

**Invitation to the Annual General Meeting of  
Gigaset AG with registered offices in Munich**

**WKN 515 600 ISIN DE0005156004**

**WKN A2AACC ISIN DE000A2AACC6**

Munich, in July 2016

Dear Shareholders,

We hereby invite you to the Annual General Meeting of Gigaset AG, Munich, on

**August 12, 2016, at 10.00 a.m.**

at the

**Haus der Bayerischen Wirtschaft  
Max-Joseph-Str. 5  
80333 Munich**

The General Meeting has the following agenda:

**ITEM 1**

**Presentation of Gigaset AG's adopted annual financial statements, the endorsed consolidated financial statements as of December 31, 2015, the combined management report for Gigaset AG and the Group, including the Executive Board's explanatory report on the disclosures in accordance with sections 289(4) and 315(4) of the German Commercial Code (Handelsgesetzbuch, HGB) and the Supervisory Board's report for fiscal year 2015**

The aforementioned documents can be inspected in the offices of Gigaset AG, Seidlstr. 23, 80335 Munich, as well as online under [www.gigaset.ag](http://www.gigaset.ag) and are also sent to the shareholders upon request. The Supervisory Board has already endorsed the separate annual financial statements as well as the consolidated financial statements. Therefore, in accordance with statutory provisions, this agenda item does not include the adoption of a resolution.

**ITEM 2**

**Adoption of a resolution approving the actions of the members of the Executive Board**

The Supervisory Board and Executive Board propose that the actions of those individuals who were members the Executive Board in fiscal year 2015 – with the exception of former Executive Board member Kai Dorn – be approved for the same period.

In relation to former Executive Board member Kai Dorn, Supervisory Board and Executive Board propose not to approve his actions in fiscal year 2015.

**ITEM 3**

**Adoption of a resolution approving the actions of the members of the Supervisory Board**

The Supervisory Board and Executive Board propose that the actions of those individuals who were members of the Supervisory Board in fiscal year 2015 be approved for the same period.

#### **ITEM 4**

##### **Adoption of a resolution appointing the auditor for fiscal year 2016**

Upon recommendation by the Audit Committee, the Supervisory Board proposes that PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be appointed as auditor of the separate annual financial statements and the consolidated financial statements for fiscal year 2016.

#### **ITEM 5**

##### **Adoption of a resolution on the creation of an Authorized Capital 2016, disapplication of pre-emption rights, and corresponding amendment of the Articles of Association in Art. 4(5)**

The Authorized Capital 2014 currently included in Art. 4(6) of the Articles of Association only takes advantage of some of the legal possibilities for authorized capital. In order to give the Company the greatest possible flexibility with regard to its financing, an additional new Authorized Capital 2016 is to be created with the option of disapplying pre-emption rights.

The Supervisory Board and Executive Board therefore propose that the following resolution be adopted:

1. The Executive Board is authorized to increase the share capital, with the consent of the Supervisory Board, by up to a total of EUR 44,200,000.00, once or in partial amounts, by issuing new no-par value bearer shares qualifying for dividends as of the beginning of the fiscal year in which they are issued, in exchange for cash contributions, in the time until August 11, 2021 (Authorized Capital 2016). The shareholders are generally entitled to a subscription right.

The new shares may be underwritten by one or more banks with the obligation to offer them to the shareholders (indirect subscription right).

The Executive Board is authorized, with the consent of the Supervisory Board, to decide the content of the share rights and the terms and conditions of the share issue, and to specify the details for the execution of the capital increase.

Furthermore, the Executive Board is authorized, with the consent of the Supervisory Board, to disapply the pre-emption rights of the shareholders in the following cases:

- a) In the case of capital increases in exchange for cash contributions, provided that the issue price of the new shares is not significantly less than the stock exchange price at the time of the final determination of the issue price and the portion of the share capital attributable to the shares issued by virtue of Letter a) of this authorization under disapplication of pre-emption rights in exchange for cash contributions does not exceed a total of 10% of the share capital either on August 12, 2016, or on the date when the present authorization takes effect, or when it is exercised;
- b) To the extent that it is necessary in order to grant to the holders or creditors of convertible bonds or warrant-linked bonds issued by the Company or by subordinated Group companies a subscription right for new shares for an amount to which they would be entitled after exercising the warrant right or conversion right or after fulfilling the conversion obligation;
- c) For the purpose of excluding fractional amounts from the subscription right.

The share of the share capital of all shares issued based on this authorization under disapplication of pre-emption rights may not exceed 20% of the share capital either on August 12, 2016, or when the present authorization takes effect, or when this authorization is exercised. In each case, the proportional amount of share capital attributable to shares that are issued in the period from August 12, 2016, to the end of the term of the authorization under disapplication of pre-emption rights by direct or analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) is to be applied against this limit of 20% as well as to the limit of 10% of the share capital in accordance with Letter a) of this authorization. Furthermore, the

proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against these limits, insofar as the underlying bond was issued during the term of the present authorization under disapplication of pre-emption rights in accordance with Section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on August 12, 2016, based on an authorization to utilize treasury shares in accordance with Sections 71(1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of pre-emption rights is to be applied to the aforementioned limits.

The Supervisory Board is further authorized to amend the current version of the Articles of Association in accordance with the respective amount of the capital increase from the Authorized Capital 2016.

2. The following paragraph 5 is added to Art. 4 of the Articles of Association:

"5. The Executive Board is authorized to increase the share capital, with the consent of the Supervisory Board, by up to a total of EUR 44,200,000.00, once or in partial amounts, by issuing new no-par value bearer shares qualifying for dividends as of the beginning of the fiscal year in which they are issued, in exchange for cash contributions, in the time until August 11, 2021 (Authorized Capital 2016). The shareholders are generally entitled to a subscription right.

The new shares may be underwritten by one or more banks with the obligation to offer them to the shareholders (indirect subscription right).

The Executive Board is authorized, with the consent of the Supervisory Board, to decide the content of the share rights and the terms and conditions of the share issue, and to specify the details for the execution of the capital increase.

Furthermore, the Executive Board is authorized, with the consent of the Supervisory Board, to exclude the subscription right of the shareholders in the following cases:

- a) In the case of capital increases in exchange for cash contributions, provided that the issue price of the new shares is not significantly less than the stock exchange price at the time of the final determination of the issue price, and provided that the shares issued by virtue of Letter a) of this authorization under disapplication of pre-emption rights in exchange for cash contributions do not exceed a total of 10% of the share capital either on August 12, 2016, or at the time when the present authorization takes effect, or when it is exercised;
- b) To the extent that it is necessary in order to grant to the holders or creditors of convertible bonds or warrant-linked bonds issued by the Company or by subordinated Group companies a subscription right for new shares for an amount to which they would be entitled after exercising the warrant right or conversion right or after fulfilling the conversion obligation;
- c) For the purpose of excluding fractional amounts from the subscription right.

The share of the share capital of all shares issued based on this authorization under disapplication of pre-emption rights may not exceed 20% of the share capital either on August 12, 2016, or when the present authorization takes effect, or when this authorization is exercised. In each case, the proportional amount of share capital attributable to shares that are issued in the period from August 12, 2016, to the end of the term of the authorization under disapplication of pre-emption rights by direct or analogous application of Section 186(3) sentence 4 of the German Stock Corporation Act (Aktiengesetz, AktG) is to be applied against this limit of 20% as well as to the limit of 10% of the share capital in accordance with Letter a) of this authorization. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against these limits, insofar as the underlying bond was issued during the term of the present authorization under disapplication of pre-emption rights in accordance with Section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on August 12, 2016, based on an authorization to utilize treasury shares in accordance with Sections 71(1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of pre-emption rights is to be applied to the aforementioned limits."

## **ITEM 6**

**Adoption of a resolution on the cancellation of the Contingent Capital 2011 in accordance with Art. 4(3) of the Articles of Association and corresponding amendment of the Articles of Association, cancellation of the Contingent Capital 2012 and the authorization to issue warrant-linked and/or convertible bonds in accordance with Art. 4(4) of the Articles of Association and corresponding amendment of the Articles of Association, cancellation of the Contingent Capital 2013 and the authorization to issue warrant-linked and/or convertible bonds in accordance with Art. 4(7) of the Articles of Association and corresponding amendment of the Articles of Association**

In the Annual General Meeting held on June 10, 2011, the Supervisory Board and/or the Executive Board with the approval of the Supervisory Board were authorized to grant subscription rights to shares of Gigaset AG to members of the Company's Executive Board, selected employees of the Company, and members of Management and selected employees of associated companies until December 31, 2014, as part of the Gigaset AG Stock Option Plan 2011. Neither the Executive Board nor the Supervisory Board took advantage of this authorization. The authorization period has expired. Therefore, the Contingent Capital 2011 is to be canceled in accordance with Art. 4(3) of the Articles of Association.

The Executive Board was authorized by the General Meeting of June 12, 2012, to issue warrant-linked bonds and/or convertible bonds with the consent of the Supervisory Board. The Executive Board exercised this authority in 2013, with the consent of the Supervisory Board, by issuing a convertible bond in the amount of EUR 23,340,289.00 that has meanwhile been fully converted into shares. Thus, this authorization of the Executive Board to issue warrant-linked bonds and/or convertible bonds and the corresponding Contingent Capital 2012 now only amount to EUR 159,711.00. It is no longer economically sensible to utilize this remainder. Therefore, the authorization and the corresponding Contingent Capital 2012 are to be canceled in accordance with Art. 4(4) of the Articles of Association.

The Executive Board was authorized by the General Meeting of December 19, 2013, to issue warrant-linked bonds and/or convertible bonds with the consent of the Supervisory Board. The Executive Board exercised this authority in 2014, with the consent of the Supervisory Board, by issuing a convertible bond in the amount of EUR 9,476,877.00 that has meanwhile been fully converted into shares. Thus, this authorization of the Executive Board to issue warrant-linked bonds and/or convertible bonds and the corresponding Contingent Capital 2013 now only amount to EUR 23,123.00. It is no longer economically sensible to utilize this remainder. Therefore, the authorization and the corresponding Contingent Capital 2013 are to be canceled in accordance with Art. 4(7) of the Articles of Association.

The Supervisory Board and Executive Board therefore propose that the following resolution be adopted:

- a) The Contingent Capital 2011 will be canceled in accordance with Art. 4(3) of the Articles of Association and Art. 4(3) of the Articles of Association will be deleted and will remain blank for the time being. The numbering of the Articles remains unchanged from Art. 4 of the Articles of Association.
- b) The Contingent Capital 2012 in accordance with Art. 4(4) of the Articles of Association and the authorization to issue warrant-linked bonds and/or convertible bonds from June 12, 2012, are canceled and Art. 4(4) of the Articles of Association will be deleted and will remain blank for the time being. The numbering of the Articles remains unchanged from Art. 4 of the Articles of Association.

- c) The Contingent Capital 2013 in accordance with Art. 4(7) of the Articles of Association and the authorization to issue warrant-linked bonds and/or convertible bonds from December 19, 2013, are canceled and Art. 4(7) of the Articles of Association will be deleted and will remain blank for the time being. The numbering of the Articles remains unchanged from Art. 4 of the Articles of Association.

## **ITEM 7**

### **Resolution regarding the authorization of the Executive Board to issue warrant-linked bonds and/or convertible bonds, creation of a Contingent Capital 2016, disapplication of pre-emption rights and corresponding amendment of the Articles of Association in Art. 4(9)**

Warrant-linked and/or convertible bonds can be significant instruments for ensuring an adequate equity base as a critical cornerstone for corporate development. Outside capital flows into a company, usually with a low interest rate, and may later be retained as equity under certain circumstances. A corresponding authorization and creation of contingent capital is required in order to issue such bonds.

The authorizations of the Executive Board to issue warrant-linked and/or convertible bonds from June 12, 2012, and from December 19, 2013, have been largely exhausted and are to be canceled in accordance with Item 6 of the agenda.

The existing authorization of the Executive Board to issue warrant-linked bonds and/or convertible bonds from August 12, 2014, with the Contingent Capital 2014 in the amount of EUR 35,000,000.00 in accordance with Art. 4(8) of the Articles of Association only takes advantage of some of the legal possibilities.

In order to provide the Company with the greatest possible flexibility with respect to the financing within the legal possibilities to use this important financing instrument in the future, it is proposed to the General Meeting that it adopt a resolution to grant an new additional authorization to issue warrant-linked bonds and/or convertible bonds and a new Contingent Capital 2016 and to amend the Articles of Association accordingly.

The Executive Board should also be authorized, with the consent of the Supervisory Board, to disapply the pre-emption rights of the shareholders to the warrant-linked and/or convertible bonds.

The Supervisory Board and Executive Board therefore propose that the following resolution be adopted:

1. Authorization of the Executive Board to issue warrant-linked bonds and/or convertible bonds
  - a) Authorization period, nominal amount, number of shares

The Executive Board is authorized with the consent of the Supervisory Board on one or more occasions until August 11, 2021,

- To issue bearer or registered warrant-linked bonds and/or convertible bonds with a total nominal amount of EUR 150,000,000.00 ("bonds"), with or without a term limit, by the Company or by companies in which the Company directly or indirectly holds a majority stake ("subordinated Group companies"), and
- To assume the guarantee for such bonds issued by subordinate Group companies, and
- To grant warrant rights and/or conversion rights to the holders or creditors of bonds for a total of up to 29,700,000 no-par value bearer shares of the Company with a proportional share in the share capital of up to EUR 29,700,000.00 after further specification of the individual terms and conditions of the bonds.

The individual issues can be subdivided into fractional bonds, each with equal rights, and shall be issued in exchange for cash payment.

If warrant-linked bonds are issued, each fractional bond will include one or more warrants that entitle the bearer or creditor to purchase Gigaset shares in accordance with the terms of the bond or warrant.

The relevant warrants may be separable from the individual fractional bonds. The bond or warrant terms may provide that the payment of the strike price can also be satisfied by transfer of fractional bonds and possibly by a cash payment. The proportional amount of the share capital of the shares to be purchased for each fractional bond shall be, at a maximum, the nominal amount of the warrant-linked bond or the issue price lower than the nominal amount.

If convertible bonds are issued, the bearers or creditors receive the right or have the obligation to convert their convertible bonds into Gigaset shares in accordance with the provisions in the terms of the convertible bonds. The conversion ratio is determined by dividing the nominal amount or the lower issue price of a fractional bond by the established conversion price for a no-par value bearer share of the Company. The conversion ratio shall be rounded to the fourth decimal place. The bond terms may stipulate an additional payment in cash and provide that fractional amounts that cannot be converted are merged and/or compensated in cash. Moreover, the bond terms may also provide for a conversion obligation. The proportional amount of the share capital of the shares to be purchased for each fractional bond shall be, at a maximum, the nominal amount of the fractional bond or the issue price lower than the nominal amount.

b) Subscription right, disapplication of pre-emption rights

The shareholders are generally entitled to a subscription right to the bonds; the bonds can also be accepted by one or more banks with the obligation to offer them to the shareholders for purchase (indirect subscription right). However, the Executive Board is authorized, with the consent of the Supervisory Board, to disapply the pre-emption rights of the shareholders to the bonds in the following cases:

- when bonds are issued in exchange for cash payment, insofar as the issue price is not significantly lower than the theoretical market value of the bonds as determined by generally accepted mathematical methods; this shall apply, however, only insofar as the proportional amount of the share capital of the shares to be issued to satisfy the option and/or conversion rights or conversion requirements thus established upon issue of the bonds do not exceed a total of 10% of the share capital, either at August 12, 2016, or at the effective date, or at the date of exercise of this authorization,
- For the purpose of excluding fractional amounts resulting from the subscription ratio from the subscription right of the shareholders to the bonds.
- For the purpose of granting the holders or creditors of warrant or conversion rights or conversion obligations subscription rights to compensate for dilution to the extent that they would be entitled to them after exercise of these rights or performance of these obligations.

The proportional amount of the share capital of all shares to be issued to service the option and/or conversion rights and/or conversion obligations when bonds are issued while disapplying pre-emption rights on the basis of this authorization may not exceed a total of 20% of this share capital either on August 12, 2016, or when this authorization takes effect, or when this authorization is exercised. In each case, the proportional amount of share capital attributable to shares that are issued or sold in the time from August 12, 2016, to the end of the term of the authorization under disapplication of pre-emption rights by direct or analogous application of Section 186(3) sentence 4 AktG is to be applied against this limit of 20% as well as to the aforementioned limit of 10% of the share capital. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against these limits, insofar as the underlying bond was issued during the term of the present authorization under disapplication of pre-emption rights in accordance with Section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on August 12, 2016, based on an authorization to utilize treasury shares in

accordance with Sections 71(1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of pre-emption rights is to be applied to the aforementioned limits.

c) Option premium or conversion price, anti-dilution protection

- aa) The option premium or conversion price must not be less than 80% of the price of the Gigaset share in Xetra trading (or in a comparable successor system). The average closing price on the ten stock exchange trading days prior to the final decision of the Executive Board on the submission of an offer to subscribe bonds or on the statement of acceptance by the Company following a public request to issue subscription offers shall prevail. In the case of trading in subscription rights, the days of subscription right trading shall prevail, excluding the last two stock exchange days of subscription rights trading, unless the Executive Board already conclusively determines the option premium or conversion price prior to the beginning of subscription rights trading.
- bb) Notwithstanding Section 9(1) AktG, the option premium and/or conversion price can be reduced or cash components can be changed or subscription rights can be granted based on an anti-dilution protection clause following further specification of the terms, if the Company increases its share capital or issues or guarantees additional bonds by the expiration of the warrant or conversion period while granting a subscription right to its shareholders, while the bearers of option rights and/or the creditors of convertible bonds are not granted any subscription right to which they would be entitled after exercising their option or conversion rights or conversion obligations. The same also applies to other measures that may lead to dilution of the value of the option and/or conversion rights or conversion obligations. In any case, however, the proportional amount of the share capital of the shares to be purchased per fractional bond shall correspond at a maximum to the nominal amount of the fractional bond or any lower issue price.

Section 9(1) and Section 199 AktG shall remain unaffected thereby.

d) Further terms and conditions

The Executive Board is authorized, with the consent of the Supervisory Board, to independently establish the further details of the issuance and features of the bonds and their terms while complying with the foregoing requirements, or to establish them by mutual consent with the governing bodies of the subordinate Group company issuing the bonds, in particular the option premium or conversion price, interest rate, issue price, maturity period and trading units, establishment of an option or conversion requirement, setting an additional cash payment, compensation for or pooling of fractional shares, cash payment in lieu of the delivery of shares, delivery of treasury shares in lieu of issuing new shares, anti-dilution protection provisions, and the option and/or conversion period.

2. Contingent capital increase

The share capital is contingently increased by up to EUR 29,700,000.00 by issuing up to 29,700,000 new no-par value bearer shares qualifying for dividends as of the beginning of the fiscal year in which they are issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of warrant-linked bonds and/or convertible bonds that were issued by the Company or a subordinate Group company in exchange for cash payment in the time until August 11, 2021, by virtue of the authorization of the Annual General Meeting held on August 12, 2016. New shares shall be issued based on the option premium or conversion price determined respectively in accordance with the authorization described above. The contingent capital increase shall only be carried out insofar as the option and/or conversion rights from the bonds are exercised, or conversion obligations from the bonds are satisfied and thus no cash settlement is granted or treasury shares are used for service. The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details for carrying out the contingent capital increase (Contingent Capital 2016).

3. Amendment of the Articles of Association

The following paragraph 9 is added to Article 4 of the Articles of Association:

"9. The share capital is contingently increased by up to EUR 29,700,000.00 by issuing up to 29,700,000 new no-par value bearer shares qualifying for dividends as of the beginning of the fiscal year in which they are issued. The contingent capital increase serves the purpose of issuing shares to the holders or creditors of warrant-linked bonds and/or convertible bonds that were issued by the Company or a subordinate Group company in exchange for cash payment in the time until August 11, 2021, by virtue of the authorization of the Annual General Meeting held on August 12, 2016. New shares shall be issued based on the option premium or conversion price determined respectively in accordance with the authorization described above. The contingent capital increase shall only be carried out insofar as the option and/or conversion rights from the bonds are exercised, or conversion obligations from the bonds are satisfied and thus no cash settlement is granted or treasury shares are used for service. The Executive Board is authorized, with the consent of the Supervisory Board, to determine the further details for carrying out the contingent capital increase (Contingent Capital 2016)."

#### **ITEM 8**

##### **Resolution to withdraw confidence relating to former Executive Board Member Kai Dorn under section 84 para. 3 sentence 2 AktG**

Supervisory Board and Executive Board propose that the Annual General Meeting, under section 84 para. 3 sentence 2 AktG, withdraws confidence from former Executive Board Member of Gigaset AG, Kai Dorn.

#### **Reports of the Executive Board:**

The following reports of the Executive Board on Items 5 and 7 can be inspected at the business premises of Gigaset AG, Seidlstr. 23, 80335 Munich, as well as on the internet at [www.gigaset.ag](http://www.gigaset.ag). They will also be available at the Annual General Meeting and will be sent to shareholders upon request.

#### **Re Item 5**

##### **Report of the Executive Board to the Annual General Meeting in accordance with Section 203(2) sentence 2 in conjunction with Section 186(4) sentence 2 AktG**

The Executive Board of Gigaset AG makes the following written report for the Annual General Meeting of the Company convened for August 12, 2016, pursuant to Section 203(2) sentence 2 in conjunction with Section 186(4) sentence 2 AktG on the creation of an Authorized Capital 2016 with authority to disapply pre-emption rights proposed under Item 5:

The existing Authorized Capital 2014 in the amount of EUR 22,000,000.00 in accordance with Section 4(6) of the Articles of Association only takes advantage of some of the legal possibilities for authorized capital.

The proposed additional authorization serves the extensive utilization of the legal possibilities to expand the Company's capital base. An appropriate capital base is an essential foundation for future business activities, especially given the Company's purpose and the desire to attract further financial resources for investments in the future of the Company. Therefore, the full possibilities for authorized capital permitted under the law are to be utilized once again to the greatest possible extent with the Authorized Capital 2016 and the limited possibility of disapplying pre-emption rights for capital increases in exchange for cash payment will once again be created to the fully-permitted legal extent.

There are currently no concrete plans for utilizing the Authorized Capital 2016 proposed to the Annual General Meeting. From a current perspective, the use of the funds from the Authorized Capital 2016 proposed to the Annual General Meeting is being considered in particular to strengthen the capital base in order to avoid increased debt-financing for future investment projects.



Furthermore, the Company is to be given the possibility of using new equity to finance acquisitions. Since a capital increase is required at short notice to carry out an acquisition, adopting an appropriate resolution in the Annual General Meeting is not an alternative to using the authorized capital. The creation of authorized capital enables the Executive Board to quickly and easily exploit opportunities that arise for business acquisitions in the interest of the shareholders in order to conform to the Company's business activities and to strengthen its competitiveness.

In general, the shareholders have a statutory right to pre-emption if the Authorized Capital 2016 is utilized. The new shares from a capital increase in exchange for cash are also to be offered to the shareholders directly for purchase or underwritten by banks with the obligation to offer them to the shareholders for purchase (indirect subscription right).

However, the Executive Board is to be authorized, with the consent of the Supervisory Board, to disapply the shareholders' right to pre-emption in several cases:

Disapplying the right to pre-emption within the framework of a capital increase in exchange for cash contributions within the 10% threshold specified in Section 186(3) sentence 4 AktG makes it easier to finance the Company by raising equity capital. This gives the Company the possibility to raise new capital on the capital markets flexibly and inexpensively. This authorization makes it easier for the Company to cover a possible capital requirement at very short notice and to exploit market opportunities. The disapplication of pre-emption rights enables the Company to act promptly and place the shares close to the stock exchange price without the usual discounts otherwise associated with rights issues due to the high volatility. The issuing proceeds can be increased as a result. There are significant cost benefits for the Company in particular with respect to smaller volumes of capital increases, because the costly preparation of a securities prospectus can be avoided when pre-emption rights are disappplied. Consequently, this form of capital increase is also in the interest of the shareholders. A dilution of the value of the existing shares is minimized in accordance with the statutory thresholds by the fact that the issue price may not be significantly lower than the market price. Therefore, a right of pre-emption on the part of the shareholders would hardly have any value. The shareholders can maintain their ownership interest by means of corresponding purchases over the stock markets.

The capital increase in exchange for cash making use of the present authorization while disapplying pre-emption rights in accordance with Section 186(3) sentence 4 AktG may not exceed a total of 10% of the share capital either on August 12, 2016, or at the time when the present authorization takes effect, or when it is exercised.

Furthermore, there is to be the possibility of disapplying pre-emption rights with the consent of the Supervisory Board to the extent necessary to grant to the holders or creditors of convertible bonds or warrant-linked bonds issued by the Company or by subordinated Group companies a subscription right for new shares for an amount to which they would be entitled after exercising the option right or conversion right or after fulfilling the conversion obligation. To make it easier to place bonds on the capital market, the relevant issue terms and conditions generally specify dilution protection. One means of dilution protection consists of likewise granting a right of pre-emption for new shares to the holders of warrants and/or the creditors of convertible bonds in the event of a share issue in which the shareholders have a pre-emption right. They are thus given a status as if they had already exercised their option or conversion right or already fulfilled their conversion obligations. Since the dilution protection in this case does not need to be ensured by reducing the option premium and/or conversion price, a higher issue price can be obtained for the new shares to be issued upon exercise of the conversion right or option right. However, this approach is only possible insofar as the shareholders' pre-emption rights for the new shares is disappplied. Since the placement of bonds with conversion and/or option rights or conversion obligations is facilitated by granting corresponding dilution protection, the disapplication of pre-emption rights serves the interest of the shareholders in their Company having an optimum finance structure.

Moreover, pre-emption rights are to be disappplied for fractional amounts. This provision is intended to facilitate the execution of an issue with a fundamental pre-emption right on the part of the shareholders. Fractional amounts may arise from the respective issue volume and from the need to present a technically feasible subscription right ratio. As a general rule, the value of such fractional amounts is low for the individual shareholder. The possible dilution effect is also negligible due to the restriction to fractional amounts. On the other hand, the expense for the issuance without such a disapplication of pre-emption rights is much higher for the Company, which incurs additional costs. The new shares excluded from shareholders' pre-emption rights as free fractions are monetized to

best effect for the Company by either sale on a stock exchange or other means. Thus, disapplying pre-emption rights promotes practicality as well as cost efficiency, and facilitates the execution of an issue and is hence in the interest of the shareholders.

The proportional amount of share capital of the shares issued based on the proposed authorization in accordance with Agenda Item 5 while disapplying shareholders' pre-emption rights may not exceed a total of 20% of the share capital either on August 12, 2016, or at the time when this authorization takes effect, or when this authorization is exercised.

The proportional amount of the share capital attributable to shares that are issued or sold beginning on August 12, 2016, until the expiration of this authorization under disapplication of pre-emption rights in direct or corresponding application of Section 186(3) sentence 4 AktG is to be applied both to this limit of 20% as well as to the limit of 10% of the share capital for the authorization to disapply pre-emption rights in accordance with Section 186(3) sentence 4 AktG. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against these limits, insofar as the underlying bond was issued during the term of the present authorization under disapplication of pre-emption rights in accordance with Section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on August 12, 2016, based on an authorization to utilize treasury shares in accordance with Sections 71(1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of pre-emption rights is to be applied to the aforementioned limits.

These limitations of the possibility of disapplying shareholders' rights of pre-emption prevent an excessive change of shareholders' ownership interest.

In every instance, the Executive Board will carefully analyze the issuance of shares under disapplication of pre-emption rights to see if this is in the interest of the Company and hence its shareholders. Only then will the Executive Board make use of the option granted to it and report on such utilization during the next General Meeting.

#### **Re Item 7**

#### **Report of the Executive Board to the General Meeting pursuant to Section 221(4) in conjunction with Section 186(4) sentence 2 AktG**

The Executive Board of Gigaset AG makes the following written report for the Annual General Meeting of the Company convened for August 12, 2016, pursuant to Section 221(4) in conjunction with Section 186(4) sentence 2 AktG, on the authorization of the Executive Board to issue warrant-linked and/or convertible bonds and the creation of Contingent Capital 2016 with authority to disapply pre-emption rights recommended under Item 7:

Warrant-linked and/or convertible bonds ("bonds") are an important financing instrument for us. They initially provide the Company with outside capital at a low interest rate, which may be retained later under certain circumstances in the form of equity. Alongside the traditional possibilities of debt and equity financing, this provides the Company with the opportunity of using attractive financing alternatives in the capital market depending on the market situation. In addition, the conversion and option premiums benefit the Company.

The authorization of the Executive Board to issue bonds, which was granted by the General Meeting on June 12, 2012, has been largely utilized by the issue of a convertible bond in 2013 with a volume of EUR 23,340,289.00, for which the shareholders had a subscription right.

The authorization of the Executive Board to issue bonds, which was granted by the General Meeting on December 19, 2013, has also been largely utilized by the issue of a convertible bond in 2014 with a volume of EUR 9,476,877.00, for which the shareholders had a subscription right.

The existing Contingent Capital 2014 in the amount of EUR 35,000,000.00 in accordance with Art. 4(8) of the Articles of Association only takes advantage of some of the legal possibilities for contingent capital.

The new authority recommended to the General Meeting is intended to be used to issue bonds with a total amount of up to EUR 150,000,000.00 through August 11, 2021. With the Contingent Capital 2016, shares with a proportional amount of the share capital of up to EUR 29,700,000.00, i.e. up to 29,700,000 shares, should be available to service the related option and/or conversion rights or conversion obligations. The authorization is intended to give the Company the necessary flexibility to issue the bonds itself or through Group companies. The option premium or conversion price may not fall below a minimum issue amount whose calculation bases arise from the proposed resolution. These calculation bases correspond to the normal market standards for placing bonds with investors.

There are currently no concrete plans for utilizing the new authorization proposed to the Annual General Meeting. Currently, the use of the funds from the issue of bonds is being considered in particular to finance future investment projects by means of outside capital independent of financial institutions.

Furthermore, the Company should have the possibility of using new debt capital to finance acquisitions without recourse to financial institutions. The proposed authorization to issue bonds enables the Executive Board to quickly and easily exploit opportunities that arise for business acquisitions in the interest of the shareholders in order to conform to the Company's business activities and to strengthen its competitiveness. Financing by means of bonds is usually considerably less expensive than raising outside capital from financial institutions.

In general, our shareholders have a subscription right to the bonds under the relevant legal provisions. This gives them the opportunity to invest their capital with the Company and simultaneously to preserve their investment share. In order to simplify processing, the bonds should also be able to be issued to financial institutions with the obligation to offer them to the shareholders according to their subscription rights (indirect subscription right). However, in line with the statutory provisions, the Executive Board should also be authorized, with the consent of the Supervisory Board, to disapply shareholders' pre-emption rights in certain cases:

First, the Executive Board should be authorized by analogous application of Section 186(3) sentence 4 AktG to disapply pre-emption rights with the consent of the Supervisory Board if the issue price of the bonds is not significantly lower than their theoretical market value calculated using generally accepted mathematical methods (Section 221(4) sentence 2 in conjunction with Section 186(3) sentence 4 AktG). This disapplication of pre-emption rights is necessary when a bond needs to be placed quickly in order to exploit a favorable market environment. In this way, the Company obtains the opportunity to accept new financing in the capital markets flexibly and inexpensively in order to cover a possible capital requirement and to take advantage of market opportunities on very short notice. Disapplying pre-emption rights makes it possible to act quickly and to place the bonds close to their theoretical market value without the discounts on rights issues that are otherwise customary due to the high volatility. The issuing proceeds can be increased as a result. There are significant cost benefits for the Company in particular with respect to smaller volumes of bonds, because the costly preparation of a securities prospectus can be avoided when pre-emption rights are disappplied. Therefore, this form of issuing bonds is also in the interest of the shareholders. Dilution of the value of the existing shares is minimized in compliance with the legal limits in that the issue price may not be significantly lower than the theoretical market value calculated using generally accepted mathematical methods. The shareholders' interests are thus preserved in that the bonds are not issued at a price significantly lower than their market value, meaning that the value of the subscription right practically approaches zero. Thus, this guarantees protection of the shareholders from dilution of their investment holdings, and shareholders do not suffer any economic disadvantage worth mentioning. However, this possibility of disapplying pre-emption rights only applies insofar as the proportional amount of the share capital attributable to the shares to be issued to service the option and/or conversion rights or conversion obligations established in this way does not exceed a total of 10% of the share capital either on August 12, 2016, or at the time when the authorization takes effect, or when it is exercised.

Moreover, it should also be possible to disapply pre-emption rights in order to permit exploitation of fractional amounts in issues for which shareholders have a fundamental subscription right. This serves to simplify such an issue. Disapplying pre-emption rights for fractional amounts is reasonable and customary, because the costs of trading in subscription rights for fractional amounts has no reasonable relationship to the advantage to the shareholders. The possible dilution effect can be disregarded due to the restriction to fractional amounts. The value of such fractional amounts is also generally low for individual shareholders. In contrast, the expense for an issue without such a

disapplication of pre-emption rights would be significantly higher for the Company and would incur additional costs.

The disapplication of pre-emption rights for the benefit of bearers or creditors of bonds already issued is also customary in the market and is primarily used so that the option premium or conversion price of such bonds, which typically feature anti-dilution protection, need not be reduced.

Therefore, there is to be the possibility, with the consent of the Supervisory Board, to exclude the subscription right to the extent that it is necessary in order to grant to the holders or creditors of convertible bonds or warrant-linked bonds previously issued by the Company or by subordinated Group companies a subscription right for new bonds for an amount to which they would be entitled after exercising the option right or conversion right or after fulfilling the conversion obligation. To make it easier to place bonds on the capital market, the relevant issue terms and conditions generally specify dilution protection. One means of dilution protection consists of likewise granting a pre-emption right for new bonds to the holders of warrants and/or the creditors of convertible bonds in the event of a new bond issue in which the shareholders have a pre-emption right. They are thus given a status as if they had already exercised their option or conversion right or already fulfilled their conversion obligations. Since the dilution protection in this case does not need to be ensured by reducing the option premium and/or conversion price, a higher issue price can be obtained for the new shares to be issued upon exercise of the conversion right or option right. However, this approach is only possible insofar as shareholders' pre-emption rights for the new bonds are disappplied. Since the placement of bonds with conversion and/or option rights or conversion obligations is facilitated by granting corresponding dilution protection, the disapplication of pre-emption rights serves the interest of the shareholders in their Company having an optimum finance structure.

The proportional amount of the share capital of all shares to be issued to service the option and/or conversion rights and/or conversion obligations when bonds are issued while disapplying pre-emption rights on the basis of this authorization may not exceed a total of 20% of this share capital either on August 12, 2016, or when this authorization takes effect, or when this authorization is exercised.

In each case, the proportional amount of share capital attributable to shares that are issued or sold in the time from August 12, 2016, to the end of the term of the authorization under disapplication of pre-emption rights by direct or analogous application of Section 186(3) sentence 4 AktG is to be applied against this limit of 20% as well as to the aforementioned limit of 10% of the share capital for issues of bonds under disapplication of pre-emption rights in corresponding application of Section 186(3) sentence 4 AktG. Furthermore, the proportional amount of the share capital attributable to shares that were or may still be issued for the purpose of servicing conversion or warrant rights or conversion obligations is to be applied against these limits, insofar as the underlying bond was issued during the term of the present authorization under disapplication of pre-emption rights in accordance with Section 186 (3) sentence 4 AktG. Finally, the proportional amount of the share capital of the shares that are issued beginning on August 12, 2016, based on an authorization to utilize treasury shares in accordance with Sections 71(1) no. 8 sentence 5, 186(3) sentence 4 AktG under disapplication of pre-emption rights is to be applied to the aforementioned limits.

These limitations of the possibility to disapply shareholders' pre-emption rights prevent an excessive change of shareholders' ownership interest. In any case, the shareholders can maintain their investment share in the Company despite the disapplication of pre-emption rights by acquiring shares on the stock exchange.

The proposed authorizations to disapply pre-emption rights therefore serve the overall interests of the Company and the shareholders.

In each case, the Executive Board will carefully analyze the issuance of shares under disapplication of pre-emption rights to see if this is in the interest of the Company and hence its shareholders. The Executive Board will report on any such utilization to the General Meeting.

### **Participation in the General Meeting**

By virtue of Article 14 of the Articles of Association, those shareholders are entitled to take part in the General Meeting and exercise their voting right who have registered with the Company at the address,

fax number or e-mail address specified below and submitted specific verification of their shareholding issued by their custodian bank to the same address, fax number or e-mail address:

Gigaset AG  
c/o Commerzbank AG  
GS-MO 3.1.1 General Meetings  
D-60261 Frankfurt am Main  
Fax: +49 (0) 69 1362 6351  
E-mail: [hy-eintrittskarten@commerzbank.com](mailto:hy-eintrittskarten@commerzbank.com)

The verification of shareholding must reflect the status at the beginning of July 22, 2016 (0:00 midnight CEST) (referred to as the "verification date"), and must be submitted in writing (Section 126b of the German Civil Code (Bürgerliches Gesetzbuch, BGB)). The verification of shareholding and the registration must be received by the Company no later than the expiry of August 5, 2016 (12:00 a.m CEST).

### **Significance of the verification date**

The verification date is decisive for exercising the participation right and determining the extent of voting rights at the General Meeting. In relationship to the Company, a person is considered a shareholder for purposes of participating in the General Meeting and exercising their voting right only if they have submitted specific verification of shareholding by the verification date. Changes in the shareholding after the verification date are irrelevant for purposes of the participation right and the extent of voting rights. Consequently, persons who did not hold any shares at the verification date and who acquired shares only after the verification date are not entitled to participate or vote unless they obtain a proxy or an authority to exercise their rights. Shareholders who have duly registered and submitted specific verification of their shareholding shall still be entitled to participate and exercise their voting rights to the extent reflected by their evidenced shareholding, even if they sell their shares in full or in part after the verification date. The verification date is not relevant for the entitlement to receive dividends. Shareholders can still dispose freely of their shares even after the verification date and registration.

After the receipt of the registration and verification of shareholding, the registration office will send General Meeting admission tickets to the shareholders entitled to participate. To ensure the timely receipt of the tickets, we ask the shareholders to make sure that the registration and the verification of shareholding are sent early to the Company.

### **Proxy**

Shareholders may also exercise their voting right in the General Meeting by being represented by a proxy holder, e.g. by a financial institution or an association of shareholders. Also in this case, timely registration and verification of shareholdings according to the foregoing provisions are required. If neither a financial institution, nor an association of shareholders, nor other persons or institutions declared equivalent to banks in accordance with Section 135(8) or (10) in conjunction with Section 125(5) AktG have been authorized, the granting and the revocation of the proxy and verification of proxy authorization vis-à-vis the Company must be provided in writing (Section 126b BGB).

The shareholder will receive additional information on the proxy and a proxy form with his admission ticket. Use of the proxy form is not mandatory. The shareholder is free to issue the proxy in some other text form (Section 126b BGB).

Declarations vis-à-vis the Company concerning the granting of a proxy, the revocation of a proxy and the transmission of verification of a proxy granted to a representative should be sent to the address shown below:

Gigaset AG  
Investor Relations – Hauptversammlung 2016  
Seidlstr. 23

80335 Munich  
or by fax: +49 (0) 89 444456 930  
or electronically by e-mail: Hauptversammlung@gigaset.com

This can also occur on the date of the General Meeting at the entrance or exit controls.

Financial institutions and persons or institutions declared equivalent to them may require special forms of proxy, as they have to record the proxy in a verifiable manner. The proxy declaration must also be complete and may only contain declarations related to the exercise of voting rights. Therefore, please coordinate the form of proxy to be used with the authorized proxy holder if you wish to authorize a financial institution, association of shareholders, or other institutions, companies or persons declared equivalent to them in accordance with Section 135 AktG.

Our Company wishes to simplify the proxy procedure for its shareholders. For this purpose, the Executive Board has appointed two employees of Gigaset AG as representatives for the exercise of the shareholders' voting right bound by instructions. All shareholders who neither appear in person nor wish to instruct their custodian bank or any other third party to exercise their voting right may choose this option. The proxy holders are obliged to vote in accordance with the instructions. Without instructions, the proxy is totally invalid or invalid for the relevant item if the instructions were not provided for only one agenda item. For this reason, the proxy holders will abstain entirely from voting or refrain from voting with respect to the item on the agenda for which no instructions were given. If separate votes are to be held in relation to a single agenda item, an instruction given for that item shall apply accordingly for every sub-item. Please note that the proxies will not accept any instructions to speak, to submit objections to resolutions adopted by the General Meeting, or to ask questions or submit resolutions.

Proxies and instructions to the proxy holders appointed by the Company that are not given in the General Meeting must be received by the Company no later than August 10, 2016.

The shareholders wishing to grant a proxy to the proxy holders appointed by the Company need an admission ticket to the Annual General Meeting to do so. It is therefore necessary to register and submit verification of shareholding as specified above, even if a proxy is granted to the proxy holders appointed by the Company. To make sure that the ticket and the other documents for the authorization of the proxy holders will be received in due time, the registration should be received as early as possible at the address, fax number or e-mail address specified above for registration.

If the proxy holders appointed by the Company are authorized to exercise the voting right, the proxy may also be granted in writing or by electronic data transmission (e-mail) to the address, fax number, or e-mail address specified above for the registration of a proxy. The revocation of the proxy must also be provided in writing (Section 126b BGB).

If the shareholder has authorized more than one person to represent him, the Company shall be entitled to refuse admission to one or more of them.

## **Rights of shareholders**

### **Requests for additions to the agenda in accordance with Section 122(2) AktG**

In accordance with Section 122(2) AktG, those shareholders whose combined shareholdings are at least equal to one twentieth of the Company's share capital or the proportional amount of EUR 500,000.00 (corresponding to 500,000 shares at the present time) may demand that items be added to the agenda and announced. A justification or draft resolution must be included with every new agenda item. The request must be submitted to the Executive Board of the Company in writing (Section 126 BGB) and must be received by the Company at least thirty days prior to the General Meeting, and therefore no later than July 12, 2016, 12:00 a.m. CEST. Requests for additions to the agenda received after that time will be disregarded. Any requests for additional agenda items should be submitted to the following address:

Gigaset AG  
-The Executive Board-  
Seidlstr. 23  
80335 Munich

The applicants must verify that they have been holders of the stated minimum number of shares for at least 90 days prior to the date on which their application is received and that they will hold these shares until the Executive Board reaches a decision on the application. Section 121(7) AktG is to be applied corresponding for calculating the deadline. A corresponding confirmation on the part of the custodian bank suffices for the evidence of shareholding.

### **Counter-motions and nominations by shareholders in accordance with Section 126(1) and Section 127 AktG**

Shareholders may submit counter-motions to the proposals of the Executive Board and/or Supervisory Board for certain agenda items and make nominations.

Motions by shareholders, including the name of the shareholder, the reasons and any comments by the management, are made accessible to those cited in Section 125(1) to (3) AktG as being entitled to such information on the conditions stated therein (these are, among other things, shareholders who request this) if the shareholder submits a counter-motion against a proposal by the Executive Board and/or Supervisory Board on a specific item on the agenda with reasons to the address shown below at least 14 days before the General Meeting of the Company, not counting the date of receipt. The cut-off date is consequently July 28, 2016, 12:00 a.m. CEST. A counter-motion is not required to be made accessible if one of the exclusion clauses under Section 126(2) AktG applies. If several shareholders submit counter-motions on the same subject for decision-making, the Executive Board may combine the counter-motions and their reasons.

Reasons do not need to be given for nominations by shareholders in accordance with Section 127 AktG. Nominations are made accessible only if they contain the name, the profession practiced and the place of residence of the person proposed and, in case of an election of members of the Supervisory Board, information on their membership on other statutory supervisory boards. In accordance with Section 127 sentence 1 AktG in conjunction with Section 126(2) AktG, there are other cases in which nominations are not required to be made accessible on the website. In other respects, the preconditions and rules for making motions accessible apply accordingly, in particular the date of July 28, 2016, 12:00 a.m. CEST, also applies in this connection as the last possible date by which nominations must have been received at the address shown below in order to be made accessible. Any motions (including the reasons) or nominations by shareholders in accordance with Section 126(1) and Section 127 AktG before the General Meeting and other inquiries by shareholders about the General Meeting shall be addressed solely to:

Gigaset AG  
Investor Relations – Hauptversammlung 2016  
Seidlstr. 23  
80335 Munich  
or by fax: +49 (0) 89 444456 930  
or electronically by e-mail: [Hauptversammlung@gigaset.com](mailto:Hauptversammlung@gigaset.com)

Counter-motions and nominations by shareholders (along with the name of the shareholder and – in the case of counter-motions – the reasons) will be made accessible online upon receipt under [www.gigaset.ag](http://www.gigaset.ag). Any comments by the management will also be published at the internet address cited above.

### **Right to information in accordance with Section 131(1) AktG**

In accordance with Section 131(1) AktG, every shareholder is entitled upon request in the General Meeting to receive information from the Executive Board concerning the affairs of the Company, insofar as such information is required to make an informed decision regarding an item of the agenda and there is no reason to refuse it. The right to information also extends to the legal and business relationships of the Company with an associated company, and to the situation of the Group and the companies included in the consolidated financial statements.

### **Publications on the Company's website**

Additional information on the above-mentioned rights of shareholders, the invitation to the General Meeting, the documents to be made accessible, and the information required in accordance with

Section 124a AktG can be found on the Company's website at [www.gigaset.ag](http://www.gigaset.ag). The adopted voting results will also be published on the website after the General Meeting.

The documents to be made accessible are also open to inspection in the Company's offices (Gigaset AG, Seidlstr. 23, 80335 Munich) and are sent to the shareholders free of charge upon request.

The documents listed will also be displayed during the General Meeting on August 12, 2016.

Any counter-motions, nominations, and requests for additional agenda items received by the Company that are subject to the publication requirement will also be published on the above-mentioned website.

### **Publication in the Federal Gazette**

The invitation to the General Meeting will be published in the Federal Gazette on July 1, 2016 and has also been submitted to such media as can be assumed will distribute the information throughout the European Union.

### **Notifications in accordance with Section 30b of the German Securities Trading Act (WpHG)**

As stipulated under Section 30b(1) no. 1 of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), we provide the following information:

When the 2016 General Meeting was convened, Gigaset AG had issued a total of 132,455,896 no-par value shares, each of which conferring one vote. When the meeting was convened, this total also included 38,118 treasury shares that currently grant no rights as set forth under Sections 71b and 71d AktG.

**Gigaset AG**  
**The Executive Board**