. After this strong start, QSC now expects its full-year revenues for 2018 to tend towards the upper end of the € 345 million to € 355 million range published in March.

Revenues
(€ million)

Cloud revenues up 37%. Revenues in the Cloud segment rose to € 7.1 million in the first quarter of 2018, as against € 5.2 million in the previous year. The segment contribution for the same period increased from € -0.5 million in the previous year to € 0.5 million. Like in the second half of 2017, all four segments therefore generated positive contributions.
This growth was driven above all by QSC's success in marketing cloud products from its proprietary Pure Enterprise Cloud, which includes application management products as well as cloud-based telephony, data storage applications and server farms. These easily handled products are supported by network and infrastructure services which QSC also provides on an in-house basis. The revenue growth was due both to new customers and to existing customers having their IT solutions transferred from traditional on-site environments to QSC's cloud.

Cloud revenues
(€ million)



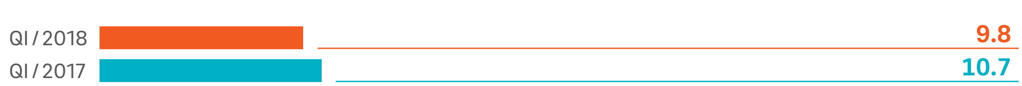
The Q-loud subsidiary, which pools all applications relating to the Internet of Things (IoT), further stepped up its sales activities in the first quarter of 2018. One example of this company's success is the "EnergyCam", which is currently being used in various projects, including a trial project involving analogue electricity and gas meters at Munich Airport. The energy cameras scan the meter readings by camera and text recognition (OCR) and securely transmit these readings at brief intervals to a central IoT platform. This approach works with the new narrowband IoT transmission standard (NB-IoT), which enables data to be transmitted from less accessible locations.

Change of focus in Outsourcing. Revenues in the Outsourcing segment came to € 23.7 million in the first quarter of 2018, compared with € 26.7 million in the previous year. This reduction was due to the ongoing migration of existing customers to Cloud, as well as to changes in the customer base. In 2017, one major customer opted to work with an IT service provider with global operations. At the same time, Outsourcing is stepping up its sales activities once again in order to attract SME customers interested in outsourcing their IT.
The decline in revenues and ongoing process of organisational restructuring adversely affected the segment contribution in the first quarter of 2018. This came to € 2.6 million, as against € 5.5 million in the previous year's period.

Outsourcing revenues
(€ million)

Consulting increases segment contribution by 33%. The Consulting segment generated revenues of € 9.8 million in the first quarter of 2018, compared with € 10.7 million in the previous year. The first quarter of 2017 benefited from one-off positive items in connection with invoicing factors. Despite the decrease in revenues, the segment contribution improved to € 2.0 million, up from € 1.5 million in the previous year's period. This was because the Company managed to further optimize the ways in which it used its employee capacities.
The Consulting segment generates the majority of its revenues with advisory services relating to SAP software. It scores particularly highly with both existing and new customers given its all-round expertise in introducing and operating SAP HANA. SportScheck, a longstanding customer of the Company, for example, extended its contract in the first quarter of 2018. In future, QSC will also be providing this sports article retailer with various SAP systems based on SAP HANA from its Pure Enterprise Cloud and accompanying the migration of existing database systems.

Consulting revenues
(€ million)



TC business grows by 16%. TC revenues rose to € 53.4 million in the first quarter of 2018, up from € 46.2 million in the previous year's period. This increase was chiefly driven by the international termination business with resellers. Like in the fourth quarter of 2017 already, a favourable market constellation and the extremely efficient cost structure of QSC's own Next Generation Network made it possible to generate significantly higher revenues in this area. The corporate customer business also developed positively. Here, QSC continues to benefit from its comprehensive All-IP and networking expertise. It is now additionally benefiting from greater visibility in the run-up to the planned spin-off.

Telecommunications revenues
(€ million)

Customers extending their contracts in the first quarter of 2018 included the credit agency and debt collection service provider Creditreform. The core services provided here by QSC include the central management and monitoring of heterogeneous network infrastructures, irrespective of the access provider and the underlying technology.
The segment contribution totalled € 10.3 million in the first quarter of 2018, compared with € 11.0 million in the previous year's period. In the positive current market climate, this segment is intensifying its sales efforts. Alongside companies, QSC also acquired several municipal utility providers as customers in recent months. In general, these contracts also involve operating fibre optic networks.

Earnings Performance

Rising revenues necessitate higher cost of revenues. The largest cost item – cost of revenues – grew to € 72.7 million in the first quarter of 2018, compared with € 65.3 million in the previous year's period. This increase reflects the rising significance of TC revenues with resellers, which involve preliminary services provided by other network operators. At € 21.4 million, gross profit fell short of the previous year's figure of € 23.4 million. Sales and marketing expenses came to € 6.0 million in the first quarter of 2018, thus remaining at the previous year's level, while general and administrative expenses fell by 13% to € 6.0 million.
EBITDA for the first quarter of 2018 amounted to € 9.2 million. This was lower than the figure of € 10.5 million reported for the previous year's period, but on a par with the other three quarters of 2017.

Consolidated net income rises to € 0.9 million. As expected, depreciation and amortisation decreased further in the first three months of 2018, totalling € 6.8 million after € 7.9 million in the first quarter of 2017. At € 2.4 million, operating earnings (EBIT) therefore fell only slightly short of the previous year's figure of € 2.6 million. As a result of a lower income tax charge, consolidated net income rose to € 0.9 million, up from € 0.6 million in the first quarter of 2017.

Financial and Net Asset Position

Free cash flow affected by one-off payments. When rounded up, the free cash flow came to € -0.8 million in the first quarter of the current year, as against € 3.6 million in the previous year. The Company calculates this key management figure as the change in net debt before acquisitions and distributions. The table below shows the relevant parameters at the two balance sheet dates on 31 March 2018 and 31 December 2017.

€ million	31/03/2018	31/12/2017
Liquidity	**61.4**	**61.9**
Long-term other financial liabilities	(135.1)	(135.2)
Short-term other financial liabilities	(2.1)	(1.6)
Interest-bearing financial liabilities	**(137.2)**	**(136.8)**
Net debt	**(75.8)**	**(74.9)**

Liquidity fell by € 0.5 million to € 61.4 million as of 31 March 2018. Interest-bearing liabilities showed a slight increase of € 0.4 million to € -137.2 million in the first three months. This resulted in net debt of € -75.8 million, as against € -74.9 million as of 31 December 2017. When rounded up, the free cash flow amounted to € -0.8 million.
Two factors were mainly responsible for this expected development. Firstly, working capital returned to its normal level for the first quarter, in which prepayments are customarily made for services to be procured in the full-year period. Secondly, severance payments were incurred at the beginning of the year for employees and for the retired members of the Management Board.

Moderate capital expenditure of € 2.9 million. Capital expenditure totalled € 2.9 million in the first quarter of 2018, compared with € 4.2 million in the previous year. Here, customer-related investments of € 1.3 million were matched by technical investments of the same amount.

Depreciation reduces value of property, plant and equipment. Due above all to depreciation and amortisation, the long-term assets recognised in the consolidated balance sheet decreased from € 174.9 million at the balance sheet date at the end of 2017 to € 172.3 million as of 31 March 2018. Short-term assets rose slightly in value to € 122.5 million, up from € 122.2 million as of 31 December 2017.

Equity ratio rises to 31%. QSC continues to finance itself to a great extent via equity and long-term liabilities with congruent maturities. Mainly as a result of consolidated net income, equity rose to € 90.6 million as of 31 March 2018, up from € 89.5 million at the balance sheet date at the end of 2017. The equity ratio improved by 1 percentage point to 31%. Long-term liabilities rose slightly from € 147.9 million as of 31 December 2017 to € 148.5 million as of 31 March 2018. Of this total, the largest share, at € 135.1 million, related to other financial liabilities, a line item which includes the promissory note loan taken up in 2014. By contrast, short-term liabilities decreased to € 55.7 million as of 31 March 2018, down from € 59.6 million at the end of 2017. The consolidated balance sheet showed lower volumes of trade payables and other provisions at the reporting date on 31 March 2018 than at the end of the 2017 financial year.

Outlook

Upside revenue expectation. Following the pleasing start to the year, QSC now expects its revenues to tend towards the upper end of the range of € 345 million to € 355 million published in March 2018. The Company still expects to generate EBITDA of between € 35 million and € 40 million and free cash flow of more than € 10 million.

Further Information

About this report. This document should be read in conjunction with the 2017 Annual Report, which can be found at www.qsc.de/en/investor-relations/ir-publications/. Unless they are historic facts, all disclosures in this report constitute forward-looking statements. These are based on current expectations and forecasts concerning future events and may therefore change over time.

About the Company. QSC AG is digitising the German SME sector. With decades of experience and expertise in its Cloud, Internet of Things, Consulting, Telecommunications and Colocation businesses, QSC accompanies its customers securely into the digital age. The cloud-based provision of all services offers increased speed, flexibility, and availability. The Company's TÜV and ISO-certified data centres in Germany and its nationwide All-IP network form the basis for maximum end-to-end quality and security. QSC's customers benefit from one-stop innovative products and services that are marketed both directly and via partners.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/ – 31/03/ 2018	01/01/ – 31/03/ 2017
Net revenues	**94,079**	**88,731**
Cost of revenues	(72,684)	(65,315)
Gross profit	**21,395**	**23,416**
Sales and marketing expenses	(6,009)	(5,972)
General and administrative expenses	(5,971)	(6,850)
Depreciation and amortisation		
(including non-cash share-based compensation)	(6,837)	(7,880)
Other operating income	281	659
Other operating expenses	(479)	(743)
Operating earnings (EBIT)	**2,380**	**2,630**
Financial income	72	47
Financial expenses	(1,079)	(1,184)
Net income before income taxes	**1,373**	**1,493**
Income taxes	(521)	(858)
Net income	**852**	**635**
Attribution of net income		
Owners of the parent company	916	693
Non-controlling interests	(64)	(58)
Earnings per share (basic) in €	0.01	0.01
Earnings per share (diluted) in €	0.01	0.01

Consolidated Balance Sheet

Euro amounts in thousands (€ 000s)

	31/03/2018 (unaudited)	31/12/2017 (audited)
ASSETS		
Long-term assets		
Property, plant and equipment	55,216	57,481
Land and buildings	23,323	23,528
Goodwill	55,568	55,568
Other intangible assets	23,974	25,349
Trade receivables	2,241	2,461
Prepayments	4,058	2,549
Other long-term assets	156	156
Deferred tax assets	7,734	7,806
Long-term assets	**172,270**	**174,898**
Short-term assets		
Trade receivables	51,004	52,278
Prepayments	8,854	6,809
Inventories	435	649
Other short-term assets	780	569
Cash and cash equivalents	61,423	61,881
Short-term assets	**122,496**	**122,186**
TOTAL ASSETS	**294,766**	**297,084**

	31/03/2018 (unaudited)	31/12/2017 (audited)
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,172	124,172
Capital surplus	143,879	143,787
Other capital reserves	(2,149)	(2,281)
Accumulated deficit	(174,696)	(175,612)
Equity attributable to owners of the parent company	**91,206**	**90,066**
Non-controlling interests	(602)	(538)
Shareholders' equity	**90,604**	**89,528**
Liabilities		
Long-term liabilities		
Other financial liabilities	135,106	135,244
Accrued pensions	5,789	5,924
Other provisions	3,032	3,031
Trade payables and other liabilities	4,221	3,357
Deferred tax liabilities	357	392
Long-term liabilities	**148,505**	**147,948**
Short-term liabilities		
Trade payables and other liabilities	44,827	46,896
Other financial liabilities	2,094	1,577
Other provisions	4,317	7,388
Accrued taxes	2,213	1,669
Deferred income	2,206	2,078
Short-term liabilities	**55,657**	**59,608**
Liabilities	**204,162**	**207,556**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**294,766**	**297,084**

Consolidated Statement of Cash Flows (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/ – 31/03/ 2018	01/01/ – 31/03/ 2017
Cash flow from operating activities		
Net income before income taxes	1,373	1,493
Depreciation and amortisation of long-term assets	6,745	7,744
Other non-cash income and expenses	325	59
Gains from disposal of long-term assets	(5)	(23)
Income tax paid	(105)	(2,602)
Income tax received	9	92
Interest received	65	55
Net financial expenses	1,007	1,137
Changes in provisions	(2,995)	(1,062)
Changes in trade receivables	1,260	(987)
Changes in trade payables	1,164	5,468
Changes in other assets and liabilities	(5,705)	(1,760)
Cash flow from operating activities	**3,138**	**9,614**
Cash flow from investing activities		
Purchase of intangible assets	(1,382)	(1,278)
Purchase of property, plant and equipment	(1,839)	(3,894)
Proceeds from sale of property, plant and equipment	-	7
Proceeds from sale of a subsidiary,		
less liquid funds thereby disposed of	-	(430)
Cash flow from investing activities	**(3,221)**	**(5,595)**
Cash flow from financing activities		
Issuance of convertible bonds	-	3
Repayment of loans	(69)	(247)
Interest paid	(233)	(327)
Repayment of liabilities under financing		
and finance lease arrangements	(73)	(1,035)
Cash flow from financing activities	**(375)**	**(1,606)**
Change in cash and cash equivalents	**(458)**	**2,413**
Cash and cash equivalents as of 1 January	61,881	67,781
Cash and cash equivalents as of 31 March	**61,423**	**70,194**

Segment Reporting (unaudited)

Euro amounts in thousands (€ 000s)

01/01/ – 31/03/2018	Telecommunications	Outsourcing	Consulting	Cloud	Consolidated Group
Net revenues	**53,402**	**23,725**	**9,827**	**7,125**	**94,079**
Cost of revenues	(39,445)	(20,156)	(7,717)	(5,366)	(72,684)
Gross profit	**13,957**	**3,569**	**2,110**	**1,759**	**21,395**
Sales and marketing expenses	(3,656)	(1,010)	(92)	(1,251)	(6,009)
Segment contribution	**10,301**	**2,559**	**2,018**	**508**	**15,386**
General and administrative expenses					(5,971)
Depreciation and amortisation (including non-cash share-based compensation)					(6,837)
Other operating income and expenses					(198)
Operating earnings (EBIT)					**2,380**
Financial income					72
Financial expenses					(1,079)
Net income before income taxes					**1,373**
Income taxes					(521)
Net income					**852**

01/01/ – 31/03/2017	Telecommunications	Outsourcing	Consulting	Cloud	Consolidated Group
Net revenues	**46,163**	**26,665**	**10,700**	**5,203**	**88,731**
Cost of revenues	(31,861)	(19,980)	(9,016)	(4,458)	(65,315)
Gross profit	**14,302**	**6,685**	**1,684**	**745**	**23,416**
Sales and marketing expenses	(3,278)	(1,225)	(175)	(1,294)	(5,972)
Segment contribution	**11,024**	**5,460**	**1,509**	**(549)**	**17,444**
General and administrative expenses					(6,850)
Depreciation and amortisation (including non-cash share-based compensation)					(7,880)
Other operating income and expenses					(84)
Operating earnings (EBIT)					**2,630**
Financial income					47
Financial expenses					(1,184)
Net income before income taxes					**1,493**
Income taxes					(858)
Net income					**635**

CALENDAR

Annual General Meeting
12 July 2018

Quarterly Report Q2 2018
6 August 2018

Quarterly Statement Q3 2018
12 November 2018

CONTACT

QSC AG
Arne Thull
Head of Investor Relations
Mathias-Brüggen-Strasse 55
50829 Cologne
T +49 221 669-8724
F +49 221 669-8009
invest@qsc.de
www.qsc.de