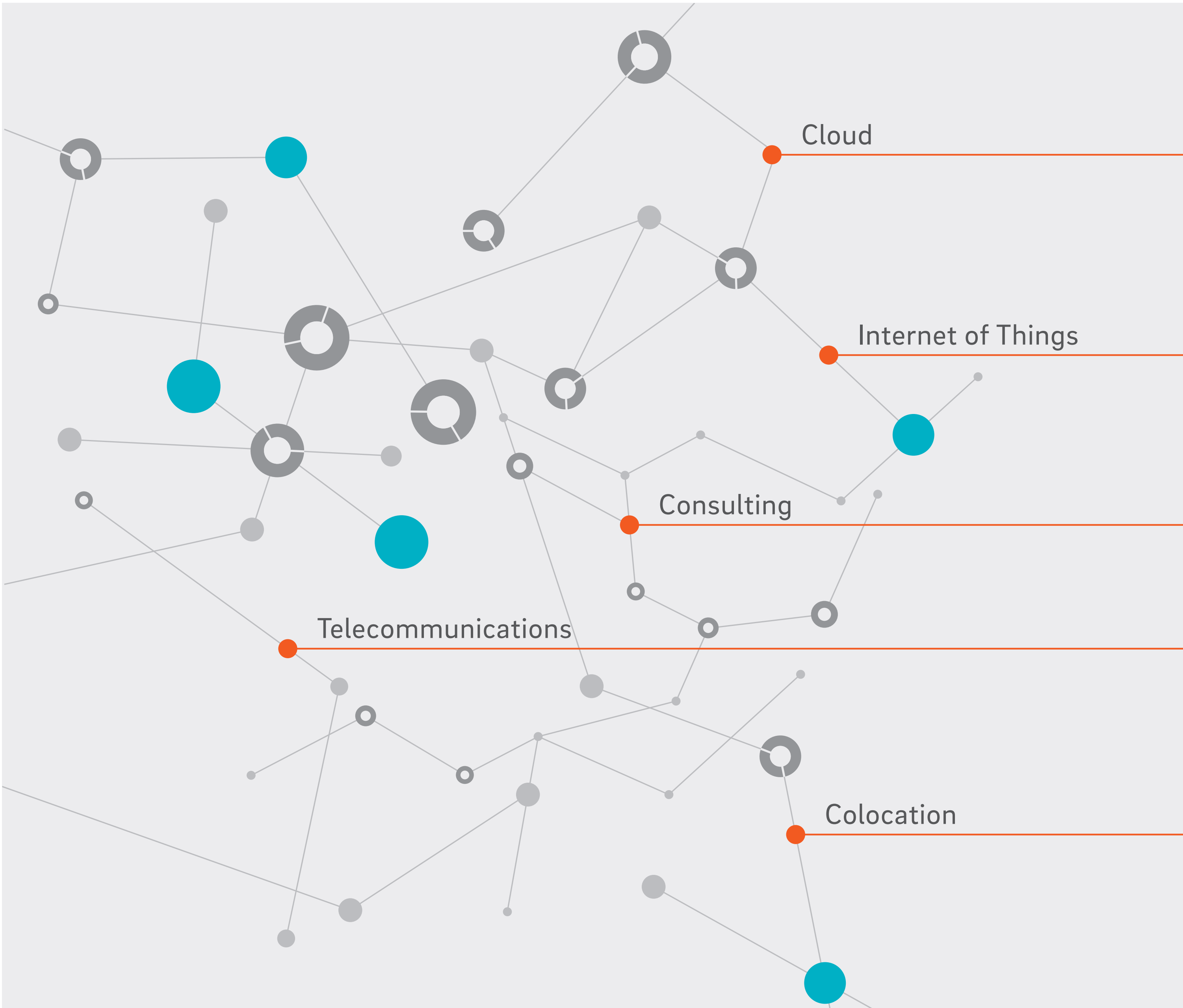


QUARTERLY STATEMENT

1 January to 30 September 2018

SECURE.
INNOVATIVE.
AT YOUR SIDE.

QSC AG

KEY DATA

€ million	01/07/ – 30/09/ 2018	01/07/ – 30/09/ 2017	01/01/ – 30/09/ 2018	01/01/ – 30/09/ 2017
Revenues	90.2	88.9	276.4	264.8
EBITDA	9.1	9.1	27.3	29.3
Depreciation and amortisation[1]	6.8	7.0	20.4	22.8
EBIT	2.3	2.2	7.0	6.5
Net income	0.3	1.5	1.6	2.6
Earnings per share[2] (in €)	0.00	0.01	0.01	0.02
Free cash flow	3.9	2.3	6.7	8.7
Capital expenditure (capex)	4.6	4.2	12.5	14.0
Capex ratio[3] (in %)	5.1	4.7	4.5	5.3
Liquidity			58.6[4]	61.9[5]
Shareholders' equity			88.2[4]	89.5[5]
Long-term liabilities			46.1[4]	147.9[5]
Short-term liabilities			150.2[4]	59.6[5]
Balance sheet total			284.4[4]	297.1[5]
Equity ratio (in %)			31.0[4]	30.1[5]
Xetra closing price as of 30 September (in €)			1.60	1.86
Number of shares as of 30 September			124,172,487	124,172,487
Market capitalisation as of 30 September			198.7	231.0
Number of employees as of 30 September			1,293	1,355

[1] Including non-cash share-based compensation.

[2] Basic and diluted.

[3] Ratio of capital expenditure to revenues.

[4] As of 30 September 2018.

[5] As of 31 December 2017.

QSC INCREASES REVENUES AND RAISES REVENUE FORECAST

Nine-month revenues up 4% to € 276.4 million. QSC can report year-on-year revenue growth, and that for the third consecutive quarter in the current year. Revenues for the third quarter of 2018 amounted to € 90.2 million, as against € 88.9 million in the equivalent period in the previous year. Nine-month revenues totalled € 276.4 million, compared with € 264.8 million in the previous year.

Ongoing dynamic growth in Cloud business. In percentage terms, QSC generated its highest revenue growth in the first nine months of 2018 in its Cloud segment, with its two core areas of activity, Cloud Services and Internet of Things (IoT). In the year to date, revenues in this segment have risen by 31% to € 25.5 million.

New opportunities arising from interaction of IoT and SAP expertise. In September, QSC's IoT subsidiary Q-loud was the first company in Germany to successfully use the new SAP Leonardo environment to qualify an end-to-end IoT solution. QSC's SAP-based Energy Management Cockpit provides companies with real-time visibility for their energy consumption across several locations.

TC business driven by voice termination. In the current financial year, the Telecommunications (TC) segment has benefited in particular from high demand from resellers in the international voice termination business. Nine-month TC revenues rose to € 151.9 million, up from € 137.1 million in the previous year's period.

QSC expects year-on-year revenue growth in 2018. Given its positive business performance, QSC now expects to generate full-year revenues of at least € 360 million in 2018 rather than, as previously communicated, "at least at the upper end of the € 345 million to € 355 million range". The Company therefore expects to exceed the previous year's revenues of € 357.9 million. QSC still plans to generate EBITDA of between € 35 million and € 40 million and free cash flow of more than € 10 million.

"QSC is steering a growth course in 2018. We are particularly benefiting from great dynamism in our Cloud business and stronger demand for TC services. We therefore now expect significantly higher revenues than originally budgeted at the beginning of the year."

Jürgen Hermann, Chief Executive Officer

"The work on restructuring our organisation is paying off. QSC now has leaner structures and has maintained strict cost discipline. These measures have stabilised our earnings and financial strength."

Stefan A. Baustert, Chief Financial Officer

SUMMARY OF THE FIRST 9 MONTHS OF 2018

Business Performance

QSC increases revenues and raises revenue forecast. QSC can report year-on-year revenue growth, and that for the third consecutive quarter in the current year. In the third quarter of 2018, the Company generated revenues of € 90.2 million, as against € 88.9 million in the equivalent period in the previous year. Nine-month revenues grew by 4% to € 276.4 million. Given its positive business performance, QSC now expects to generate full-year revenues of at least € 360 million in 2018, in contrast to its previous forecast that revenues would reach "at least the upper end of the € 345 million to € 355 million range". It therefore expects its revenues to exceed the previous year's figure of € 357.9 million.

Revenues
(€ million)

Ongoing dynamic growth in Cloud segment. Cloud revenues surged by 31% year on year, or € 6.0 million, to € 25.5 million in the first nine months of 2018. The segment contribution improved from € -0.4 million in the previous year's period to € 4.1 million, thus underlining the scalability of the business model.
This dynamic growth was driven above all by QSC marketing products from its own Pure Enterprise Cloud. Here, new customers are opting for several or all components offered within this all-round cloud solution. Alongside that, QSC is supporting existing customers in migrating their IT solutions from traditional on-premise environments to the cloud.

Cloud revenues
(€ million)

IoT applications form the second pillar of the Cloud segment, with all activities in this area pooled at Q-loud. This subsidiary of QSC has stepped up its sales and development work in the current financial year and has also drawn on the expertise of other business units.
In September 2018, for example, Q-loud was the first company in Germany to succeed in using the new SAP Leonardo environment to qualify an end-to-end IoT solution. QSC's SAP-based

Energy Management Cockpit provides companies with real-time visibility for their energy consumption across several locations. Energy-intensive companies in particular currently face the challenge of recording their energy consumption data in order to meet the requirements of the ISO 50001 energy efficiency norm. This is creating an attractive market for Q-loud.

Outsourcing business affected by cloud migration. Outsourcing revenues came to € 69.9 million in the first nine months of the current year, as against € 77.9 million in the previous year's period. This reduction is due to the ongoing migration of existing customers to the cloud and to changes in the customer base. To counter this trend, Outsourcing is intensifying its sales activities to attract SME customers interested in outsourcing their IT.

Outsourcing revenues

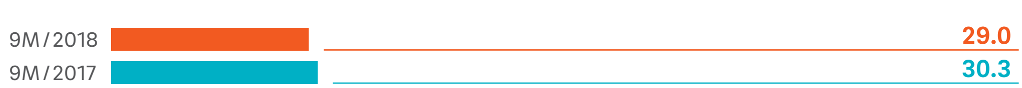
(€ million)

The decline in revenues did not fail to leave its mark on the segment contribution. This latter key figure fell to € 8.9 million in the first nine months of the current year, compared with € 15.1 million in the previous year's period. In the meantime, the restructuring of the Outsourcing business is continuing apace. Here, QSC is adjusting existing structures to the new requirements of the cloud age and to changes in its customer base.

Consulting demonstrates margin strength. The Consulting segment generated revenues of € 29.0 million in the first nine months of 2018, compared with € 30.3 million in the previous year's period. Over the same period, it increased its segment contribution from € 4.0 million to € 4.8 million. This led the segment margin to rise by 4 percentage points year on year to 17%. The strength of the margin in the personnel-intensive Consulting business is due in particular to the ongoing efforts being made to optimise capacity utilisation among existing employees. At the same time, given the noticeable shortage of specialists the Company is pressing ahead with training in-house experts for its S/4HANA consulting business, which has the potential to generate particularly high growth.

Consulting revenues

(€ million)



TC business driven by voice termination. TC revenues rose to € 151.9 million in the first nine months of 2018, up from € 137.1 million in the previous year's period. This growth was predominantly due to the international termination business with resellers. A favourable market constellation and exceptionally efficient cost structures in QSC's own next generation network (NGN) made it possible to generate significantly higher revenues, particularly in the first half of 2018. The corporate customer business also developed positively, with QSC continuing to benefit here from its comprehensive All-IP and networking expertise.
The segment contribution for the year to date amounted to € 28.7 million in 2018, as against € 30.7 million in the previous year's period. This reduction was due to the higher share of revenues in the termination business, traditionally an area with lower margins.

Telecommunications revenues
(€ million)

Spin-off of TC business approved by Annual General Meeting. The Annual General Meeting held on 12 July 2018 approved the spin-off the TC business to a standalone company, QSC's wholly-owned subsidiary Plusnet. The corresponding entry in the Commercial Register was made on 31 August 2018. As various companies have expressed interest in acquiring Plusnet, on 18 September 2018 the Management Board decided, with approval by the Supervisory Board, to initiate talks with suitable interested parties concerning this strategic option. Any sale of a majority stake or all of Plusnet would have to be executed on very attractive terms. All other strategic options remain on the table, including QSC continuing to develop the business independently or entering into cooperations.

Earnings Performance

Higher cost of revenues. QSC's largest cost item, cost of revenues, grew to € 208.7 million in the first nine months of 2018, up from € 196.2 million in the previous year's period. This increase reflects the greater weighting of TC revenues with resellers, which involve preliminary services procured from other network operators. At € 67.6 million, gross profit therefore fell slightly short of the previous year's figure of € 68.6 million. Sales and marketing expenses rose by € 2.0 million to € 21.1 million in the first nine months of 2018, while general and administrative expenses decreased by € 0.7 million to € 19.4 million.

EBITDA totalled € 27.3 million in the first nine months of 2018, compared with € 29.3 million in the previous year's period. At € 9.1 million, third-quarter EBITDA was at the same level as in the previous year.

EBIT rises to € 7.0 million. Depreciation and amortisation decreased further in the first nine months of 2018, falling from € 22.8 million in the previous year's period to € 20.4 million. In view of this, operating earnings (EBIT) rose to € 7.0 million, as against € 6.5 million in the first nine months of 2017. Significantly higher income taxes meant that this increase was not reflected in consolidated net income, which came to € 1.6 million in the first nine months of 2018, compared with € 2.6 million in the previous year.

Financial and Net Asset Position

Free cash flow develops in line with expectations. The free cash flow for the first nine months of the current financial year totalled € 6.7 million, as against € 8.7 million in the previous year, and was thus consistent with expectations. Year on year, the free cash flow for the third quarter of 2018 rose to € 3.9 million, up from € 2.3 million in the equivalent period in the previous year. QSC 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 30 September 2018 and 31 December 2017.

€ million	30/09/2018	31/12/2017
Liquidity	**58.6**	**61.9**
Long-term other financial liabilities	(35.0)	(135.2)
Short-term other financial liabilities	(95.5)	(1.6)
Interest-bearing financial liabilities	**(130.5)**	**(136.8)**
Net debt	**(71.9)**	**(74.9)**

Liquidity fell by € 3.3 million to € 58.6 million as of 30 September 2018. Over the same period, QSC reduced its interest-bearing financial liabilities by € 6.3 million to € 130.5 million. Within this item, the tranches of the promissory note bond due to mature in the second quarter of 2019 were reclassified from long-term to short-term other financial liabilities.

As a result of these factors, net debt fell by € 3.0 million to € -71.9 million as of 30 September 2018. The free cash flow presents the financial strength of the operating business. To account for this, QSC adjusts this key figure to eliminate outgoing payments for acquisitions and distributions. The distribution of a dividend of € 0.03 per share after the Annual General Meeting in July 2018 led to an outflow of € 3.7 million. This adjustment resulted in a free cash flow of € 6.7 million for the first nine months of 2018.

Capital expenditure mainly for customers and technology. Capital expenditure totalled € 12.5 million in the first nine months of 2018, compared with € 14.0 million in the previous year's period. Of this total, 47% was customer-related, while 39% was channelled into technology. QSC invested the remaining 14% in other items of property, plant and equipment and other intangible assets.

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 € 167.0 million as of 30 September 2018. Short-term assets fell slightly to € 117.5 million, as against € 122.2 million as of 31 December 2017.

Equity ratio rises to 31%. Shareholders' equity amounted to € 88.2 million as of 30 September 2018, compared with € 89.5 million as of 31 December 2017. It should be noted that QSC paid a dividend of € 0.03 per share in the third quarter of 2018 and charged the distribution, amounting to a total of € 3.7 million, directly to equity. At 31%, the equity ratio as of 30 September 2018 was nevertheless 1 percentage point higher than at the end of 2017.
Long-term liabilities fell to € 46.1 million as of 30 September 2018, as against € 147.9 million at the end of 2017. This reduction was due to the reclassification of promissory note bond tranches recognised under other financial liabilities and due to mature in May 2019. Conversely, short-term liabilities rose to € 150.2 million, up from € 59.6 million as of 31 December 2017. QSC held successful negotiations with the relevant lenders in the first half of 2018 already and agreed to increase its syndicated loan facility from the amount of € 70 million originally committed in 2016 to its current total of € 100 million. This way, QSC acted early to secure the repayment of the promissory note bond tranches due to mature next year.

Outlook

QSC expects year-on-year revenue growth in 2018. Given its positive business performance in the first nine months of 2018, QSC now expects to generate full-year revenues of at least € 360 million in 2018 and thus to exceed the previous year's figure of € 357.9 million. The Company had previously forecast revenues at least at the upper end of the € 345 million to € 355 million range communicated in March 2018. QSC still expects to generate EBITDA of € 35 million to € 40 million and a free cash flow of more than € 10 million.

Further Information

About this quarterly statement. 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/. The QI/2018 quarterly statement and half-year report also available there provide further information on the course of business in the first three and first six months of the current financial year respectively. 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)

	01/07/ – 30/09/ 2018	01/07/ – 30/09/ 2017	01/01/ – 30/09/ 2018	01/01/ – 30/09/ 2017
Net revenues	**90,198**	**88,925**	**276,363**	**264,816**
Cost of revenues	(67,222)	(66,683)	(208,714)	(196,238)
Gross profit	**22,976**	**22,242**	**67,649**	**68,578**
Sales and marketing expenses	(7,357)	(6,300)	(21,129)	(19,145)
General and administrative expenses	(7,000)	(6,849)	(19,393)	(20,111)
Depreciation and amortisation				
(including non-cash share-based compensation)	(6,767)	(6,974)	(20,362)	(22,817)
Other operating income	1,048	365	1,628	1,392
Other operating expenses	(589)	(317)	(1,439)	(1,373)
Operating profit (EBIT)	**2,311**	**2,167**	**6,954**	**6,524**
Financial income	19	122	111	192
Financial expenses	(1,132)	(1,069)	(3,297)	(3,419)
Net income before income taxes	**1,198**	**1,220**	**3,768**	**3,297**
Income taxes	(863)	286	(2,128)	(664)
Net income	**335**	**1,506**	**1,640**	**2,633**
Attribution of net income				
Owners of the parent company	392	1,565	1,824	2,808
Non-controlling interests	(57)	(59)	(184)	(175)
Earnings per share (basic) in €	0.00	0.01	0,01	0.02
Earnings per share (diluted) in €	0.00	0.01	0,01	0.02

Consolidated Balance Sheet

Euro amounts in thousands (€ 000s)

	30/09/2018 (unaudited)	31/12/2017 (audited)
ASSETS		
Long-term assets		
Property, plant and equipment	52,742	57,481
Land and buildings	22,496	23,528
Goodwill	55,568	55,568
Other intangible assets	23,480	25,349
Trade receivables	1,851	2,461
Prepayments	3,497	2,549
Other long-term assets	146	156
Deferred tax assets	7,184	7,806
Long-term assets	**166,964**	**174,898**
Short-term assets		
Trade receivables	51,218	52,278
Prepayments	5,916	6,809
Inventories	534	649
Other short-term assets	1,198	569
Cash and cash equivalents	58,596	61,881
Short-term assets	**117,462**	**122,186**
TOTAL ASSETS	**284,426**	**297,084**

	30/09/2018 (unaudited)	31/12/2017 (audited)
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' equity		
Issued capital	124,172	124,172
Capital surplus	144,077	143,787
Other capital reserves	(1,840)	(2,281)
Accumulated deficit	(177,513)	(175,612)
Equity attributable to owners of the parent company	**88,896**	**90,066**
Non-controlling interests	(722)	(538)
Shareholders' equity	**88,174**	**89,528**
Liabilities		
Long-term liabilities		
Other financial liabilities	35,037	135,244
Accrued pensions	5,610	5,924
Other provisions	3,033	3,031
Trade payables and other liabilities	2,123	3,357
Deferred tax liabilities	287	392
Long-term liabilities	**46,090**	**147,948**
Short-term liabilities		
Trade payables and other liabilities	48,223	46,896
Other financial liabilities	95,486	1,577
Other provisions	2,363	7,388
Accrued taxes	2,263	1,669
Deferred income	1,827	2,078
Short-term liabilities	**150,162**	**59,608**
Liabilities	**196,252**	**207,556**
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**284,426**	**297,084**

Consolidated Statement of Cash Flows (unaudited)

Euro amounts in thousands (€ 000s)

	01/01/ – 30/09/ 2018	01/01/ – 30/09/ 2017
Cash flow from operating activities		
Net income before income taxes	3,768	3,297
Depreciation and amortisation of long-term assets	20,072	22,438
Other non-cash income and expenses	753	434
Gains (losses) from disposal of long term-assets	(26)	15
Income tax paid	(1,641)	(4,048)
Income tax received	10	4,088
Interest received	85	837
Net financial expenses	3,186	3,227
Changes in provisions	(6,025)	(3,476)
Changes in trade receivables	1,207	(2,562)
Changes in trade payables	3,330	4,173
Changes in other assets and liabilities	(1,770)	278
Cash flow from operating activities	**22,949**	**28,701**
Cash flow from investing activities		
Purchase of intangible assets	(5,794)	(4,320)
Purchase of property, plant and equipment	(7,545)	(11,661)
Proceeds from sale of property, plant and equipment	92	32
Proceeds from sale of a subsidiary,		
less liquid funds thereby disposed of	-	(430)
Cash flow from investing activities	**(13,247)**	**(16,379)**
Cash flow from financing activities		
Dividends paid	(3,725)	(3,725)
Repayment (issuance) of convertible bonds	(1)	5
Repayment of loans	(5,912)	(12,751)
Interest paid	(3,129)	(4,398)
Repayment of liabilities under financing		
and finance lease arrangements	(220)	(1,270)
Cash flow from financing activities	**(12,987)**	**(22,139)**
Change in cash and cash equivalents	**(3,285)**	**(9,817)**
Cash and cash equivalents as of 1 January	61,881	67,781
Cash and cash equivalents as of 30 September	**58,596**	**57,964**

Segment Reporting (unaudited)

Euro amounts in thousands (€ 000s)

01/07/ – 30/09/2018	Telecom-munications	Outsourcing	Consulting	Cloud	Consolidated Group
Net revenues	**48,085**	**22,367**	**9,846**	**9,900**	**90,198**
Cost of revenues	(35,512)	(18,012)	(7,932)	(5,76)	(67,222)
Gross profit	**12,573**	**4,355**	**1,914**	**4,134**	**22,976**
Sales and marketing expenses	(3,645)	(1,497)	(405)	(1,810)	(7,357)
Segment contribution	**8,928**	**2,858**	**1,509**	**2,324**	**15,619**
General and administrative expenses					(7,000)
Depreciation and amortisation (including non-cash share-based compensation)					(6,767)
Other operating income and expenses					459
Operating profit (EBIT)					**2,311**
Financial income					19
Financial expenses					(1,132)
Net income before income taxes					**1,198**
Income taxes					(863)
Net income					**335**

01/07/ – 30/09/2017	Telecom-munications	Outsourcing	Consulting	Cloud	Consolidated Group
Net revenues	**46,441**	**24,928**	**9,531**	**8,025**	**88,925**
Cost of revenues	(33,314)	(18,965)	(8,153)	(6,251)	(66,683)
Gross profit	**13,127**	**5,963**	**1,378**	**1,774**	**22,242**
Sales and marketing expenses	(3,285)	(1,390)	(323)	(1,302)	(6,300)
Segment contribution	**9,842**	**4,573**	**1,055**	**472**	**15,942**
General and administrative expenses					(6,849)
Depreciation and amortisation (including non-cash share-based compensation)					(6,974)
Other operating income and expenses					48
Operating profit (EBIT)					**2,167**
Financial income					122
Financial expenses					(1,069)
Net income before income taxes					**1,220**
Income taxes					286
Net income					**1,506**

Segment Reporting (unaudited)

Euro amounts in thousands (€ 000s)

	Telecom-munications	Outsourcing	Consulting	Cloud	Consolidated Group
01/01/ – 30/09/2018					
Net revenues	**151,918**	**69,945**	**29,029**	**25,471**	**276,363**
Cost of revenues	(111,734)	(56,987)	(23,324)	(16,669)	(208,714)
Gross profit	**40,184**	**12,958**	**5,705**	**8,802**	**67,649**
Sales and marketing expenses	(11,487)	(4,099)	(868)	(4,675)	(21,129)
Segment contribution	**28,697**	**8,859**	**4,837**	**4,127**	**46,520**
General and administrative expenses					(19,393)
Depreciation and amortisation (including non-cash share-based compensation)					(20,362)
Other operating income and expenses					189
Operating profit (EBIT)					**6,954**
Financial income					111
Financial expenses					(3,297)
Net income before income taxes					**3,768**
Income taxes					(2,128)
Net income					**1,640**

	Telecom-munications	Outsourcing	Consulting	Cloud	Consolidated Group
01/01/ – 30/09/2017					
Net revenues	**137,115**	**77,937**	**30,264**	**19,500**	**264,816**
Cost of revenues	(96,289)	(58,679)	(25,488)	(15,782)	(196,238)
Gross profit	**40,826**	**19,258**	**4,776**	**3,718**	**68,578**
Sales and marketing expenses	(10,096)	(4,168)	(805)	(4,076)	(19,145)
Segment contribution	**30,730**	**15,090**	**3,971**	**(358)**	**49,433**
General and administrative expenses					(20,111)
Depreciation and amortisation (including non-cash share-based compensation)					(22,817)
Other operating income and expenses					19
Operating profit (EBIT)					**6,524**
Financial income					192
Financial expenses					(3,419)
Net income before income taxes					**3,297**
Income taxes					(664)
Net income					**2,633**

CALENDAR

2018 Annual Report
29 March 2019

Quarterly Figures
13 May 2019
5 August 2019
11 November 2019

Annual General Meeting
29 May 2019

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