Cologne, 7 May 2018 - Financial results for Q1 2018

THE DIGITISER TO THE
GERMAN SME SECTOR
Disclaimer

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Q1 2018: QSC posts revenue growth of 6%

- Thanks to strong TC business, revenues increased to € 94.1 million
  - TC revenues up by 16%
  - Cloud revenues grew by 37%

- Sales push: QSC won several new customers and extended contracts with existing ones

- Profitability developed as expected; EBITDA came to € 9.2 million

- Net profit increased by 50% to € 0.9 million

- QSC now expects its revenues to tend towards the upper end of the € 345-355 million range for FY 2018
Revenues grew for the third consecutive quarter
Revenues are being driven by momentum in TC business

<table>
<thead>
<tr>
<th></th>
<th>TC revenues with resellers</th>
<th>TC revenues with corporate customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1 2017</td>
<td>23.0</td>
<td>23.2</td>
</tr>
<tr>
<td>Q2 2017</td>
<td>22.6</td>
<td>21.9</td>
</tr>
<tr>
<td>Q3 2017</td>
<td>23.1</td>
<td>23.3</td>
</tr>
<tr>
<td>Q4 2017</td>
<td>23.4</td>
<td>28.2</td>
</tr>
<tr>
<td>Q1 2018</td>
<td>23.2</td>
<td>30.2</td>
</tr>
</tbody>
</table>
Telecommunications: Double-digit growth of 16%

- TC reseller business is benefiting from a favourable market environment and the highly efficient Next Generation Network (NGN)
- TC corporate business has won several “Stadtwerke” as customers
- Higher visibility even before the planned spin-off attracts new customers
- Thanks to increased sales activities, segment contribution came to € 10.3 million
Cloud: Ongoing high revenue growth

- Higher recurring revenues with cloud services led to a 37% increase in revenues in Q1 2018
- Strong interest in IoT solutions; Munich Airport, for example, is now testing the “EnergyCam”
- Despite investments in future growth, segment contribution is increasing
Outsourcing: Renewed focus on SMEs

Latest revenue development mainly influenced by two factors:

- Step-by-step migration of existing customers to the Pure Enterprise Cloud
- Termination of one contract in Q3 2017
- Revitalised sales activities
- Ongoing organisational restructuring is having an effect on the segment contribution

Segment margin
Consulting: Margin rose to 20% in Q1 2018

- Consulting is back on track; revenues were higher than in Q3 and Q4 2017
- Early focus on SAP HANA is paying off
- Further optimisation of staff utilisation is leading to a strong increase in segment margin
Overall, profitability developed as expected

**EBITDA**
in € million

- Q1 2017: 10.5
- Q1 2018: 9.2
- Change: -1.3

**EBIT**
in € million

- Q1 2017: 2.6
- Q1 2018: 2.4
- Change: -0.2

**Net profit**
in € million

- Q1 2017: 0.6
- Q1 2018: 0.9
- Change: +0.3
Q1 2018: Net profit grew by 50%

<table>
<thead>
<tr>
<th>in € million</th>
<th>Q1 2017</th>
<th>Q1 2018</th>
<th>Δ</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>88.7</td>
<td>94.1</td>
<td>+5.4</td>
</tr>
<tr>
<td>Cost of revenues</td>
<td>65.3</td>
<td>72.7</td>
<td>+7.4</td>
</tr>
<tr>
<td>Gross profit</td>
<td>23.4</td>
<td>21.4</td>
<td>-2.0</td>
</tr>
<tr>
<td>Sales and marketing expenses</td>
<td>6.0</td>
<td>6.0</td>
<td>-</td>
</tr>
<tr>
<td>General and admin expenses</td>
<td>6.9</td>
<td>6.0</td>
<td>-0.9</td>
</tr>
<tr>
<td>Other operating income</td>
<td>(0.1)</td>
<td>(0.2)</td>
<td>-0.1</td>
</tr>
<tr>
<td>EBITDA</td>
<td>10.5</td>
<td>9.2</td>
<td>-1.3</td>
</tr>
<tr>
<td>Depreciation</td>
<td>7.9</td>
<td>6.8</td>
<td>-1.1</td>
</tr>
<tr>
<td>EBIT</td>
<td>2.6</td>
<td>2.4</td>
<td>-0.2</td>
</tr>
<tr>
<td>Financial result</td>
<td>(1.1)</td>
<td>(1.0)</td>
<td>+0.1</td>
</tr>
<tr>
<td>Income tax</td>
<td>(0.9)</td>
<td>(0.5)</td>
<td>+0.4</td>
</tr>
<tr>
<td><strong>Net profit</strong></td>
<td><strong>0.6</strong></td>
<td><strong>0.9</strong></td>
<td><strong>+0.3</strong></td>
</tr>
</tbody>
</table>

Earnings

- Gross profit burdened by higher costs of revenues (as a result of the altered revenue mix)
- EBITDA developed as expected
- EBIT is benefitting from lower depreciation
- Sustainable net profit since Q1 2017
Moderate CAPEX in Q1 2018

Capital expenditure in € million

- Completion of initial investments in cloud services has positive effects on CAPEX
- Ongoing investments in modernisation of infrastructure and data services as well as customer projects
FCF has returned to its customary Q1 level

- Q1 development of FCF is usually influenced by high prepayments for the full year
- Additionally, severance payments for employees as well as for two former board members were incurred in Q1 2018 as expected
Forecast 2018: Revenues tend to be higher

Given the good start to the year, QSC is now expecting:

- Revenues tend towards the upper end of the € 345 – 355 million range
- EBITDA of € 35 – 40 million
- Free cash flow > € 10 million
Questions & Answers
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