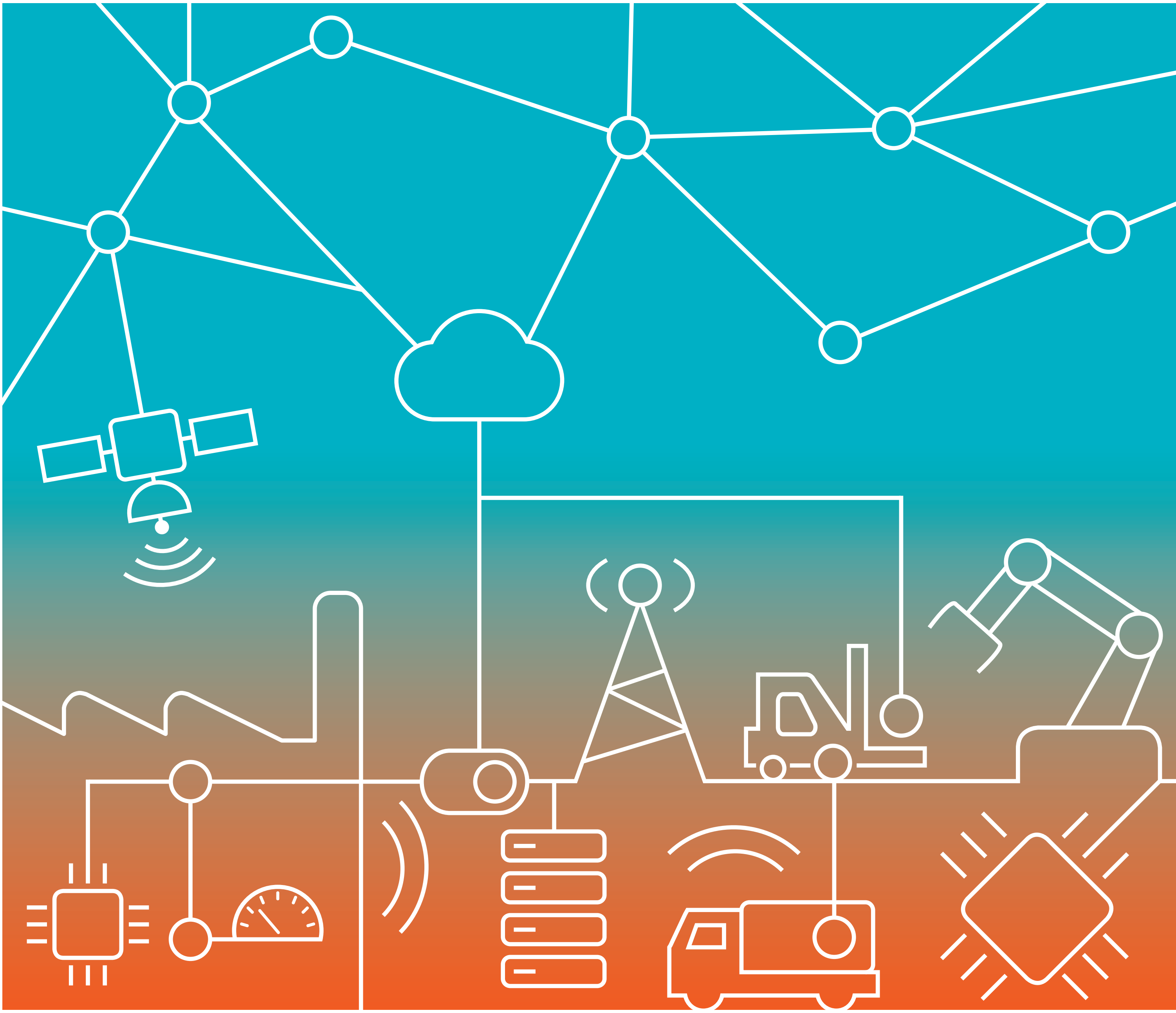


HALF-YEAR REPORT

1 January to 30 June 2019

SECURE.
INNOVATIVE.
AT YOUR SIDE.

QSC AG

KEY DATA

€ million	01/04/ – 30/06/ 2019[1]	01/04/ – 30/06/ 2018	01/01/ – 30/06/ 2019[1]	01/01/ – 30/06/ 2018
Revenues	85.2	91.8	172.6	185.8
Cloud	10.2	8.1	20.9	15.2
Consulting	10.6	9.4	21.5	19.2
Outsourcing	17.0	23.9	35.9	47.6
Telecommunications	47.4	50.4	94.3	103.8
EBITDA	129.9	9.0	145.8	18.2
Depreciation and amortisation[2]	14.5[3]	6.8	29.0[3]	13.6
EBIT	115.5	2.3	116.8	4.6
Net income	106.1	0.4	105.8	1.3
Earnings per share[4] (in €)	0.85	0.00	0.85	0.01
Free cash flow	156.7	3.6	152.0	2.8
Capital expenditure (capex)	5.7[7]	5.0	10.0[7]	7.9
Capex ratio (in %)	6.7	5.4	5.8	4.2
Liquidity			81.9[5]	53.6[6]
Shareholders' equity			193.4[5]	90.1[6]
Long-term liabilities			21.4[5]	109.3[6]
Short-term liabilities			51.3[5]	82.1[6]
Balance sheet total			266.1[5]	281.5[6]
Equity ratio (in %)			72.7[5]	32.0[6]
Xetra closing price as of 30 June (in €)			1.36	1.40
Number of shares as of 30 June			124,172,487	124,172,487
Market capitalisation as of 30 June			168.9	173.8
Number of employees as of 30 June			1,286	1,305

[1] First-time application of IFRS 16.
[2] Including non-cash share-based payments.
[3] Including depreciation of right-of-use assets (IFRS 16).
[4] Diluted and basic.
[5] As of 30 June 2019.
[6] As of 31 December 2018.
[7] Not accounting for IFRS 16.

QSC SELLS PLUSNET AND PRESENTS "2020PLUS" GROWTH STRATEGY

QSC closes sale of TC subsidiary Plusnet prematurely

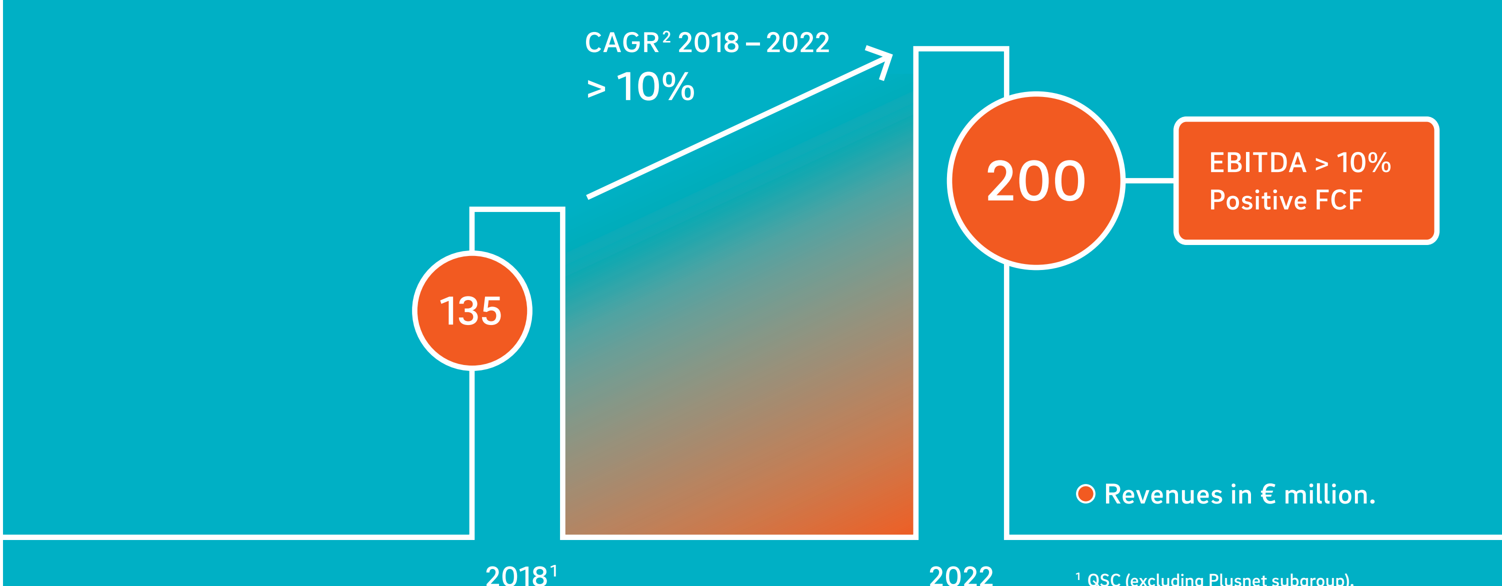
QSC's sale of its Plusnet telecommunications subsidiary to EnBW Telekommunikations GmbH was closed as of 30 June 2019 – and thus earlier than planned. This milestone marks the beginning of a new era at QSC.

QSC sets ambitious targets for financial year 2022

By 2022, QSC expects to generate revenues of € 200 million, an EBITDA margin of more than 10% and positive free cash flow. The "2020plus" growth strategy, with its key pillars of an attractive portfolio, top innovations and an effective "go-to-market", sets out the course for QSC to generate double-digit revenue growth from 2020.

Second quarter of 2019 shaped by Plusnet sale

In the second quarter of 2019, QSC generated revenues of € 85.2 million, EBITDA of € 129.9 million and free cash flow of € 156.7 million. The current financial statements are shaped by the Plusnet transaction and resultant deconsolidation of QSC's former subsidiary as of 30 June 2019.



[1] QSC (excluding Plusnet subgroup).

[2] Compound annual growth rate.

GROUP INTERIM REPORT

Business Performance

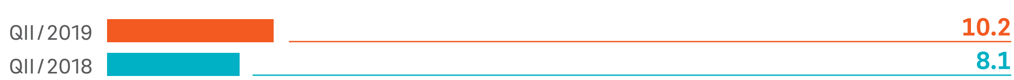
Half-year results shaped by successful Plusnet sale. The sale of Plusnet GmbH, QSC's telecommunications subsidiary, in its entirety represents a key milestone as the Company heads into a new era. On 6 May 2019, QSC signed a corresponding agreement with EnBW Telekommunikation GmbH, a subsidiary of EnBW Energie Baden-Württemberg AG. Following approval by the Federal Cartel Office, the transaction was closed as of 30 June 2019 already – one month earlier than originally planned in May.
In Plusnet, QSC has sold a company that generated revenues of € 231.5 million in 2018. Of these revenues, 79% were attributable to the Telecommunications segment, 18% to the Outsourcing segment (VPN business) and 3% to the Cloud segment (cloud telephony).

Presentation of the "2020plus" growth strategy. QSC will use the proceeds from the sale to accelerate the implementation of its "2020plus" growth strategy. To this end, the Company will further expand its existing Cloud, SAP and IoT portfolio and extend this with software developments which will cover a growing share of the value chain. QSC will focus on the three sectors of retail, manufacturing and energy in order to provide targeted support for the specific challenges and business models in these areas. At the same time, it will continue to offer standardised products to corporate customers across all sectors. A proactive "go-to-market" approach will also generate substantial growth momentum. Particularly by expanding its strategic partnerships with SAP, Microsoft and other specialists, QSC will broaden and multiply its market access approach. Furthermore, QSC has used the sales proceeds of € 229 million (equity value) and € 205 million (enterprise value) to fully repay its external debt, which still amounted to € 120.0 million at the end of 2018. This will increase the Company's financial independence and flexibility.

Revenue performance consistent with expectations in second quarter of 2019. QSC generated revenues of € 85.2 million in the second quarter of 2019, compared with € 91.8 million in the previous year. Cumulative revenues for the first six months totalled € 172.6 million, as against € 185.8 million one year earlier. While the Cloud and Consulting businesses posted double-digit growth rates, revenues in the Outsourcing and TC segments decreased, in line with expectations.

Consistently high growth in Cloud business. Revenues in the Cloud segment grew year on year by 26% to € 10.2 million in the second quarter of 2019. With regard to the revenues reported for the second quarter of 2018, an adjustment of € 0.3 million was made pursuant to IAS 8. This is explained in detail in Note 3 of the notes to the interim consolidated financial statements. For the 2018 financial year as a whole, the impact on revenues of this amended statement amounted to € 3.5 million.

Cloud revenues
(€ million)



The dynamic growth in the Cloud segment is currently being driven above all by the great interest shown in Cloud Services by both existing and new customers. One customer acquired in the past quarter was the Swiss steel group Schmolz + Bickenbach, which has commissioned QSC to develop a multi-cloud solution. In the first step, various IT systems at four of the group's total of seven business units will be migrated to QSC's proprietary Pure Enterprise Cloud. The other business units will then follow, with application also being made of various public cloud services. The IoT subsidiary Q-loud can report a further success: On behalf of a facility management provider, it will in future be operating one of Germany's largest IoT platforms for smart energy management.

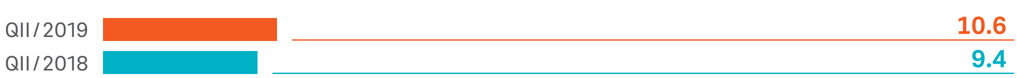
Gradual introduction of Cloud Services at Outsourcing customers. Outsourcing revenues came to € 17.0 million in the second quarter of 2019, as against € 23.9 million in the previous year. This reduction was due to the expiry of contracts with two major customers, a development announced well in advance, as well as to the ongoing migration to the cloud of services provided to existing customers. Their satisfaction with QSC's IT and cloud services is underlined by the fact that all outsourcing contracts that would otherwise have expired in the past 18 months have been extended, in some cases with an expanded scope of services.

Outsourcing revenues
(€ million)

Double-digit growth in Consulting. The Consulting segment increased its revenues year on year by 13% to € 10.6 million in the second quarter of 2019. Most of these revenues were generated with operational and advisory services relating to SAP software. Here, the introduction of S/4HANA, the newest generation of software, is playing an ever more significant role. In the second quarter of 2019, for example, QSC received an order to introduce S/4HANA at the fast-growing DIY store chain Fishbull. This company, which now operates more than 250 stores, was convinced, among other factors, by the retail sector expertise QSC has built up over many years, not least with customers such as Fressnapf and SportScheck.

Consulting revenues

(€ million)



TC business reports expected fall in revenues. At € 47.4 million, TC revenues for the second quarter of 2019 fell short of the previous year's figure of € 50.4 million. This was due in particular to the normalisation in demand in the international termination business with resellers. In the previous year, QSC had temporarily benefited from a favourable market constellation in this area. Following the sale of Plusnet, this segment still includes the stable Colocation business, which offers data centre-related services.

Telecommunications revenues

(€ million)

Business Framework

Weak economic growth, strong cloud demand. According to economic forecasts, the German economy will generate only weak growth in 2019. The Bitkom sector association also expects to see lower momentum in the IT market. Regardless of these factors, the digitalisation of companies across all sectors is continuing apace. Based on the findings of KPMG's latest "Cloud Monitor", most companies see the cloud as driving this development. According to the study, 73% of companies are now drawing on cloud solutions. Three years ago, only 54% of companies were doing so. Both private and public cloud solutions are growing in popularity. With its multi-cloud competence, QSC is aligned to the needs of this market.
Not only that, companies across all sectors are increasingly looking into ways of integrating IoT applications into the cloud. Here too, QSC is one of the pioneers in the German market and is already networking its cloud, IoT and SAP competence in customer projects.

Earnings Performance

IFRS 16 application influences gross profit. The cost of revenues decreased in line with revenues in the second quarter of 2019, falling from € 68.5 million in the previous year's quarter to € 62.2 million. At € 23.0 million, gross profit almost matched the previous year's figure of € 23.3 million. When comparing the quarterly figures, it should be noted that QSC has applied the new IFRS 16 lease standard for the first time in the current financial year. This requires operating leases, such as those used to date by QSC above all in its TC business, to be recognised in the balance sheet at the lessee and subject to depreciation like for any other asset investment. All other factors being equal, this increases the volume of depreciation and interest expenses, with a corresponding reduction in operating expenses and thus also in the cost of revenues.
Sales and marketing expenses rose to € 8.5 million in the second quarter of 2019, as against € 7.8 million in the previous year. General and administrative expenses showed a one-off increase to € 16.8 million in the past quarter, compared with € 6.4 million in the previous year's period. This was due to transaction and advisory costs relating to the Plusnet sale, as well as to migration costs incurred to adjust administrative structures to QSC's new size.
The other operating income of € 135.9 million mainly comprises income from the deconsolidation of Plusnet. The major share of this one-off income was attributable to accounting gains resulting from the difference between the agreed purchase price and the amounts recognized in the balance sheet for the respective assets and goodwill. The other operating expenses of € -3.7 million, compared with € -0.4 million in the second quarter of 2018, are also due to one-off costs incurred in connection with the Plusnet transaction.

EBITDA at one-off peak of € 129.9 million. The high volume of other operating income led EBITDA to increase to € 129.9 million, up from € 9.0 million in the second quarter of 2018. EBITDA for the first half of 2019 totalled € 145.8 million, as against € 18.2 million in the previous year's period. EBITDA is defined as earnings before interest, taxes, amortisation of deferred non-cash share-based compensation, depreciation/amortisation and impairment losses on customer-related inventories and depreciation/amortisation of property, plant and equipment and intangible assets.

EBITDA

(€ million)

Depreciation and amortisation increased to € 14.5 million in the second quarter of 2019, compared with € 6.8 million in the previous year's period. This figure includes an amount of € 8.2 million for the depreciation of right-of-use assets pursuant to IFRS 16.

Plusnet sale increases consolidated net income to € 106.1 million. Like EBITDA, operating earnings (EBIT) were also shaped by the high one-off volume of other operating income. EBIT for the second quarter of 2019 came to € 115.5 million, as against € 2.3 million in the previous year. The financial expenses of € -4.0 million, compared with € -1.1 million in the previous year's quarter, mainly include one-off costs incurred in connection with the repayment of external debt, as well as interest expenses for leases pursuant to IFRS 16. Tax expenses showed a one-off increase to € -5.4 million in the second quarter of 2019, up from € -0.7 million in the previous year, and chiefly comprise transaction-related taxes. This led to consolidated net income of € 106.1 million, as against € 0.4 million in the previous year's quarter. Consolidated net income for the first half of 2019 amounted to € 105.8 million, compared with € 1.3 million in the previous year's period.

Consolidated net income

(€ million)

Earnings Performance by Segment

Expansion in capacities in Cloud business. High revenue growth in the Cloud business, with its two main activities of Cloud Services and IoT, makes it necessary to continually expand capacities. This being so, the cost of revenues rose to € 8.2 million in the second quarter of 2019, compared with € 5.2 million one year earlier. In parallel, sales and marketing activities were stepped up further. The segment contribution therefore came to € 0.1 million in the second quarter of 2019, as against € 1.3 million in the previous year. Excluding the effect of applying IFRS 16, this key figure would amount to € -0.4 million. QSC will be investing in its future growth and further expanding its capacities for Cloud Services and IoT solutions in the coming quarters as well.

Outsourcing with further cost reductions. Responding to lower revenues, in the second quarter of 2019 QSC pressed ahead with reorganising its Outsourcing business. Within one year, the cost of revenues fell from € 18.8 million in the second quarter of 2018 to € 13.1 million. This figure also includes provisions for further reorganisation measures in the second half of 2019. Under new management, Outsourcing is also stepping up its sales and marketing efforts. This is because IT services offered by external service providers remain in demand in the German SME sector. For the same reason, the corresponding expenses rose to € 2.9 million in the second quarter of 2019, up from € 1.6 million in the previous year's period. As a result of these factors, the segment contribution of € 1.1 million fell short of the previous year's figure of € 3.4 million. Excluding the IFRS 16 effect, this figure would have amounted to € -1.3 million in the second quarter of 2019.

Consulting on expansion course. Consulting increased its revenues by 13% to € 10.6 million in the second quarter of 2019. This was accompanied by an expansion in personnel capacities, as a result of which the cost of revenues rose year on year from € 7.7 million to € 9.6 million. Accounting for a slight rise in sales and marketing expenses, this resulted in a segment contribution – both including and excluding the IFRS 16 effect – of € 0.5 million, compared with € 1.3 million one year earlier.

Telecommunications segment with substantial IFRS 16 effect. Despite a € 3.0 million reduction in quarterly revenues compared with the previous year, QSC increased the segment contribution in its TC business year on year by € 3.4 million to € 12.9 million. The TC segment makes significantly greater use of operating leases than other segments, a factor which makes the IFRS 16 effect particularly noticeable here. Excluding this effect, the segment contribution for the second quarter of 2019 would have amounted to € 8.0 million.

Financial and Net Asset Position

QSC generates free cash flow of € 156.7 million. The free cash flow, which was dominated by the Plusnet sale, came to € 156.7 million in the second quarter, as against € 3.6 million in the previous year's period. For the first six months, the free cash flow totalled € 152.0 million, up from € 2.8 million in the first half of 2018. QSC calculates this key management figure as the change in net liquidity/debt before acquisitions and distributions. The table below shows the relevant parameters at the two balance sheet dates on 30 June 2019 and 31 December 2018:

€ million	30/06/2019	31/12/2018
Liquidity	**81.9**	**53.6**
Long-term other financial liabilities	-	(100.0)
Short-term other financial liabilities	-	(20.0)
Interest-bearing financial liabilities	**-**	**(120.0)**
Net liquidity/debt	**81.9**	**(66.4)**

The Plusnet sale led liquidity to rise by € 28.3 million to € 81.9 million as of 30 June 2019. As previously announced, QSC also used the purchase price to repay all of its interest-bearing financial liabilities. As of 31 December 2018, the Company still reported long-term and short-term other financial liabilities totalling € 120.0 million.
QSC's net liquidity/debt therefore changed by € 148.3 million in the first six months of the current financial year. As the free cash flow presents the financial strength of the operating business, QSC adjusts this figure to exclude payments for acquisitions and distributions. The distribution of a dividend of € 0.03 per share after the Annual General Meeting on 29 May 2019 led to an outflow of € 3.7 million. This resulted in a free cash flow of € 152.0 million for the first six months of 2019.

Greater capital expenditure in forward-looking technologies. QSC invested € 5.7 million in the second quarter of 2019, compared with € 5.0 million in the previous year's period. While the volume of customer-related investments decreased compared with the previous year, the share of investments in technology increased significantly. This shift in the weighting of capital expenditure will continue in the quarters ahead, as the customary investments needed to connect new customers in the TC business will no longer apply. Against this backdrop, QSC expects to report a lower overall volume of capital expenditure in the second half 2019. Capital expenditure will continue to be reported net of operating leases, which IFRS 16 also requires to be treated as capital expenditure.

First consolidated balance sheet after Plusnet sale. The consolidated balance sheet as of 30 June 2019 presents QSC's asset position following the deconsolidation of its TC subsidiary Plusnet. As Plusnet was the main user of operating leases within the Company, unlike in the consolidated balance sheet as of 31 March 2019 the effects of applying IFRS 16 are now only limited. The following analysis focuses on comparing the figures as of the balance sheet date on 31 December 2018 – and thus prior to the first-time application of IFRS 16 – with the figures after the deconsolidation of Plusnet as of 30 June 2019.
Accordingly, due to the Plusnet sale, as well as to depreciation and amortisation, long-term assets fell to € 138.1 million, down from € 166.6 million as of 31 December 2018. By contrast, short-term assets rose from € 114.9 million as of the balance sheet at the end of 2018 to € 128.0 million as of 30 June 2019. While trade receivables decreased by € 15.1 million to € 38.7 million as of 30 June 2019, with this being due to the Plusnet sale, cash and cash equivalents rose by € 28.3 million to € 81.9 million.

Equity ratio rises to 73%. On the equity and liabilities side of the balance sheet, QSC's equity was significantly increased by the Plusnet sale and resultant high volume of consolidated net income. At € 193.4 million, the equity reported as of 30 June 2019 was more than twice the equivalent figure of € 90.1 million as of 31 December 2018. The equity ratio rose to 73% as of 30 June 2019.

Complete repayment of bank liabilities. The consolidated balance sheet as of 30 June 2019 now only includes liabilities of € 72.7 million, compared with € 191.4 million as of 31 December 2018. As previously announced, QSC used the Plusnet purchase price to repay all of its liabilities to banks. As of 31 December 2018, the consolidated balance sheet still included long-term other financial liabilities of € 100.0 million and short-term other financial liabilities of € 20.0 million. The lease liabilities of € 15.3 million requiring recognition pursuant to IFRS 16 are now the largest balance sheet line item within long-term liabilities. As of 31 March 2019, QSC – still including Plusnet – reported corresponding lease liabilities of € 93.4 million, as the TC business made by far the most use of operating leases. Short-term liabilities are dominated by trade payables and other liabilities, which totalled € 33.0 million as of 30 June 2019 compared with € 56.0 million as of the 2018 balance sheet date.

Employees

Just under 900 employees after Plusnet sale. Following the deconsolidation of Plusnet, QSC had 884 employees as of 30 June 2019. A total of 402 employees were transferred to the buyer upon the sale of Plusnet. At the previous year's reporting date, QSC had 1,305 employees in total.

Opportunity and Risk Report

No material change in opportunity and risk situation. The first half of 2019 did not witness any material changes in the opportunities and risks presented in the 2018 Annual Report. Following the sale of QSC's TC subsidiary Plusnet, the "Decline in revenues in conventional TC business" risk presented in the Annual Report no longer applies. Just like other risks or erroneous assumptions, however, all of the risks listed there could lead future actual earnings to deviate from QSC's expectations. Unless they constitute historic facts, all disclosures in this unaudited group interim report represent forward-looking statements. They are based on current expectations and forecasts concerning future events and may therefore change over time.

Outlook

Forecast accounts for premature closing of Plusnet transaction. To account for the premature closing of the Plusnet sale as of 30 June 2019, QSC has once again updated its forecast for the 2019 financial year as a whole. For the full-year period, the Company now expects to generate revenues of more than € 235 million, EBITDA of more than € 140 million and free cash flow of more than € 130 million. The initial forecast issued after the signing of the contract and published on 23 May 2019, which provided for revenues of more than € 255 million, EBITDA of more than € 145 million and free cash flow of more than € 130 million, was based on the assumption that Plusnet would be deconsolidated as of 31 July 2019. This forecast in turn replaced that published on 27 February 2019, which still included Plusnet's business activities for the whole of 2019.

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Income (unaudited)

Euro amounts in thousands (€ 000s)

	01/04/–30/06/ 2019	01/04/–30/06/ 2018 adjusted*	01/01/–30/06/ 2019	01/01/–30/06/ 2018 adjusted*
Net revenues	**85,194**	**91,761**	**172,589**	**185,840**
Cost of revenues	(62,194)	(68,490)	(119,932)	(141,174)
Gross profit	**23,000**	**23,271**	**52,657**	**44,666**
Sales and marketing expenses	(8,450)	(7,763)	(15,667)	(13,772)
General and administrative expenses	(16,763)	(6,422)	(23,131)	(12,393)
Depreciation and amortisation				
(including non-cash share-based compensation)	(14,459)	(6,758)	(29,017)	(13,595)
Other operating income	135,866	299	136,179	580
Other operating expenses	(3,707)	(371)	(4,190)	(850)
Operating profit (EBIT)	**115,487**	**2,256**	**116,831**	**4,636**
Financial income	14	20	22	92
Financial expenses	(3,957)	(1,086)	(5,810)	(2,165)
Net income before income taxes	**111,544**	**1,190**	**111,043**	**2,563**
Income taxes	(5,445)	(744)	(5,249)	(1,265)
Net income	**106,099**	**446**	**105,794**	**1,298**
Attribution of net income				
Owners of the parent company	106,143	509	105,870	1,425
Non-controlling interests	(44)	(63)	(76)	(127)
Earnings per share (basic) in €	0.85	0.00	0.85	0.01
Earnings per share (diluted) in €	0.85	0.00	0.85	0.01

* See Note 3.

Consolidated Statement of Comprehensive Income (unaudited)

Euro amounts in thousands (€ 000s)

	01/04/–30/06/ 2019	01/04/–30/06/ 2018 adjusted*	01/01/–30/06/ 2019	01/01/–30/06/ 2018 adjusted*
Net income for the period	**106,099**	**446**	**105,794**	**1,298**
Other comprehensive income				
Line items that are not reclassified in the income statement				
Actuarial gains (losses) from defined benefit pension plans	-	-	-	-
Tax effect	-	-	-	-
Line items that are not reclassified in the income statement	**-**	**-**	**-**	**-**
Line items that might subsequently be reclassified				
in the income statement				
Fair value measurement of cash flow hedge	291	207	313	402
Tax effect	(94)	(67)	(101)	(130)
Line items that might subsequently be reclassified				
in the income statement	**197**	**140**	**212**	**272**
Total fair value changes (net of tax) recognised directly	**197**	**140**	**212**	**272**
Total comprehensive income for the period	**106,296**	**586**	**106,006**	**1,570**
Attribution of total comprehensive income				
Owners of the parent company	106,340	649	106,082	1,697
Non-controlling interests	(44)	(63)	(76)	(127)

* See Note 3.

Consolidated Balance Sheet

Euro amounts in thousands (€ 000s)

	30/06/2019 (unaudited)	31/12/2018 (audited) adjusted*
ASSETS		
Long-term assets		
Property, plant and equipment	32,574	50,211
Land and buildings	21,896	22,291
Goodwill	32,537	55,568
Right-of-use assets	19,221	-
Other intangible assets	17,394	24,411
Trade receivables	1,936	1,953
Prepayments	2,247	3,353
Other long-term assets	2,061	430
Deferred tax assets	8,223	8,417
Long-term assets	**138,089**	**166,634**
Short-term assets		
Trade receivables	38,720	53,822
Prepayments	5,352	5,828
Inventories	455	670
Other short-term assets	1,594	959
Cash and cash equivalents	81,921	53,618
Short-term assets	**128,042**	**114,897**
TOTAL ASSETS	**266,131**	**281,531**

* See Note 3.

	30/06/2019 (unaudited)	31/12/2018 (audited) adjusted*
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,172	124,172
Capital surplus	144,266	144,119
Other capital reserves	(1,271)	(1,531)
Accumulated deficit	(73,738)	(175,883)
Equity attributable to owners of the parent company	**193,429**	**90,877**
Non-controlling interests	-	(780)
Shareholders' equity	**193,429**	**90,097**
Liabilities		
Long-term liabilities		
Lease liabilities	15,337	-
Other financial liabilities	32	100,036
Accrued pensions	5,329	5,545
Other provisions	440	2,922
Trade payables and other liabilities	100	454
Deferred tax liabilities	129	352
Long-term liabilities	**21,367**	**109,309**
Short-term liabilities		
Trade payables and other liabilities	33,003	56,042
Lease liabilities	5,308	-
Other financial liabilities	-	20,013
Other provisions	7,117	2,655
Accrued taxes	5,208	1,631
Deferred income	699	1,784
Short-term liabilities	**51,335**	**82,125**
Liabilities	**72,702**	**191,434**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**266,131**	**281,531**

* See Note 3.

Consolidated Statement of Changes in Equity (unaudited)

Euro amounts in thousands (€ 000s)

	Equity attributable to equity holders of QSC AG			
			Other capital reserves	
	Issued capital	Capital surplus	Actuarial gains (losses)	Cash flow hedge reserve
Balance as of 1 January 2019 (before correction)	**124,172**	**144,119**	**(1,319)**	**(212)**
Correction	-	-	-	-
Balance as of 1 January 2019 (after correction)	**124,172**	**144,119**	**(1,319)**	**(212)**
Net income for the period	-	-	-	-
Other comprehensive income				
for the period, net of tax	-	-	-	212
Total comprehensive income	**-**	**-**	**-**	**212**
Change in scope of consolidation	-	-	48	-
Dividends paid	-	-	-	-
Non-cash share-based compensation	-	147	-	-
Balance as of 30 June 2019	**124,172**	**144,266**	**(1,271)**	**-**
Balance as of 1 January 2018	**124,172**	**143,787**	**(1,350)**	**(931)**
Net income for the period	-	-	-	-
Other comprehensive income				
for the period, net of tax	-	-	-	272
Total comprehensive income	**-**	**-**	**-**	**272**
Non-cash share-based compensation	-	184	-	-
Balance as of 30 June 2018*	**124,172**	**143,971**	**(1,350)**	**(659)**

* See Note 3.

Accumulated deficit	Total	Non-controlling interests	Total equity	
(175,819)	**90,941**	**(780)**	**90,161**	**Balance as of 1 January 2019** (before correction)
(64)	(64)	-	(64)	Correction
(175,883)	**90,877**	**(780)**	**90,097**	**Balance as of 1 January 2019** (after correction)
105,870	105,870	(76)	105,794	Net income for the period
				Other comprehensive income
-	212	-	212	for the period, net of tax
105,870	**106,082**	**(76)**	**106,006**	**Total comprehensive income**
-	48	856	904	Change in scope of consolidation
(3,725)	(3,725)	-	(3,725)	Dividends paid
-	147	-	147	Non-cash share-based compensation
(73,738)	**193,429**	**-**	**193,429**	**Balance as of 30 June 2019**
(175,612)	**90,066**	**(538)**	**89,528**	**Balance as of 1 January 2018**
1,425	1,425	(127)	1,298	Net income for the period
				Other comprehensive income
-	272	-	272	for the period, net of tax
1,425	**1,697**	**(127)**	**1,570**	**Total comprehensive income**
-	184	-	184	Non-cash share-based compensation
(174,187)	**91,947**	**(665)**	**91,282**	**Balance as of 30 June 2018***

Consolidated Statement of Cash Flows (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/–30/06/ 2019	01/01/–30/06/ 2018 adjusted*
Cash flow from operating activities		
Net income before income taxes	111,043	2,563
Depreciation and amortisation of long-term assets	12,080	13,411
Depreciation of right-of-use assets (IFRS 16)	16,789	-
Other non-cash income and expenses	425	919
Profit from sale of subsidiaries	(135,253)	-
Loss (gains) on disposals of assets	237	(28)
Income tax paid	(1,298)	(459)
Income tax received	61	9
Interest received	8	77
Interest paid in connection with leases (IFRS 16)	(1,910)	-
Net financial expenses	5,788	2,073
Changes in provisions	1,764	(4,936)
Changes in trade receivables	7,416	3,098
Changes in trade payables	(28,838)	684
Changes in other assets and liabilities	4,689	(4,247)
Cash flow from operating activities	**(6,999)**	**13,164**
Cash flow from investing activities		
Purchase of intangible assets	(3,794)	(3,568)
Purchase of property, plant and equipment	(6,436)	(4,822)
Proceeds from sale of property, plant and equipment	-	19
Proceeds from sale of a subsidiary,		
less liquid funds thereby disposed of	185,813	-
Cash flow from investing activities	**175,583**	**(8,371)**
Cash flow from financing activities		
Dividends paid	(3,725)	-
Repayment of convertible bonds	(4)	(1)
Proceeds from loan to former subsidiary	3,430	-
Taking up of loans	23,000	-
Repayment of loans	(142,000)	(5,911)
Interest paid	(4,672)	(2,631)
Payments for redemption of lease liabilities (IFRS 16) (2018: Repayment		
of liabilities under financing and finance lease arrangements)	(16,310)	(147)
Cash flow from financing activities	**(140,281)**	**(8,690)**
Change in cash and cash equivalents	**28,303**	**(3,897)**
Cash and cash equivalents as of 1 January	53,618	61,881
Cash and cash equivalents as of 30 June	**81,921**	**57,984**

* See Note 3.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Company information

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.
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 registered in the Commercial Register of Cologne District Court under number HRB 28281. QSC has been listed on the Deutsche Börse stock exchange since 19 April 2000 and in the Prime Standard since the beginning of 2003.

Accounting policies

1 BASIS OF PREPARATION

These condensed interim consolidated financial statements of QSC AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS), to the extent that these have been adopted by the EU, and the interpretations of the International Financial Reporting Interpretations Committee (IFRIC), taking due account of International Accounting Standard (IAS) 34 Interim Financial Reporting. The interim consolidated financial statements do not include all notes and disclosures required of full year-end financial statements and should therefore be read in conjunction with the consolidated financial statements as of 31 December 2018.
Based on the Management Board's assessment, the interim consolidated financial statements contain all adjustments necessary to provide a true and fair view of the Group's net assets, financial and earnings position. The results for the reporting period ending on 30 June 2019 do not necessarily provide an indication of the future development in results.

With the exception of the accounting standard IFRS 16 Leases, which required application from 1 January 2019, the accounting policies applied in preparing these interim consolidated are basically consistent with those applied in the consolidated financial statements for the 2018 financial year.

Income tax expenses for the interim reporting period have been calculated using the effective tax rate expected for the financial year as a whole.

Apart from IFRS 16 Leases, those amendments to IFRS requiring mandatory application from the 2019 financial year onwards have not had any implications for the interim financial statements as of 30 June 2019.

The preparation of interim financial statements in accordance with IFRS requires a certain degree of reference to estimates and judgements affecting the assets and liabilities as recognised and the disclosures made concerning contingent assets and liabilities as of the reporting date. The amounts actually arising may deviate from such estimates.

Apart from the corrections of errors outlined in Note 3, there have been no material changes in the Management Board's assessments concerning the application of accounting policies compared with the consolidated financial statements as of 31 December 2018.

Unless otherwise stated, all amounts are rounded up or down to the nearest thousand euro amount (€ 000s).

These condensed interim consolidated financial statements, including the interim management report, have neither been audited pursuant to § 317 of the German Commercial Code (HGB) nor subject to any audit review by any suitably qualified person.

2 APPLICATION OF ACCOUNTING POLICIES

New accounting standard IFRS 16 Leases. This standard requires first-time application in the first reporting period in financial years beginning on or after 1January 2019. In applying IFRS 16 for the first time, QSC has drawn on the modified retrospective approach. For this reason, the cumulative effect resulting from application of IFRS 16 has been recognised as an adjustment to the opening balance sheet figures as of 1 January 2019 without any adjustment to the comparative information.

QSC performed an exhaustive analysis of the contracts thereby affected and identified the overall scope of the contracts to be measured under IFRS 16, grouped these by contract type and spread them over their respective contract terms. To record leases, the Company implemented a new contract database and introduced new software to present and measure its leases. The analysis covered all material contracts meeting the definition of leases provided in IFRS 16.

The following contract types were identified:

- Subscriber line lease contracts
- Dark fibre line lease contracts
- Directional antenna lease contracts
- Collocation area lease contracts
- Data centre space lease contracts
- Car lease contracts
- Hardware lease contracts
- Office space and car parking space lease contracts

The table below presents the opening values, additions and retirements and depreciation amounts for the underlying right-of-use assets in the respective classes.

€ 000s	Real estate	Technical equipment	Operational and business equipment	Total
Gross value at 1 Jan. 2019	**51,951**	**58,224**	**1,088**	**111,263**
Additions	860	6,623	100	7,583
Disposals	(1,353)	(4,529)	(20)	(5,902)
Retirement of former subsidiaries	(31,233)	(61,001)	(601)	(92,835)
Reclassifications	-	1,739	-	1,739
Gross value at 30 June 2019	**20,225**	**1,056**	**567**	**21,848**
Accumulated depreciation and impairments at 1 Jan. 2019	**-**	**-**	**-**	**-**
Additions	4,070	12,472	247	16,789
Disposals	(85)	(8)	(4)	(97)
Retirement of former subsidiaries	(1,585)	(13,166)	(120)	(14,871)
Reclassifications	-	806	-	806
Accumulated depreciation and impairments at 30 June 2019	**2,400**	**104**	**123**	**2,627**
Carrying amounts at 31 Dec. 2018	**-**	**-**	**-**	**-**
Carrying amounts at 30 June 2019	**17,825**	**952**	**444**	**19,221**

Reference is made to Note 8 (Cash flow from financing activities) for information on liabilities under finance lease arrangements. Interest expenses of € 1,910k were incurred for finance lease arrangements in the first six months.

€ 000s	
Further disclosures	
Expenses for short-term leases	19
Expenses for low-value leases	65
Expenses for variable lease payments not included in the measurement of lease liabilities	206

3 CORRECTION OF ERRORS

Correction of revenues and cost of revenues. An internal review established that revenues not meeting the requirements for recognition as such had erroneously been stated in the Cloud segment. As a result of this error, the revenues and corresponding cost of revenues reported for the 2018 financial year were respectively € 3,457k and € 3,393k too high.

In accordance with IAS 8, upon preparing its half-year financial report for 2019 QSC has retrospectively corrected this error made in the 2018 financial year and adjusted the comparative figures stated for earlier periods presented (half-year as of 30 June 2018 and financial year as of 31 December 2018). For the 2018 financial year as a whole, the error resulted in a positive earnings effect of € 64k. This was inappropriately recognised at the time and led to a corresponding increase in group equity. Of the aforementioned effects for the financial year as a whole, the revenues and cost of revenues reported for the first half of 2018 were too high by € 325k and € 318k respectively, with this having a positive overall impact of € 7k on earnings for that period. The remaining effects are attributable to the second half of the 2018 financial year. The tables below provide further details:

Correction in consolidated balance sheet (excerpt) as of 31 December 2018

€ 000s	01/01/ – 31/12/2018		
	Originally reported	Correction	Adjusted amount
ASSETS			
Long-term assets	**166,634**	**-**	**166,634**
Short-term assets			
Trade receivables	56,057	(2,235)	53,822
Prepayments	5,657	171	5,828
Other current assets	55,247	-	55,247
Short-term assets	**116,961**	**(2,064)**	**114,897**
ASSETS	**283,595**	**(2,064)**	**281,531**
Shareholders' equity			
Accumulated deficit	(175,819)	(64)	(175,883)
Other equity	266,760	-	266,760
Equity attributable to owners of the parent company	**90,941**	**(64)**	**90,877**
Non-controlling interests	(780)	-	(780)
SHAREHOLDERS' EQUITY	**90,161**	**(64)**	**90,097**
Liabilities			
Long-term liabilities	**109,309**	**-**	**109,309**
Short-term liabilities			
Trade payables and other liabilities	58,042	(2,000)	56,042
Other current liabilities	26,083	-	26,083
Short-term liabilities	**84,125**	**(2,000)**	**82,125**
LIABILITIES	**193,434**	**(2,000)**	**191,434**

Correction in consolidated statement of income (excerpt)
for the periods from 1 January to 30 June 2018 and 1 January to 31 December 2018

€ 000s	01/01/ – 30/06/2018			01/01/ – 31/12/2018		
	Originally reported	Correction	Adjusted amount	Originally reported	Correction	Adjusted amount
Net revenues	**186,165**	**(325)**	**185,840**	**366,843**	**(3,457)**	**363,386**
Cost of revenues	(141,492)	318	(141,174)	(298,821)	3,393	(295,428)
Gross profit	**44,673**	**(7)**	**44,666**	**68,022**	**(64)**	**67,958**
Net income before income taxes	**2,570**	**(7)**	**2,563**	**4,109**	**(64)**	**4,045**
Income taxes	(1,265)	-	(1,265)	(833)	-	(833)
Net income	**1,305**	**(7)**	**1,298**	**3,276**	**(64)**	**3,212**
Attribution of net income						
Owners of the parent company	1,432	(7)	1,425	3,518	(64)	3,454
Non-controlling interests	(127)	-	(127)	(242)	-	(242)
Earnings per share in €						
(rounded up/down to nearest € cent)						
Earnings per share (basic) in €	0.01	0.00	0.01	0.03	0.00	0.03
Earnings per share (diluted) in €	0.01	0.00	0.01	0.03	0.00	0.03

Correction in consolidated statement of comprehensive income (excerpt)
for the periods from 1 January to 30 June 2018 and 1 January to 31 December 2018

€ 000s	01/01/ – 30/06/2018			01/01/ – 31/12/2018		
	Originally reported	Correction	Adjusted amount	Originally reported	Correction	Adjusted amount
Net income for the period	**1,305**	**(7)**	**1,298**	**3,276**	**(64)**	**3,212**
Total fair value changes (net of tax) recognised directly	272	-	272	750	-	750
Total comprehensive income for the period	**1,577**	**(7)**	**1,570**	**4,026**	**(64)**	**3,962**
Attribution of total comprehensive income						
Owners of the parent company	1,704	(7)	1,697	4,268	(64)	4,204
Non-controlling interests	(127)	-	(127)	(242)	-	(242)

Correction in consolidated statement of cash flows (excerpt)
for the periods from 1 January to 30 June 2018 and 1 January to 31 December 2018

€ 000s	01/01/ – 30/06/2018			01/01/ – 31/12/2018		
	Originally reported	Correction	Adjusted amount	Originally reported	Correction	Adjusted amount
Cash flow from operating activities						
Net income before income taxes	2,570	(7)	2,563	4,109	(64)	4,045
Changes in trade receivables	2,773	325	3,098	(3,767)	2,235	(1,532)
Changes in trade payables	1,002	(318)	684	9,832	(2,000)	7,832
Changes in other assets and liabilities	(4,247)	-	(4,247)	682	(171)	511
Further cash flows	11,066	-	11,066	23,269	-	23,269
Cash flow from operating activities	**13,164**	**-**	**13,164**	**34,125**	**-**	**34,125**

Correction in group equity as of 31 December 2018

	Equity attributable to equity holders of QSC AG			
			Other capital reserves	
	Issued capital	Capital surplus	Actuarial gains (losses)	Cash flow hedge reserve
Balance as of 1 January 2018	**124,172**	**143,787**	**(1,350)**	**(931)**
Net income for the period (corrected)	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	31	719
Total comprehensive income	**-**	**-**	**31**	**719**
Dividends paid	-	-	-	-
Non-cash share-based compensation	-	332	-	-
Balance as of 31 December 2018 (corrected)	**124,172**	**144,119**	**(1,319)**	**(212)**

Correction in group equity as of 30 June 2018

	Equity attributable to equity holders of QSC AG			
			Other capital reserves	
	Issued capital	Capital surplus	Actuarial gains (losses)	Cash flow hedge reserve
Balance as of 1 January 2018	**124,172**	**143,787**	**(1,350)**	**(931)**
Net income for the period (corrected)	-	-	-	-
Other comprehensive income for the period, net of tax	-	-	-	272
Total comprehensive income	**-**	**-**	**-**	**272**
Non-cash share-based compensation	-	184	-	-
Balance as of 30 June 2018 (corrected)	**124,172**	**143,971**	**(1,350)**	**(659)**

Accumulated deficit	Total	Non-controlling interests	Total equity	
(175,612)	**90,066**	**(538)**	**89,528**	**Balance as of 1 January 2018**
3,454	3,454	(242)	3,212	Net income for the period (corrected)
-	750	-	750	Other comprehensive income for the period, net of tax
3,454	**4,204**	**(242)**	**3,962**	**Total comprehensive income**
(3,725)	(3,725)	-	(3,725)	Dividends paid
-	332	-	332	Non-cash share-based compensation
(175,883)	**90,877**	**(780)**	**90,097**	**Balance as of 31 December 2018 (corrected)**

Accumulated deficit	Total	Non-controlling interests	Total equity	
(175,612)	**90,066**	**(538)**	**89,528**	**Balance as of 1 January 2018**
1,425	1,425	(127)	1,298	Net income for the period (corrected)
-	272	-	272	Other comprehensive income for the period, net of tax
1,425	**1,697**	**(127)**	**1,570**	**Total comprehensive income**
-	184	-	184	Non-cash share-based compensation
(174,187)	**91,947**	**(665)**	**91,282**	**Balance as of 30 June 2018 (corrected)**

4 SCOPE OF CONSOLIDATION AND AMENDMENTS UNDER COMPANY LAW

Alongside QSC AG, the scope of consolidation includes all of the subsidiaries it controls. These subsidiaries are fully consolidated.
By purchase agreement dated 6 May 2019, QSC AG concluded a contract with EnBW Telekommunikation GmbH, a subsidiary of EnBW Energie Baden-Württemberg AG, regarding the sale of all shares in Plusnet GmbH. This transaction was closed as of 30 June 2019.

The following overall purchase price was received in return for the sale of shares.

€ 000s	
In cash	**224,385**
Specifically, the following assets and liabilities were sold:	
Property, plant and equipment	(16,390)
Right-of-use assets	(77,964)
Other intangible assets	(5,593)
Trade receivables	(35,339)
Prepayments	(2,387)
Other assets	(1,303)
Inventories	(95)
Cash and cash equivalents	(38,573)
Lease liabilities	78,049
Other financial liabilities	2,569
Pension provisions	63
Other provisions	2,730
Trade payables and other liabilities	25,869
Deferred tax liabilities	417
Tax provisions	102
Deferred income	1,744
Retirement of goodwill	(23,031)
Profit on sale	**135,253**

In the statement of cash flows, the disposal of Plusnet GmbH	
and its subsidiaries is accounted for as follows:	
Purchase price payable in cash	224,385
Less liquid funds thereby sold	(38,573)
Inflow of cash funds	**185,813**

5 FINANCIAL INSTRUMENTS

Disclosures on the balance sheet. No separate disclosures are provided for fair values as the carrying amounts largely correspond to fair values.

€ 000s	Carrying amount	Amortised cost	Fair value – in equity	Fair value – hedging instruments	Fair value – through profit or loss	Other financial liabilities
30 June 2019						
Assets not measured at fair value						
Cash and cash equivalents	81,921	x				
Long-term trade receivables	1,936	x				
Short-term trade receivables	38,720	x				
Liabilities measured at fair value						
Interest swaps – other	332				x	
Liabilities not measured at fair value						
Trade payables and other liabilities	24,833					x
Lease liabilities	20,645					x
Other financial liabilities	32					x

€ 000s	Carrying amount	Amortised cost	Fair value – in equity	Fair value – hedging instruments	Fair value – through profit or loss	Other financial liabilities
31 December 2018						
Assets not measured at fair value						
Cash and cash equivalents	53,618	x				
Long-term trade receivables	1,953	x				
Short-term trade receivables	53,822		x			
Liabilities measured at fair value						
Interest swaps – hedge accounting	354			x		
Interest swaps – other	318				x	
Liabilities not measured at fair value						
Trade payables and other liabilities*	47,198					x
Other financial liabilities	120,048					x

* See Note 3 (Correction of errors).

Disclosures on fair values measured on a recurring basis. At the end of the reporting period, QSC AG determines whether any reclassifications between the measurement hierarchy levels are necessary. In the period under report from 1 January to 30 June 2019, one such reclassification occurred. This involved current trade receivables that were reclassified from FVOCI to amortised cost, as they were no longer offered for sale as of 30 June 2019.

Class	Measurement hierarchy level	Carrying amount in € 000s at 30 June 2019	Fair value in € 000s at 30 June 2019	Description of measurement method
Short-term trade receivables	2	1,936	1,936	The receivables are measured by first forecasting the expected cash flows based on the provisions of the contract and then discounting these to account for risk. The fair values approximate to the carrying amounts.
Lease liabilities and other financial liabilities	2	20,677	20,677	The lease liabilities are measured by first forecasting the expected cash flows based on the provisions of the contract and then discounting these to account for risk. The fair values approximate to the carrying amounts.
Interest swaps – outside hedge accounting	2	332	332	The fair value of interest derivatives is determined on the basis of present value models including market information (interest structure curves). The fair value measurement of interest swaps was performed by the intermediary bank; the fair value is derived either from the mid-market price or, if expressed as a bid and ask price, from the indicative price at which the bank would have bought back and sold the financial instrument at the close of business on the relevant marketplace on the respective measurement date.

6 REVENUES

Breakdown of revenues. The tables below provide a breakdown of revenues by geographical region and distribution channel. Furthermore, the tables reconcile revenues with the segments presented in Note 7.

€ 000s	Geographical region					
	Germany		Outside Germany		Total	
	01/01/–30/06/ 2019	01/01/–30/06/ 2018	01/01/–30/06/ 2019	01/01/–30/06/ 2018	01/01/–30/06/ 2019	01/01/–30/06/ 2018
Segments						
Telecommunications	90,100	97,990	4,206	5,843	94,306	103,833
Outsourcing	35,382	47,240	515	338	35,897	47,578
Consulting	20,322	18,398	1,179	785	21,501	19,183
Cloud*	19,216	15,055	1,669	191	20,885	15,246
	165,020	**178,683**	**7,569**	**7,157**	**172,589**	**185,840**

€ 000s	Distribution channel					
	End customer		Reseller		Total	
	01/01/–30/06/ 2019	01/01/–30/06/ 2018	01/01/–30/06/ 2019	01/01/–30/06/ 2018	01/01/–30/06/ 2019	01/01/–30/06/ 2018
Segments						
Telecommunications	39,502	42,140	54,804	61,693	94,306	103,833
Outsourcing	35,897	47,578	-	-	35,897	47,578
Consulting	21,501	19,183	-	-	21,501	19,183
Cloud*	20,885	15,246	-	-	20,885	15,246
	117,785	**124,147**	**54,804**	**61,693**	**172,589**	**185,840**

* See Note 3 (Correction of errors).

7 SEGMENT REPORTING

In accordance with the provisions of IFRS 8, the basis for identifying segments consists of the Company's internal organisational structure as used by corporate management for business administration decisions and performance assessments.
This results in the following segments: Cloud, Outsourcing, Consulting and Telecommunications.

Cloud. QSC pools all activities relating to its Pure Enterprise Cloud (PEC) and the Internet of Things (IoT) in its Cloud segment. The Pure Enterprise Cloud, which has been developed on an in-house basis since 2015, comprises a modular system of cloud technologies, software solutions and service components, as well as network and infrastructure services. Furthermore, the Cloud segment also includes the IoT business activities pooled at Q-loud. This subsidiary of QSC offers companies an extensive range of products and services enabling them to network appliances and implement digital business models in the Internet of Things. Its end-to-end range of services includes transformation consulting, software and hardware competence, standard hardware, a proprietary IoT platform, security solutions and smart product manufacturing.

Outsourcing. This segment offers traditional outsourcing services to companies wishing to outsource their IT and data storage to QSC. As soon as cloud-based outsourcing services are provided, the respective revenues are allocated to the Cloud segment. As well as IT service offerings, the Outsourcing segment also includes the underlying IP-VPNs necessary to guarantee end-to-end quality.

Consulting. QSC advises companies on how to optimise their business processes with two key focuses on SAP and Microsoft. As an SAP full-service provider, in this segment QSC performs services in the fields of basic operations, application management, implementation, user support and maintenance, as well as in managing the necessary software licenses. The Microsoft consulting services range from needs analysis to consulting, design and implementation services through to operations and ongoing optimisation measures.

Telecommunications (TC). Here, QSC offers a broad range of voice and data communication solutions. These include internet connections with asymmetric ADSL2+ lines, symmetric SDSL lines and premium internet access via wireless local loop (WLL) networks. In this segment, QSC also offers All-IP telephony connections (voice over IP) and corresponding telephony systems. Furthermore, the range of services also includes further forms of voice telephony, including open call-by-call and preselect offerings and value added services.

The segment contribution is the key segment performance indicator referred to by the management. This is defined as EBITDA before general and administrative expenses and other operating income and expenses. For income statement purposes, the cost of revenues is thus allocated in full to the respective segment, as are sales and marketing expenses. The direct and indirect allocation of costs to individual segments is consistent with internal reporting and management structures.
Indirect cost allocation is primarily based on resource utilisation by the respective segments. The Management Board does not receive any regular information about segment-specific capital expenditure, assets and liabilities, general and administrative expenses, depreciation and amortisation and other operating income and expenses as components of the respective segment earnings figures.

€ 000s	Telecommunications	Outsourcing	Consulting	Cloud	Consolidated Group
01/04/ – 30/06/2019					
Net revenues	**47,418**	**16,956**	**10,574**	**10,246**	**85,194**
Cost of revenues	(31,335)	(13,050)	(9,596)	(8,213)	(62,194)
Gross profit	**16,083**	**3,906**	**978**	**2,033**	**23,000**
Sales and marketing expenses	(3,180)	(2,850)	(483)	(1,937)	(8,450)
Segment contribution	**12,903**	**1,056**	**495**	**96**	**14,550**
General and administrative expenses					(16,763)
Depreciation and amortisation (including					
non-cash share-based compensation)					(14,459)
Other operating income and expenses					132,159
Operating profit (EBIT)					**115,487**
Financial income					14
Financial expenses					(3,957)
Net income before income taxes					**111,544**
Income taxes					(5,445)
Net income					**106,099**

€ 000s	Telecommunications	Outsourcing	Consulting	Cloud adjusted*	Consolidated Group
01/04/ – 30/06/2018					
Net revenues	**50,431**	**23,853**	**9,356**	**8,121**	**91,761**
Cost of revenues	(36,777)	(18,819)	(7,675)	(5,219)	(68,490)
Gross profit	**13,654**	**5,034**	**1,681**	**2,902**	**23,271**
Sales and marketing expenses	(4,186)	(1,592)	(371)	(1,614)	(7,763)
Segment contribution	**9,468**	**3,442**	**1,310**	**1,288**	**15,508**
General and administrative expenses					(6,422)
Depreciation and amortisation (including					
non-cash share-based compensation)					(6,758)
Other operating income and expenses					(72)
Operating profit (EBIT)					**2,256**
Financial income					20
Financial expenses					(1,086)
Net income before income taxes					**1,190**
Income taxes					(744)
Net income					**446**

* See Note 3 (Correction of errors).

€ 000s	Telecommunications	Outsourcing	Consulting	Cloud	Consolidated Group
01/01/ – 30/06/2019					
Net revenues	**94,306**	**35,897**	**21,501**	**20,885**	**172,589**
Cost of revenues	(60,540)	(24,558)	(18,932)	(15,902)	(119,932)
Gross profit	**33,766**	**11,339**	**2,569**	**4,983**	**52,657**
Sales and marketing expenses	(6,338)	(4,658)	(994)	(3,677)	(15,667)
Segment contribution	**27,428**	**6,681**	**1,575**	**1,306**	**36,990**
General and administrative expenses					(23,131)
Depreciation and amortisation (including non-cash share-based compensation)					(29,017)
Other operating income and expenses					131,989
Operating profit (EBIT)					**116,831**
Financial income					22
Financial expenses					(5,810)
Net income before income taxes					**111,043**
Income taxes					(5,249)
Net income					**105,794**

€ 000s	Telecommunications	Outsourcing	Consulting	Cloud adjusted*	Consolidated Group
01/01/ – 30/06/2018					
Net revenues	**103,833**	**47,578**	**19,183**	**15,246**	**185,840**
Cost of revenues	(76,222)	(38,975)	(15,392)	(10,585)	(141,174)
Gross profit	**27,611**	**8,603**	**3,791**	**4,661**	**44,666**
Sales and marketing expenses	(7,842)	(2,602)	(463)	(2,865)	(13,772)
Segment contribution	**19,769**	**6,001**	**3,328**	**1,796**	**30,894**
General and administrative expenses					(12,393)
Depreciation and amortisation (including non-cash share-based compensation)					(13,595)
Other operating income and expenses					(270)
Operating profit (EBIT)					**4,636**
Financial income					92
Financial expenses					(2,165)
Net loss before income taxes					**2,563**
Income taxes					(1,265)
Net income					**1,298**

* See Note 3 (Correction of errors).

8 CASH FLOW FROM FINANCING ACTIVITIES

Financial liabilities developed as follows:

€ 000s	01/01/2019	Cash-effective changes	Non-cash-effective changes		Deconsoli-dation	30/06/2019
			Addition	Fair value		
Financial liabilities						
Long-term loan	100,000	(100,000)	-	-	-	-
Short-term loan	19,000	(19,000)	-	-	-	-
Lease liabilities	111,323	(18,220)	5,591	-	(78,049)	20,645
Assets to secure long-term loans	(212)	-	-	212	-	-
Financial liabilities	**230,111**	**(137,220)**	**5,591**	**212**	**(78,049)**	**20,645**

9 DIVIDENDS PAID

The Annual General Meeting of QSC AG held on 29 May 2019 approved the distribution of a dividend of € 0.03 per share with dividend entitlement. The dividend payment of € 3,725,174.61 was distributed by the depositary banks starting on 4 June 2019.

10 LEGAL DISPUTES

Neither QSC AG nor its group companies are involved in any court or arbitration proceedings that could materially impact on their economic position.

11 TRANSACTIONS WITH RELATED PARTIES

In the first six months of the 2019 financial year, QSC maintained business relationships with companies whose shareholders include members of the Company's management and its Supervisory Board. Persons and companies count as related parties pursuant to IAS 24 when one party has the possibility of exercising control or significant influence over the other party. All contracts with these companies require approval by the Supervisory Board and are agreed on customary market terms.
No material changes arose in this respect in the period until 30 June 2019. We therefore refer to the disclosures made in the notes to the consolidated financial statements as of 31 December 2018.

12 MANAGEMENT BOARD

The following table presents individualised information about the number of shares and convertible bonds held by members of the Management Board:

	Shares		Conversion rights	
	30/06/2019	**30/06/2018**	**30/06/2019**	**30/06/2018**
Jürgen Hermann	670,000	500,000	150,000	350,000
Stefan A. Baustert	40,000	40,000	200,000	200,000

13 SUPERVISORY BOARD

The following table presents individualised information about the number of shares and convertible bonds held by members of the Supervisory Board:

	Shares		Conversion rights	
	30/06/2019	**30/06/2018**	**30/06/2019**	**30/06/2018**
Dr. Bernd Schlobohm, Chairman	15,769,910	15,519,910	-	132,000
Dr. Frank Zurlino, Deputy Chairman	10,000	10,000	-	-
Gerd Eickers	15,777,484	15,577,484	-	-
Ina Schlie	-	-	-	-
Cora Hödl[1] (until 30 June 2019)	-	-	4,100[2]	4,100
Matthias Galler[1] (from 12 July 2018)	-	-	2,700	-
Anne-Dore-Ahlers[1] (until 12 July 2018)	-	-	-	2,700

[1] Employee representative.
[2] Holdings at the time of retirement from the Supervisory Board.

14 EVENTS AFTER THE REPORTING PERIOD

No events requiring report here have occurred after the reporting period.

Cologne, August 2019

QSC AG
The Management Board

Jürgen Hermann
Chief Executive Officer

Stefan A. Baustert
Chief Financial Officer

STATEMENT OF RESPONSIBILITY

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Condensed Interim Consolidated Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Interim Consolidated Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Cologne, August 2019

QSC AG
The Management Board

Jürgen Hermann Chief Executive Officer	Stefan A. Baustert Chief Financial Officer

CALENDAR

Quarterly Statement
11 November 2019

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