Gigaset

REPORT FOR THE 3RD QUARTER 2015

KEY FIGURES

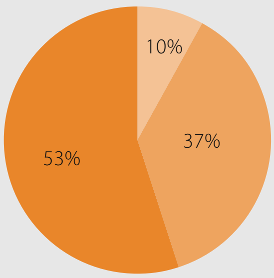
EUR million	01/01/-09/30/2015	01/01/-09/30/2014
Consolidated revenues	208.4	218.9
Earnings before interest, taxes, depreciation and amortization (EBITDA)	21.6	8.1
Earnings before interest and taxes (EBIT)	6.1	-9.9
Consolidated profit/loss	-0.4	-11.2
Free cash flow	-30.7	-19.3
Earnings per share (diluted in EUR)	0.0	-0.10

EUR million	09/30/2015	31.12.2014
Total assets	221.7	251.2
Consolidated equity	40.0	41.2
Equity ratio (%)	18.0	16.4

The Gigaset Share	Q3 / 2015	Q3 / 2014
Closing rate in EUR (at the end of the period)	0.84	0.77
Peak price in EUR (in the period)	1.09	1.02
Lowest price in EUR (in the period)	0.77	0.76
Number of shares in circulation (at the end of the period)	122,979,286	121,451,264
Market capitalization in EUR million (at the end of the period)	94,694	93,068

Sales broken down by region

Q3 / 2015



Germany

European Union

Rest of World

Q3 / 2014

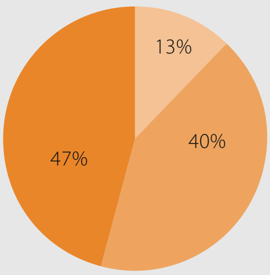


TABLE OF CONTENTS

IMPORTANT EVENTS IN Q3 2015

Disposal of the brand and domain portfolio

On June 25, 2015, a contract over the disposal of Gigaset Communication GmbH's brand and domain portfolio was signed with Goldin Brand Ltd., Singapore, a subsidiary of Goldin Fund Pte. Ltd., Singapore. The brand portfolio included in particular the "Gigaset" brand and the "Gigaset Elements" brand. The terms for the closing of the contract were met at the beginning of July; consequently, the brand portfolio was transferred to the acquirer for a purchase price of EUR 29.0 million. Gigaset continues to enjoy the rights to use the brand permanently, free of charge, and largely exclusively in its core business. Gigaset and Goldin will also jointly manage the brand in the future, i.e. Gigaset will also play a key role in the future further development of the brand. Should Goldin Brand unexpectedly wish to separate itself from the brand, Gigaset has a right of preemption. The income from the sale of the trademark rights amounts to EUR 20,601 thousand and is presented under Other operating income. The payment, which had been planned for the end of September, did not take place until today. The obligation of Goldin Brand Ltd. regarding the transaction with Gigaset Communications GmbH is hedged by a guarantee of Goldin Fund Ltd. The management of Gigaset Communications GmbH is in discussion with Goldin Brand Ltd. and Goldin Fund Ltd. about a solution with regard to the payment delay. Currently the management evaluates their options and will decide in a short term about any necessary measures.

Effective January 8, 2016, Gigaset Communications GmbH will also sell and transfer a series of Internet domains to Goldin Brand Ltd., including the domain gigaset.com. The purchase price for the domains amounts to EUR 6.0 million. This transaction is subject to a separate agreement yet to be entered into between the parties regarding the joint use of domains and the joint management of the brand. This transaction is also considered in the evaluation of options, due to the payment delay of Goldin Brand Ltd..

Gigaset: Platinum Partner of FC Bayern München

The Gigaset brand is the official Platinum Partner of the soccer club FC Bayern München and exclusive partner in the segment of smartphones, tablets, and wearables. The sponsoring costs are borne by Gigaset Mobile Pte. Ltd., Singapore. The initial term of the agreement is three years. With more than 400 million fans worldwide, FC Bayern München is an ideal platform for Gigaset to further increase its brand familiarity. The sponsoring agreement was signed immediately prior to the market introduction of the company's first line of smartphones at the IFA consumer electronics trade show in Berlin. In this context, Gigaset is in the process of establishing various international cooperation arrangements. After announcing the official partnership with the legendary Ascot Racecourse in the United Kingdom and the world-famous Royal Ascot racing event in May, Gigaset has now added another sponsorship of an internationally renowned, premium sports brand rich in tradition, FC Bayern München.

Yang Yuefeng to resign from the Executive Board

Mr. Yang Yuefeng, who had been appointed to the Executive Board of Gigaset AG as of June 1, 2015, resigned from the board with immediate effect by letter of August 6, 2015, for personal reasons.

TP-LINK enters into sales partnership with Gigaset

TP-LINK will cooperate with Gigaset in the German market, effective immediately. The two market leaders will mutually support the sales of their devices, Gigaset's mobile parts for IP cordless telephony and TP-LINK's VR series of all-in-one routers, Archer VR200v and Archer VR900v. These devices, which are technically matched to the best possible degree, are designed to optimally exploit the new functional possibilities of all-IP connections. This gives end users a complete all-IP solution and an alternative to the offerings of the network operators. In an IP-based connection, all data is transmitted via the Internet (hence Internet Protocol, IP), making it possible to offer services like telephony and even television over the Internet.

INTERIM MANAGEMENT REPORT AS OF SEPTEMBER 30, 2015

1 Business model

Gigaset AG is a corporate group with telecommunications operations all around the world. The Company, with its headquarters in Munich, a production center in Düsseldorf, and its main production site in Bocholt, is the leading brand in Western Europe measured on total sales with the cordless telephones it develops and manufactures based on the "Digital Enhanced Cordless Telecommunications" (DECT) standard. Measured on the number of base stations sold, Gigaset is in second place worldwide. The premium vendor has a market presence in approximately 70 countries and employed nearly 1,350 people in 2014.

The Group covers a broad market base with its Consumer Products, Business Customers, Home Networks (Gigaset elements), and Mobile Products segments. Gigaset is renowned for its high quality and forward looking telecommunications products.

The Gigaset Group divides its global operations into regional segments. Most of its sales revenue is generated in Europe, in particular in Germany and France. The majority of total sales are made in the Consumer Products segment and thus from the Cordless Voice Telecommunications business. Gigaset markets its products through a direct as well as indirect distribution structure.

1.1 Consumer Products

Gigaset is the European market and technology leader in DECT telephony. DECT stands for Digital Enhanced Cordless Telecommunications and is the most successful telecommunications standard for cordless telephones in the world. Gigaset contributed significantly to shape the DECT standard in the 1990s. Since then, the Company has maintained its position as a premium vendor in the European market and as the technology leader for DECT telephony. High market penetration is a key factor behind the Company's success. In 2013, one out of every four homes in Europe had a Gigaset phone and one in every two in Germany. According to a study from 2012, Gigaset enjoys a brand awareness of over 80% in Germany. The Company's proprietary products are manufactured predominantly in the highly automated Bocholt plant, which has won several awards.

1.2 Business Customers

With the "Gigaset pro" product line (pro = professional), the Business Customers segment has created an attractive range of corded telephones, telephone systems (so called "Private Branch Exchanges" (PBX), professional DECT systems, and handsets for small and medium-sized enterprises. These telephone systems distributed by the Company are based on the "Session Initiation Protocol" (SIP), a network protocol for creating, managing, and terminating a communication session. SIP is one of several possible Internet protocols for speech transmission. The constantly growing portfolio of "Gigaset pro" products is geared to the needs of the SME segment. The pro series provides the kind of versatility and reliability that commercial users need in their day-to-day operations. These devices are designed to be easy to install and manage. Due to the level of consultation required for commercial products, Gigaset only distributes the pro line through value-added resellers (VARs). The "Gigaset pro" product line is currently only sold in European markets, whereby the most important markets are Germany, France, Italy, and the Netherlands. Gigaset has greatly expanded its product range with Gigaset pro, enabling it to tap new customer groups. The Company markets a product line which, in addition to the private customers that it has traditionally served with great success, now also includes small offices and home offices (known as the SOHO market) and the fast-growing, high-potential SME market for professional IP telephone systems. The intention is to turn "Gigaset pro" into a second pillar of the Company in this growing SME market over the coming years that will contribute a significant proportion of revenues in the future.

1.3 Home Networks

With "Gigaset elements", Gigaset launched a modular, sensor-based "Connected Living" system for private households. It enables the user to maintain a permanent connection to Gigaset elements in their home via smartphone. The starter kit offers customers the possibility of receiving relevant information about their house at all times and everywhere, and enables the user to react immediately to unforeseen events. In addition, it can serve as a Security System. The portfolio of sensors is continually expanding. Meanwhile, a siren, a window sensor, and a camera can be purchased to supplement the starter kit. The bluetooth product "G-tag" available starting in February 2015 also underscores the current focus on increased comfort through "Connected Living", by helping customers stay in contact with their personal things. The system is ready for additional applications regarding issues such as energy or assistance for the elderly and corresponding sensors or actuators can be added at any time.

1.4 Mobile Products

Based on160 years' experience in the communications industry, the newest Gigaset division – „Mobile Products" – will, alongside the existing divisions, form an important cornerstone for the growth and profitability of the company. Gigaset Mobile Pte. Ltd., Singapore, a company which is jointly managed by Goldin and Gigaset, unveiled a portfolio of smartphones at the IFA in September 2015.

2 Market and industry environment

2.1 General economic environment

The short-term outlook for the global economy deteriorated in the fall of 2015. Due to growing uncertainty regarding the trend of economic growth in China, volatility increased substantially in financial markets across the world. The economic situation worsened particularly in emerging-market countries. Economic weakness in China radiated to other emerging-market countries via trade, but also as a result of the related sharp decline in commodity prices. The expected interest rate hike in the United States was postponed. The Kiel Institute for the World Economy (IfW) expects an interest rate increase only in the winter.[1]

Despite the renewed flare-up of the Greek government debt crisis, the Eurozone recovery continued.[2] In the industrialized nations, economic growth was driven primarily by consumer spending. Some countries, however, also saw stronger gains in business investment. The Eurozone economy continues the steady-paced recovery that began in the middle of last year, with more support coming from the southern countries. Eurozone inflation rates remain low. In August, the inflation rate held steady at 0.2% for the third consecutive month, while the core rate of 1.1% was somewhat higher than in the preceding months. In this respect, the ECB's sovereign bond purchasing program appears to have had very little appreciable effect thus far.[3]

Germany's aggregate economic activity continued to expand in the third quarter of 2015, although possibly with somewhat less dynamism than before, at least temporarily. Nonetheless, the underlying economic trend is still very strong,

1. Kiel IfW Economic Forecast World Economy Autumn 2015.
2. German Bundesbank Monthly Report August 2015.
3. DIW Weekly Report No. 38. 2015.

thanks above all to consistently high consumer spending. Employment continues to rise and the real incomes of private households are benefitting additionally from higher average earnings and lower energy prices. On a seasonally adjusted basis, the number of people holding jobs in Germany rose by 49,000 month-on-month, that being more than three times more people with jobs than the average year-to-date. Rising sales in some consumer-driven service sectors provide an indication that the favorable economic conditions are leading to additional expenditures on the part of consumers. Industrial production has trended sideways for the most part. Exports could not match the very high level previously attained, and the recent spike in industrial orders proved to be temporary. Thus, the hopes for a sustained increase in industrial activity were not fulfilled; on the other hand, industrial activity is not expected to weaken either, as evidenced by the recently improved business expectations of manufacturing companies participating in the surveys of the Ifo institute. In particular, many companies were appreciably more optimistic again regarding their production plans.[4]

2.2 Telecommunications market

2.2.1 Consumer Products Market

In a continuation of the recently observed trend, the overall market for cordless telephones in Europe contracted more in the third quarter of 2015 than in the preceding quarters, in terms of both sales revenues and unit sales, in the markets observed by Gigaset. Unit sales were 6.5% less, and sales revenues was 4.6% less than the respective figures for the third quarter of 2014. Despite losing a small amount of market share in Europe compared to the year-ago period, Gigaset maintained its position as the No. 3 player in the market. As expected, the market trend in Western Europe points to further consolidation and a generally stable level of prices.[5]

2.2.2 Business Customers Market

The overall market of new telephone extensions sold in Western Europe declined substantially, by around 11%, in the first half of 2015. As in the home customers market, a substitution of fixed-line telephony with mobile devices can be observed, along with a growing trend in the direction of cloud-based solutions. The overall market is sub-divided into the two segments of extensions based on conventional TDM technology (e.g. ISDN) and extensions based on Voice-over-IP technology (VoIP). The percentage of VoIP extensions in Western Europe remains constant at around 57%. “Gigaset pro” only targets the VoIP market with its VoIP and hybrid VoIP devices. The relative share of this market segment is expected to continue growing and increasingly supplant conventional TDM technologies.[6]

2.2.3 Home Networks Market

The market for Smart Home Systems & Services (SHSS) in Western Europe is considered to be extremely promising. The number of Smart Home households should increase from around 20 million in 2014 to approximately 25 million in 2015 and to approximately 50 million by the end of 2019. Since the DECT-ULE standard is being implemented in the Smart Home area by an increasing number of Western European vendors, the market research institute Strategy Analytics expects sales revenue to more than double in this segment between 2014 and 2019 in Western Europe.

Based on an estimate by Strategy Analytics, approximately 11% of Western European households could be referred to as “smart” in 2014. Sales revenue in this area is expected to increase from EUR 6.0 billion in 2014 to EUR 7.2 billion in 2015 and to EUR 12.4 billion in 2019. In Germany alone, the market is expected to increase from EUR 1.4 billion in 2014 to EUR 2.8 billion in 2019.[7]

4. German Bundesbank Monthly Report October 2015.
5. This data is taken from the retail panel surveys for cordless telephones conducted by GfK Retail and Technology GmbH in the countries of Germany, France, United Kingdom, Italy, Netherlands, and Spain. Survey period: Jul-Sep 2015; Basis GfK Panel Market.
6. PBX/IP PBX Western Europe - Quarterly Reporting - Q2 2015.
7. Smart Home Systems and Service Forecast Germany, 2014

By 2019, an expected 33% of German households will have at least one type of Smart Home system installed. Added value that is recognizable by the inhabitants and which increases the quality of living is important for the acceptance of the devices and services for intelligent home living. Plug & Play capability, reliability, and simple operation play a key role. Since the share of newly constructed buildings compared to existing properties in Germany is negligible, the market in Germany can be conquered in particular with affordable, cable-free upgrade packages for existing buildings. According to consumer surveys, Smart Home solutions are already used by every seventh German resident (age 14 and older) and are now considered to be indispensable for 8 out of 10 users.[8]

2.3 Mobile Products

For 2015, Strategy Analytics expects global smartphone market volume to grow by 13% year-on-year. The reasons for the persistent demand on the part of consumers and corporate customers include in particular greater bandwidth thanks to new LTE networks, faster processors, and larger displays. In particular devices with large screens of more than 5 inches in size – so-called phablets – are in high demand according to market researchers. The majority of cell phone users prefer larger screens in particular because they ensure a clearer overview of websites, videos displayed in larger formats, and other data-centric applications.[9]

3 Business performance

3.1 Consumer Products

The goal of Gigaset's sales strategy is to uphold the price premium of the Gigaset brand in the market and successfully defend its high market shares in the European region.

Gigaset successfully upheld its strong price premium by charging a 20% higher average sale price than its competitors for the products in its portfolio. In the core markets of Europe, Gigaset successfully defended its high market shares in terms of both sales revenues (31.6%) and unit sales (27.6%) in the third quarter of 2015.[10]

Gigaset introduced the SL450, a modern high-end telephone with a lightweight design and genuine aluminum frame, to the market in the third quarter. The SL450 features a 2.4" color display, Bluetooth capability and USB for transferring the telephone directory (up to 500 v-card entries), ring tones and clip art pictures. Gigaset's High Definition Sound Performance™ technology delivers brilliant sound quality even in hands-free mode. This way, the entire family can enjoy every fixed-line call to the fullest. A vibrating alarm rounds out the many premium features of this new telephone.

Having first been launched in France, the CL750 has since been introduced to the other countries.

The first Gigaset MobileDock was shipped toward the end of the third quarter. Gigaset MobileDock is the perfect device for combining the mobile world of smartphones with the fixed-line world. As an accessory for both your smartphone and your Gigaset system, MobileDock quickly charges your smartphone at the end of the day. As soon as the smartphone is placed on the MobileDock port, it connects to it via Bluetooth. MobileDock is also connected with your DECT base station, making it possible to receive any mobile call on your landline phone. Positioning the MobileDock in a part of the home with adequate reception quality guarantees perfect reception even in homes with poor mobile network coverage. The Gigaset system takes care of the rest.

8. Bitkom, Smart Home in Germany, December 2014
9. Strategy Analytics, July 2014
10. This data is taken from the retail panel surveys for cordless telephones conducted by GfK Retail and Technology GmbH in the countries of Germany, France, United Kingdom, Italy, Netherlands, and Spain. Survey period: Jul-Sep 2015; basis GfK

3.2 Business Customers

The sales revenues of the Business Customers Division in the third quarter of 2015 was roughly 40% higher than the corresponding figure for the third quarter of last year. This growth was mainly contributed by the regions of Germany, France and Italy.

On the product side, sales revenues growth was driven in particular by strong unit sales of the professional DECT handset (thanks in part to the market introduction of the Gigaset S650H Pro) and by the market introduction of the Android-based Maxwell 10. As Gigaset continues to redefine its product portfolio, other new products will be launched in the current fiscal year.

The Business Customers Division has already scored early successes in Turkey after entering this market in the third quarter of 2015. The Business Customers Division will continue to pursue its regional expansion strategy.

3.3 Home Networks

Gigaset distributes its "Gigaset elements" products in its network of specialty stores and online shops. The sensors are currently available in Germany, France, Switzerland, Austria, Netherlands, Sweden, Norway, Finland and the Czech Republic.

The Starter kit forms the basis for Gigaset elements' manifold possibilities. It consists of two smart DECT ULE-based sensors – a door sensor and a motion detector – as well as the base station and an app for smartphones. Gigaset elements is supported by an intelligent, adaptable, and secure cloud as an interface between your home and your smartphone. The system can be expanded through the addition of other available modules, including a siren and separate door and window sensors. Furthermore, Gigaset has come out with an innovative, HD-based camera system that can be purchased in all countries in which the Gigaset elements system is sold. This product called "camera" enables users to purchase additional options in the form of various packages. The Freemium package of basic features is already included in the camera's range of functions. In order to become acquainted with the range of functions of the different packages "Safety," "Smart," and "Director's Cut," users are given the chance in the first three months after purchase to test all functions for the price of only EUR 0.89 as part of the so-called "Welcome Package." User can easily purchase the individual packages inside the app and are billed via the Apple App Store (iOS) or the Google PlayStore (Android). Since the third quarter of 2015, the camera is now also available to customers who do not yet have a functioning Gigaset elements system, by way of a separate mobile app designed specifically for this purpose. Customers can easily upgrade to a complete Gigaset elements system. In addition, a controllable electrical outlet (plug) and a wireless push button switch (button) were introduced in the third quarter of 2015. A smoke detector is planned for fiscal year 2016. Furthermore, the central cloud-based software platform will be successively equipped with new functions. For example, a rule manager that allows users to create their own rules for adapting the system's behavior to their own preferences was introduced concurrently with the wireless push button. With the aim of tapping new segments, Gigaset is focusing its cloud-related development on machine learning and open interfaces known as Application Programming Interfaces (APIs), which make it easier for partners to connect other devices and services. All these new features should make "Gigaset elements" even more attractive to consumers.

An innovative new product has been available from Gigaset since February 2015: "G-tag". The G-tag is a bluetooth-based beacon of the latest generation that searches for objects equipped with it, keeps tabs on them, and tracks them down.

In addition to its core function of finding, the innovation in the bluetooth market offers additional useful functions suitable for daily use. A location function with whose help, for instance, a parked car can be easily found. A list function that reminds users to take all important items for work when they leave the house. Or an alarm function that sounds as soon as a tagged object leaves the smartphone's bluetooth range. All of the G-tag's functionalities are enabled by the free Gigaset G-tag app, which is easy to install on all mobile devices with Android 4.3 or iOS 7 and above and is easy to operate. The basis for this is bluetooth 4.0, which permanently maintains a connection with any number of G-tags. The built-in battery lasts up to one year thanks to the low energy consumption of this bluetooth generation, after which it can be easily exchanged – other than with many competitive products on the market. In the third quarter, the product G-tag will be integrated into the cloud so that it can offer considerably more utility through the "Community Lost & Found" and common use of G-tags.

3.4 Mobile Products

As the most important step, Gigaset unveiled a new portfolio of smartphone products at the IFA consumer electronics trade show in September 2015. The elegant and timeless design that has become characteristic for the traditional brand over the decades forms a basis for the development of the new devices. The series of smartphones was developed by a mixed team of German and Chinese experts. The smartphones will contain Gigaset DNA and will be of very high quality and highly competitive. The devices will be made in China as is normally the case. The issue of quality is more important than where they are manufactured. The customers will find the smartphones to be made with German engineering ingenuity and Gigaset quality standards.

In order to kick-off this new era, Gigaset was introduced in May as the official partner of the Ascot and Royal Ascot horse races. The partnership will last for five years from 2015 until the end of 2019. The mutual passion for tradition and the preservation of important fundamental values without neglecting continuous further development makes both the technology company as well as the host of the elite horse race leading visionaries that can look back on a long history. At the same time, the partnership also affords Ascot new possibilities, as Gigaset is its first partner from the electronics industry. Furthermore, the Gigaset brand is an official Platinum Partner and exclusive partner of the FC Bayern München soccer club for smartphones, tablets and wearables. The initial term of the agreement is three years.

4 The Gigaset Share

At the start of the third quarter, equity markets were adversely affected by the pending referendum in Greece and by economic data in Europe and the United States, but most particularly by economic data in China. The Greek voters' resounding rejection of the austerity and reform program proposed by the EU, the IMF and the ECB came as a surprise. Capital controls were imposed in Greece, and Greek banks and stock exchanges remained closed for a while. At the same time, Chinese stock markets continued to plunge, despite government support measures. The Shanghai Composite Index lost 29% of its value in the three weeks leading up to June 7. One day later, the index plummeted by as much as 8.2% on an intraday basis. Equity markets rebounded on June 10, when the Greek government finally presented new reform plans, which were approved by creditors after tough negotiations and later by the Greek parliament. Largely unimpressed by all this turbulence, the Gigaset share traded within a relatively stable range around EUR 0.80. The euro benefitted during this phase, rising above USD 1.12 at the peak. After the ECB left interest rates unchanged, as expected, in July, stronger U.S. economic data and a more robust reading of the U.S. jobs market increased the probability of a near-term interest rate hike by the U.S. Federal Reserve. However, the U.S. dollar benefited little from this prospect, closing the month at 1.10 dollars to the euro, for a small gain of 1.34%.

The extreme volatility in equity markets in the month of August tested the nerves of investors. By the end of the month, the DAX had lost 9.28%, the MDAX 5.23%, and the TecDAX 3.58%. On August 12, the Gigaset share fell to EUR 0.77, its lowest level in the third quarter.

Factors such as China's weakening economic data, the looming U.S. interest rate hike, and sinking commodity and oil prices advanced to the forefront of investors' attention in August. In particular, the People's Bank of China (the country's central bank) surprised the world when it lowered the reference rate of the renminbi against the U.S. dollar by a total of 4.6% over three consecutive days. The resulting improvement in China's competitiveness, accompanied by higher import prices, raised general questions about the repercussions on the global economy. However, it also highlighted the precarious state of China's economy. Reduced demand for commodities and German luxury cars in China caused the DAX (in which the automobile sector, Siemens and Bayer are heavily weighted) to plunge by more than 7% to 9,338 points during the trading day on August 24, while the STOXX 600 suffered its biggest daily loss since 2011. In the second half of the trading day, however, the first short covering and speculative buying kicked in, trimming the DAX's daily loss to 4.7%. Further buying on the next day nearly made up Monday's losses. Doubtlessly, the widely watched Ifo Business Climate for August, which rose surprisingly to 108.3 points, contributed to the recovery of the German stock market on this day. In August, the U.S. dollar weakened against the euro by 1.83% to USD 1.12, although it fluctuated across a wide range of between USD 1.08 and USD 1.17 in this month.

Capital markets remained volatile in September. The DAX and MDAX posted further declines (minus 5.84% and minus 2.03%, respectively), and only the TecDAX ended the month with a positive gain of 2.39%. The price of the Gigaset share rose considerably after the announcement of the new smartphone portfolio at the IFA trade show. It reached its highest level of the third quarter, EUR 1.09, on September 3. However, the share price declined steadily after that to end the quarter at EUR 0.84. The traded volume of Gigaset shares was higher in September than in the preceding months.

In contrast to August, it was economic data on the second largest industrial nation that determined the course of the markets in September. The sentiment in the Chinese industry (as measured by the PMI) declined in September by another 0.3 to 47.0 points, a six-and-a-half-year low. Global economic cycles were increasingly influenced by the weaker demand for commodities (oil, base metals) in China. The markets waited in vain for a sign by the U.S. Federal Reserve as to when it will finally raise interest rates. At the beginning of September, the Fed's Beige Book showed good growth in most regions and sectors of the United States. Later, on September 25, came the news of healthy GDP growth of 3.9% and an inflation rate of 2.1% in the second quarter. This data prompted the Fed to raise expectations of a possible interest rate increase in December. Starting on September 21, equity markets were preoccupied by news of the scandal regarding fraudulent emissions measurements at Volkswagen, which caused German carmaker stocks in particular to plummet. The magnitude of the consequences for both VW in the form of fines, costs, and lawsuits, and the German economy generally is inestimable to date. At least ZEW's Indicator of Economic Sentiment was heartening, rising to 67.5 points with respect to current business conditions, although expectations for future conditions remained below estimates at 12.1 points. In addition, the Ifo Business Climate Index rose for the third consecutive month to 108.5 points, although current economic conditions for September came out somewhat lower than expected, at 114 points. The U.S. dollar closed the month of September nearly unchanged against the euro, at USD 1.12. There was considerably less volatility compared to August, with the exchange rate fluctuating "only" between USD 1.11 and USD 1.15.[11]

11. Equinet Bank AG.

5 Financial performance, cash flows and financial position

5.1 Financial performance

The The Gigaset Group generated **sales revenues** of EUR 208.4 million in the first nine months of 2015 (PY: EUR 218.9 million). Sales revenues is generated in the core operating segment "Gigaset" and is subject to the typical seasonal fluctuations in the consumer business. The 4.8% decline in sales revenues from the prior-year period is particularly attributable to the declining market in the core business of Consumer Products. While **sales revenues** in Germany was higher than the prior-period comparison figure particularly as a result of positive developments in the "Gigaset pro" line of products, sales revenues in Europe and in the rest of the world were lower than the respective comparison figures. The shrinking market for DECT telephony affected the company's sales revenues in all countries of Europe with the exception of Italy. In the "Rest of World" segment, the decrease in sales revenues resulted particularly from changed consumer preferences in China.

Sales revenues break down as follows:

Sales revenue in € millions	Q3 2015	Q3 2014	Change
Germany	110.8	103.8	6.7%
Europe	77.1	86.5	-10.9%
Rest of World	20.5	28.6	-28.3%
Gigaset Total	208.4	218.9	-4.8%

The item of **other internal production capitalized** in the amount of EUR -7.9 million (PY: EUR 8.8 million) consisted mainly of costs incurred in connection with the development of innovative products. The total amount of capital expenditures was less than the prior-year figure, due in part to the postponement of planned projects, which will likely be resumed before the end of 2015.

Other operating income amounted to EUR 43.7 million, reflecting an increase of EUR 24.9 million over the prior-period comparison figure. The main line items include income from the sale of brand rights in the amount of EUR 20.6 million (PY: EUR 0 million), income from foreign exchange gains in the amount of EUR 10.3 million (PY: EUR 4.9 million), income from cost allocation charges in the amount of EUR 3.3 million (PY: EUR 0.5 million), income from derivatives in the amount of EUR 2.7 million (PY: EUR 1.8 million), deconsolidation gains in the amount of EUR 2.0 million (PY: EUR 0), income from the reversal of provisions in the amount of EUR 1.0 (PY: EUR 4.4 million), and income from the reversal of other value adjustments in the amount of EUR 0.2 million (PY: EUR 2.2 million).

The **cost of materials** for raw materials, merchandise, finished goods and purchased services amounted to EUR 113.8 million, reflecting an increase of EUR 7.0 million over the figure for the first nine months of last year. Including changes in inventory, the ratio of the cost of materials to the total operating performance rose from 47.9% to 52.0%. This increase is mainly attributable to the unfavorable development of the USD exchange rate.

Personnel expenses for wages, salaries, social security contributions and old-age pensions amounted to EUR 69.4 million, reflecting a 6.5% decrease from the prior-period comparison figure of EUR 74.2 million. This decrease reflects the ongoing implementation of the restructuring program initiated in fiscal year 2012 and continued in stages in fiscal years 2013 and 2014.

Other operating expenses of EUR 60.1 million were incurred in the reporting period (PY: EUR 60.3 million). This item is particularly composed of marketing expenses (EUR 16.7 million, PY: EUR 15.7 million), general administrative expenses (EUR 8.5 million, PY: EUR 8.4 million), foreign exchange losses (EUR 7.3 million, PY: EUR 6.7 million), shipping costs (EUR 5.2 million, PY: EUR 5.5 million), and consulting expenses (EUR 2.6 million, PY: EUR 4.2 million). This item also includes expenses for financial derivatives in the amount of EUR 1.5 million (PY: EUR 0.0 million).

EBITDA amounted to EUR 21.6 million as of September 30, 2015 (PY: EUR 8.1 million).

EBITDA breaks down as follows:

EBITDA in EUR million	Q3 2015	Q3 2014	Change
Germany	23.6	14.7	60.5%
Europe	-0.3	0.2	> -100.0%
Rest of World	-0.3	-1.1	72.7%
Gigaset Total	23.0	13.8	66.7%
Holding	-1.4	-5.7	75.4%
Total	**21.6**	**8.1**	**> 100.0%**

Depreciation and amortization for the current reporting period amount to EUR 10.2 million (PY: EUR 12.2 million.).

EBIT breaks down as follows:

EBIT in EUR million	Q3 2015	Q3 2014	Change
Germany	8.1	-3.1	> 100.0%
Europe	-0.4	0.0	> -100.0%
Rest of World	-0.2	-1.1	81.8%
Gigaset Total	7.5	-4.2	> 100.0%
Holding	-1.4	-5.7	75.4%
Total	**6.1**	**-9.9**	**> 100.0%**

Net financial expenses of EUR -1.1 million (PY: EUR -1.5 million) consisted mainly of interest and similar expenses. Thanks to the full repayment of the syndicated loan in the summer of 2014, interest expenses in the first nine months of 2015 were considerably less than the prior-period comparison figure.

The **consolidated net loss** for the fiscal year ended September 30, 2015 amounted to EUR 14.7 million. It was mainly influenced by the lower sales revenues and by the unfavorable development of the USD / EUR exchange rate. Gigaset generated a consolidated net loss of EUR 11.2 million in the prior-year comparison period.

Accordingly, **earnings per share** came to EUR 0.0 (PY: EUR -0.10).

5.2 Cash flows

Cash flow

EUR million	Q3 2015	Q3 2014
Cash flows from operating activities	-29.2	0.7
Cash flows from investing activities	-1.4	-20.0
Free cash flow	-30.7	-19.3
Cash flows from financing activities	-0.1	3.7

In the first nine months of 2015, the Gigaset Group generated a **cash outflow for operating activities** in the amount of EUR 29.2 million, as compared to a cash inflow of EUR 0.7 million in the first nine months of 2014. A cash outflow is typical in the first half of the year, due to the seasonal nature of the company's business. Traditionally, the company generates a cash inflow in the second half of the year. The significant increase in the cash outflow for operating activities compared to the corresponding period of last year resulted particularly from the payment of trade payables, the accumulation of inventories, and higher foreign exchange losses. While the EBT in the amount of EUR 4.9 million and lowered account receivables by EUR 7.6 have a positive cash flow impact, the sale of the trademark and domain portfolio has been no impact, since the proceeds yet not flowed and the purchase price is shown under other receivables.

The **cash outflow for investing activities** in the amount of EUR -1.4 million was considerably less than the prior-period comparison figure of EUR -20.0 million. Whereas most of the net cash outflow in the current reporting period resulted from capital expenditures on non-current assets, most of the net cash flow for investing activities in the prior period resulted from the transfer of EUR 18.0 million in cash and cash equivalents in connection with the transitional consolidation of Gigaset Mobile Pte. Ltd., Singapore, by application of the equity method.

Free cash flow amounted to EUR -30.7 million, as compared to EUR -19.3 million in the prior-year comparison period.

The **cash inflow from financing activities** amounted to EUR -0.1 million in the period ended September 30, 2015 (PY: EUR 3.7 million). In the prior-year comparison period, cash outflows for the repayment of the syndicated loan in the amount of EUR 30.2 million were offset by cash inflows from the issuance of the mandatory convertible bond in the amount of EUR 9.3 million and by the capital increase in the amount of EUR 24.6 million.

Please refer to the cash flow statement presented in the notes to the financial statements for a detailed presentation of changes in **cash and cash equivalents**.

Foreign exchange changes of EUR 0.2 million (PY: EUR 1.2 million) are included in the cash flow.

Cash and cash equivalents amounted to EUR 20.0 million as of September 30, 2015 (PY: EUR 42.6 million).

5.3 Financial position

The Gigaset Group's **total assets** as of September 30, 2015 amounted to approximately EUR 221.7 million, reflecting a decline of approximately 11.8% from the corresponding figure at December 31, 2014.

The **non-current assets** of EUR 87.9 million were EUR 18.1 million less than the corresponding figure as of December 31, 2014. While the investments in intangile assets amounting to EUR 7.1 million increased the non current assets, the depreciations amounting to EUR 9.7 million and the disposals amounting to EUR 8.4 million decreased the intangible assets. In addition, Gigaset Mobile Pte. Ltd., Singapore, was included in Gigaset's consolidated financial statements as of December 31, 2014 by application of the equity method. The company's shares were diluted further as a result of the conversion into preferred shares of a USD 88.0 million loan extended by Goldin Digital Pte. Ltd., Singapore, effective at the start of fiscal year 2015. Consequently, the economic equity interest is only 12.4%, while the voting rights share is 15.0%. By reason of this further reduction, the company will henceforth be presented within Non-current financial assets, in accordance with IAS 39 Financial Instruments. Following the required revaluation of these shares, the carrying amount as of the reporting date is EUR 2.9 million less than the corresponding figure as of December 31, 2014.

Current assets represented 60.4% of total assets. This line item in the amount of EUR 133.8 million was EUR 11.5 million less than the corresponding figure as of December 31, 2104. Inventories rose by EUR 7.1 million to EUR 35.2 million as the Group prepared for the upcoming Christmas season in the third quarter, as usual. Trade receivables declined by EUR 7.6 million to EUR 30.5 million, in accordance with seasonal trends. The decrease in Other assets from EUR 27.3 million to EUR 18.1 million resulted mainly from the EUR 3.1 million decrease in tax receivables, EUR the EUR 3.7 million decrease in Other assets, and the EUR 3.2 million decrease in Other receivables. Cash and cash equivalents declined from EUR 50.5 million as of December 31, 2014 to EUR 20.0 million as of the reporting date.

Total liabilities amounted to EUR 181.7 million. Of this amount, 41.4% are current liabilities. Following the substantial reduction of liabilities in the preceding fiscal years, the Group's total debt was reduced by another EUR 28.4 million in the fiscal year to date.

As of September 30, 2014, the **equity** of the Gigaset Group amounted to approximately EUR 40.0 million, that being EUR 1.2 million less than the corresponding figure as of December 31, 2014. This corresponds to an equity ratio of 18.0%, as compared to 16.4% as of December 31, 2014. Due to the increase in the discount factor applied in the measurement of pension obligations from 0.3% to 2.4%, net actuarial gains of EUR 3.5 million were recognized in equity. Changes totaling EUR -2.2 million from the deconsolidation of Gigaset Mobile Pte. Ltd., Singapore, were also recognized in equity. Foreign exchange changes of EUR -2.1 million were likewise recognized in equity. Finally, equity was reduced by the consolidated net loss of EUR 0.4 million.

Non-current liabilities were mainly composed of pension obligations, deferred tax liabilities and non-current personnel provisions and warranty provisions. The EUR 2.4 million increase in non-current liabilities resulted mainly from the development of pension provisions, which were lower than the comparison figure particularly as a result of an increase in the discount factor from 2.1% as of December 31, 2014 to 2.4% as of September 30, 2015. In a countervailing development, deferred tax liabilities rose by EUR 1.0 million.

The **current liabilities** of EUR 91.7 million were approximately 25.3% less than the corresponding figure as of December 31, 2014. Current provisions were reduced primarily as a result of the complete utilization of the provision for legal disputes with Evonik Degussa GmbH (PY: EUR 4.8 million) and by the utilization of restructuring provisions (EUR 3.1 million, PY: EUR 4.8 million). Trade payables declined from EUR 62.6 million to EUR 45.3 million, in line with the seasonal trend. The EUR 5.1 million decrease in other liabilities to EUR 20.2 million is mainly attributable to the repayment of a EUR 1.5 million security bond furnished in connection with a bonded warehouse, as well as the EUR 1.3 million decrease in tax liabilities.

6 Opportunities and risk report as of September 30, 2015

The future business development of the Gigaset Group and its participating interests is associated with entrepreneurial opportunities and risks. The Company's risk policy consists of taking advantage of existing opportunities and limiting the associated risks with the use of appropriate instruments.

Detailed information regarding the Gigaset Group's opportunities and risks is presented in Gigaset AG's Report for the Second Quarter of 2015 and Annual Report for 2014. There were no significant changes in the third quarter of 2015.

The process of the Group-wide, systematic risk management system is described in detail in the Combined Management Report of Gigaset AG as of December 31, 2014.

7 Significant events after September 30, 2015

On November 18, 2015, Gigaset Mobile Pte. Ltd., Singapore, notified its shareholder GIG Holding GmbH that Goldin Digital Pte. Ltd., Singapore, has converted its 12,019,032 preference shares in Gigaset Mobile Pte. Ltd., Singapore, into ordinary shares by declaration of October 31, 2015. As a result of this conversion, Goldin Digital Pte. Ltd., Singapore, now holds 12,019,032 shares and voting rights in Gigaset Mobile Pte. Ltd., Singapore. GIG Holding GmbH, an affiliated company of Gigaset AG, continues to hold 1,800,000 shares and voting rights, as before. No changes to the accounting treatment of the investment in Gigaset Mobile Pte. Ltd., Singapore, need to be made as a result of this transaction because Gigaset AG has already treated this investment as a purely financial investment since the interim financial statements as of March 30, 2015. Also with effect date November 18, 2015, Mr Kai Dorn and Mr. Charles Fränkl resigned their positions as directors of the Gigaset Mobile Pte. Ltd., Singapore, Singapore.

8 Outlook

8.1 General economic development

Global economic growth remains moderate for now. The main driving forces continue to shift from the emerging-market countries to the advanced economies. Calculated on the basis of purchasing power parities, global production will expand at the somewhat slower rate of 3.3% this year compared to the two preceding years. In the coming year, this rate can be expected to rise to 3.7%, and for 2017 the Kiel Institute for the World Economy (IfW) expects global production to increase by a similar rate. Economic growth rates will increase steadily in the advanced economies. In the emerging-market countries, the currently weak, even recessionary environment in some cases can be expected to improve over the forecast period, although the increase in production will remain very moderate compared to longer-term trends.[12]

The Eurozone economy regained its footing in 2015. Sentiment indicators suggest that the (still only moderate) recovery will continue in the second half of 2015. The recovery can be expected to widen in terms of breadth and will be increasingly supported by domestic demand, on the back of further gains in the jobs market. The economy is supported by low interest rates and oil prices, not to mention the still comparatively low external value of the euro. After years of economic stagnation and crisis, exacerbated by tremendous uncertainty regarding the stability of the euro, the Eurozone will move slowly but surely into calmer waters as a result of the forecast recovery.[13]

12. Kiel IfW Economic Reports No. 10 (2015|Q3) – Global economy.
13. Kiel IfW Economic Reports No. 10 (2015|Q3) – Eurozone.

Despite an unsettled economic environment globally, the German economy remains on track. The Kiel Institute for the World Economy (IfW) continues to expect GDP growth rates of 1.8% and 2.1% in the current year and following year, respectively. The rate of GDP expansion could even accelerate slightly to 2.3% in 2017, not least of all as a result of highly accommodative monetary conditions and a favorable development of the jobs market. Therefore, the GDP growth rate could even exceed the forecast growth potential, leading the way to an economic boom.[14]

8.2 Development of the industry

Market for cordless telephones[15]

According to experts, the global market for cordless telephones will shrink at an annual rate of -5.5% over the period from 2013 to 2018, due to the growing competition posed by smartphones and mobile phones. Within this market, the importance of the DECT standard continues to grow, even as the importance of the analog standard and other digital standards continues to wane. Whereas approximately 70% of the worldwide installed base was based on the DECT standard in 2012, this share is expected to rise to 90% already by 2018.

According to experts, Western Europe will continue to be the world's biggest market for cordless telephones. Prices of equipment based on all standards are expected to decline in the coming years, much more so in the case of equipment based on the analog standard and other digital standards.

Market for corporate customers[16]

According to market studies, the European telecommunications market is moving quickly in the direction of IP telephony. The number of extensions using IP technology is expected to rise from 8.3 million in 2014 to 11.8 million in 2018. The fastest growth will occur in the Eastern European market, which will grow to represent 16% of the total market. In another clear trend, the IP market of smaller companies with less than 100 employees, which Gigaset addresses with its "Gigaset pro" line of products, will grow substantially from 36% of the total market in 2014 to 41% in 2018.

Market for Home Networks

The Western European market for Smart Home Systems & Services (SHSS) is considered to be highly promising. The number of smart home households will rise from 20 million at the beginning of 2014 to approximately 25 million in 2015 and approximately 50 million by the end of 2019. In 2012, there were 5.8 million smart home households, generating sales revenues of USD 6.6 billion in 2013 and expected sales revenues of USD 14.2 billion in 2018. The market research institute Strategy Analytics expects the sales potential for hardware, as the largest component representing 60% of the market, to triple in the coming years.

According to a study by VDI/VDE Innovation + Technik GmbH, the cumulative sales of smart home products in the German market alone will reach EUR 19.0 billion by the year 2025. The average value-added generated by German suppliers is estimated at EUR 11.4 billion. Thanks to its expertise in system integration and embedded systems, among other technologies, German industry is a particularly strong player in this global growth market.

Market for Mobile Devices

The global smartphone market continued to grow in 2014. Based on current forecasts, unit quantities will continue to rise in the coming years, leading to rising global sales revenue. However, the growth rate will slow to a smaller single-digit num-

16. MZA PBX/IP PBX Market – 2013 Forecast Edition (published October 2013
14. Kiel IfW Economic Reports No. 10 (2015|Q3) – Germany.
15. MZA World-Consumer Cordless Telephony Market – 2013 Forecast Edition (published October 2013)

ber. Furthermore, the growth in unit quantities will be increasingly offset by declining prices. Strategy Analytics expects that the Europe-wide smartphone market will grow to roughly 250 million smartphones by the year 2020. As in prior years, the operating systems Android and Apple iOS will continue to dominate the global smartphone market. In 2014, these operating systems accounted for more than 80% of total smartphone sales in Western Europe; Android alone accounted for roughly two thirds of the total smartphone market.[17]

8.3 Expected development of sales revenue and earnings

In terms of sales revenue, the overall market for cordless telephones in Europe contracted by around 12% in 2014.[18] This trend has continued in 2015, although the rate of contraction is much slower than in 2014. According to GfK,[19] the market represented by the EU6 countries declined by only 2.2% in the first three quarters of 2015.

Gigaset's sales revenues in the third quarter of 2015 was approximately 4.8% less than the corresponding figure for the third quarter of last year. On the other hand, the company's performance in the first nine months was in line with our expectations. The drop in sales revenues generated in the core business was only partially made up by the sales revenues generated in the new business segments.

The development in fiscal year 2015 will depend largely on the predicted decline of the conventional telecommunications market, together with the successful expansion of business in the growth segments of Business Customers, Home Networks and Mobile Products. Experts expect the cordless telephone market to shrink further. There is nothing Gigaset can do to counter this trend, even if it succeeds in taking market shares away from competitors. Therefore, Gigaset expects the sales revenues generated in this segment to decline further in 2015. The company's goal is to stabilize the cordless telephony business and secure it as an important source of sales revenues in the next few years. Gigaset intends to develop concrete product offerings to serve identified customer needs. In part, this effort will be reflected in product designs oriented toward current lifestyle factors. Above all, however, the company will focus in 2015 on developing a Gigaset ecosystem encompassing as many Gigaset products and services as possible.

The company will continue to invest in sales and particularly in sales partnerships for the "Gigaset pro" brand. Sales activities will be intensified especially in the United Kingdom, Austria and Italy. Greater emphasis will be placed on accommodating local needs. Above all, Gigaset will focus on sales of complete solutions, which should lead to increased unit sales of desktop, PBX and base stations.

In addition, the importance of smart home solutions will continue to rise. According to a recent study by Fittkau & Maß Consulting, 78% of consumers in Germany alone are interested in a smart home solution. The interest is just as great internationally, as shown by the surveys of Strategy Analytics. The potential of this market in Western Europe alone is estimated to be approximately USD 14.0 billion in 2018.[21] "Gigaset elements," the company's solution for wirelessly connected living, is positioned in this dynamically growing market. Employing cloud technology, this new system links people to their homes with the aid of sensors. Additional benefits will be created through collaboration with partners, including the leading home security provider Securitas. Based on a development partnership that Gigaset and Securitas have pursued since the development phase for "Gigaset elements," users will be able to subscribe the premium service "Gigaset elements monitored by Securitas." With the aid of computer technology, Securitas wants to ensure that no alarm is ever missed. Gigaset intends to pursue the further development of this kind of solution, both functionally and through additional partnerships.

17. Strategy Analytics 2013
18. This data is taken from the retail panel surveys for cordless telephones conducted by GfK Retail and Technology GmbH in the countries of Belgium, Germany, France, United Kingdom, Italy, Netherlands, Austria, Poland, Switzerland, Spain, Turkey and Russia. Survey period: 2014; Basis GfK Panel Market.
19. GfK Panel Market Q3 2015
21. Strategy Analytics, Smart Home Systems and Services Forecast: Western Europe, July 2013.

Gigaset will increasingly use this "Internet of things" platform to develop an ecosystem that extends to other product areas. By this means, the company intends to establish a powerful differentiation from the competition and tap completely new revenue streams in the coming years.

Gigaset also intends to continuously expand its portfolio of mobile products through its investment in Gigaset Mobile Pte Ltd., Singapore. Gigaset's market expertise and strong brand name in this category provide an excellent basis for entering this market and for continuing to live up to its claim of offering first-in-class communication tools for the wirelessly connected home. Other mobile devices will follow. An expanded offering will make it possible to lower prices and by this means address new target groups. Because the company will focus on the market introduction of smartphones in fiscal year 2015, no successor products to the existing family of tablets are planned at this time.

Excluding Mobile Products, Gigaset anticipates a further decline in sales revenues in fiscal year 2015. Gigaset will therefore continue to work on cost-saving measures. On the other hand, the Gigaset Group expects to generate additional revenues in the mobile business. However, the joint activities with Goldin Fund Pte. Ltd., Singapore to establish this business segment are still in the initial phase, making it difficult to formulate exact predictions.

Particularly as a result of the disposal of the brand and domain portfolio, the company's operating result (EBITDA) increased from EUR 8.1 million in the first nine months of 2014 to EUR 21.6 million in the current reporting period. Because Gigaset's purchases are largely invoiced in U.S. dollars, a strong U.S. dollar could have further adverse effects on the Group's profitability, despite taking appropriate hedging measures.

This forecast is based on the general economic and industry-specific developments described above. No acquisitions-driven growth is assumed in the forecast.

8.4 Expected development of cash flow, capital expenditures and liquidity

The company currently funds its operations mainly by means of the implemented factoring arrangement. Gigaset had no financial liabilities as of September 30, 2015.

Despite the company's very strong liquidity position at the present time, it will continue to focus on liquidity management in the next two fiscal years. The company continues to pursue a conservative strategy for securing financial stability, in order to preserve the Group's operational and strategic flexibility. Therefore a key focus is on the realization of cost savings potentials. In accordance with its capital expenditures plan, Gigaset will continue to invest in established markets with the goal of protecting and increasing market shares and competitive advantages. Furthermore, Gigaset will make additional investments in new product categories and growth segments for the purpose of securing the company's survival and competitiveness. The sale of the "Gigaset" brand name to Goldin Brand Ltd. will generat expected cash proceeds of EUR 29.0 million. Furthermore, the sale of Gigaset's domains will generate additional proceeds of EUR 6.0 million in early 2016. . The payment, which had been planned for the end of September, did not take place until today. The obligation of Goldin Brand Ltd. regarding the transaction with Gigaset Communications GmbH is hedged by a guarantee of Goldin Fund Ltd. The management of Gigaset Communications GmbH is in discussion with Goldin Brand Ltd. and Goldin Fund Ltd. about a solution with regard to the payment delay. Currently the management evaluates their options and will decide in a short term about any necessary measures.

8.5 Overall view of the Executive Board regarding the likely development of the Group

Gigaset will continue to pursue the strategic reorientation of the Group. The company expects the market for its core business to contract further in the current year. Gigaset will counter the continued decline of the cordless telephones market by investing in new, highly promising business segments and product groups. These activities will contribute additional sales revenue, but not enough to completely offset the inevitable decline in sales of cordless telephones in the current year. Therefore a focus for the next year is on identifying further cost-cutting measures. For the current fiscal year, therefore, Gigaset expects the following developments in the segments of Consumer Products, Business Customers and Home Networks:

- High single-digit to low double-digit percentage decline in sales revenues from continuing operations.

- Positive EBITDA in the low double-digit millions. Due to lowered sales revenue, necessary investments in the development of new business segments and in the accelerated reorientation of the company, EBITDA is expected to be less than the prior-year figure. An EBITDA margin in the low to middle single digits is expected. One-time expenses for the implementation of cost-cutting measures mayde burden the aforementioned EBITDA.

- Whether one-time effects will improve the free cash flow significantly in the current fiscal year is uncertain, as the purchase price payment for the transaction with the Goldin Brand Ltd., Singapore, is currently in payment delay. However, the expectations for the free cash flow from operating activities remain unchanged. Due to substantial investments in new business segments, Gigaset AG expects a negative free cash flow excluding non-recurring effects, of an amount in the high single-digit to low double-digit millions.

In addition, Gigaset anticipates positive earnings contributions from sales of mobile devices, particularly from the future smartphone business. However, it will be possible to quantify these earnings contributions more precisely only after the market introduction of the new products.

Munich, November, 2015

The Executive Board of Gigaset AG

Kai Dorn Charles Fränkl Du Guoyu

INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2015

Consolidated income statement for the period from January 1 to September 30, 2015

EUR'000	01/01/ – 09/30/2015	01/01/ – 09/30/2014
Revenues	208,399	218.937
Change in inventories of finished and unfinished goods	5,510	1.908
Other internal production capitalized	7,913	8.787
Other operating income	43,744	18.806
Purchased goods and services	-113,813	-106.807
Personnel expenses	-69,352	-74.196
Other operating expenses	-60,070	-60.349
Result from investments accounted for by the equity method	-682	1.036
EBITDA	**21,649**	**8.122**
Depreciation and amortization	-15,578	-17.972
EBIT	**6,071**	**-9.850**
Other interest and similar income	12	170
Interest and similar expenses	-1,158	-1.642
Net financial result	**-1,146**	**-1.472**
Income from ordinary activities	**4,925**	**-11.322**
Income taxes	-5,364	163
Consolidated loss for the year	**-439**	**-11.159**
Earnings per common share		
- Basic earnings per share, in EUR	0.00	-0.10
- Diluted earnings per share, in EUR	0.00	-0.10

Consolidated income statement for the period from July 1 to September 30, 2015

EUR'000	07/01/ – 09/30/2015	07/01/ – 09/30/2014
Revenues	65,788	71,948
Change in inventories of finished and unfinished goods	4,450	2,500
Other internal production capitalized	3,056	3,058
Other operating income	23,529	11,206
Purchased goods and services	-36,280	-38,036
Personnel expenses	-21,472	-24,509
Other operating expenses	-19,156	-21,725
Result from investments accounted for by the equity method	0	1,346
EBITDA	**19,915**	**5,788**
Depreciation and amortization	-5,352	-5,744
EBIT	**14,563**	**44**
Other interest and similar income	6	140
Interest and similar expenses	-315	-315
Net financial expenses	**-309**	**-175**
Income from ordinary activities	**14,254**	**-131**
Income taxes	-5,680	-97
Consolidated loss/profit for the period	**8,574**	**-228**
Earnings per common share		
- Basic earnings per share, in EUR	0.00	-0.10
- Diluted earnings per share, in EUR	0.00	-0.10

Consolidated statement of financial position as of September 30, 2015

EUR'000	09/30/2015	12/31/2014
ASSETS		
Non-current assets		
Intangible assets	26,221	37,485
Property, plant and equipment	30,617	33,685
Financial assets accounted for by the equity method	0	21,251
Financial assets	18,386	0
Deferred tax assets	12,642	13,568
Total non-current assets	**87,866**	**105,989**
Current assets		
Inventories	35,248	28,158
Trade receivables	30,463	38,097
Other assets	47,072	27,329
Current tax assets	1,053	1,174
Cash and cash equivalents	19,950	50,484
Total current assets	**133,786**	**145,242**
Total assets	**221,652**	**251,231**

Consolidated statement of financial position as of September 30, 2015

EUR'000	09/30/2015	12/31/2014
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	132,456	132,456
Additional paid-in capital	86,076	86,076
Retained earnings	68,979	68,979
Accumulated other comprehensive income	-247,538	-246,352
Total equity	**39,973**	**41,159**
Non-current liabilities		
Convertible bond	0	396
Pension obligations	68,281	71,012
Provisions	11,766	12,098
Deferred tax liabilities	9,910	3,857
Total non-current liabilities	**89,957**	**87,363**
Current liabilities		
Convertible bond	418	66
Provisions	20,758	28,826
Financial Liabilities	4	0
Trade payables	45,301	62,649
Current tax liabilities	5,055	5,869
Other liabilities	20,186	25,299
Total current liabilities	**91,722**	**122,709**
Total equity and liabilities	**221,652**	**251,231**

Statement of comprehensive income for the Period from January 1 to September 30, 2015

EUR'000	01/01/ – 09/30/2015	01/01/ – 09/30/2014
Consolidated loss for the year	**-439**	**-11,159**
Items that may be reclassified subsequently to net income/loss		
Currency translation differences	-2,083	541
Other income from investments accounted for by the equity method	-2,183	1,557
Recognized income taxes for this item	0	0
Items that will not be reclassified to net income/loss		
Revaluation effects, net debt from defined benefit plans	5,100	-13,858
Recognized income taxes for this item	-1,581	4,310
Total changes not recognized in the income statement	**-747**	**-7,450**
Total comprehensive income and expenses	**-1,186**	**-18,609**

Statement of comprehensive income for the Period from July 1 to September 30, 2015

EUR'000	07/01/ – 09/30/2015	07/01/ – 09/30/2014
Consolidated loss/profit for the year	**8,574**	**-228**
Items that may be reclassified subsequently to net income/loss		
Currency translation differences	-437	1,091
Other income from investments accounted for by the equity method	0	1,406
Recognized income taxes for this item	0	0
Items that will not be reclassified to net income/loss		
Revaluation effects, net debt from defined benefit plans	-2,076	-7,502
Recognized income taxes for this item	644	2,333
Total changes not recognized in the income statement	**-1,869**	**-2,672**
Total comprehensive income and expenses	**6,705**	**-2,900**

Change in consolidated equity as of September 30, 2015

	EUR'000	Subscribed capital	Additional paid-in capital	Retained earnings	Accumulated other compre-hensive income	Consolidated equity
	January 1, 2014	**97,928**	**87,042**	**68,979**	**-215,272**	**38,677**
1	Capital increase	34,528	-966	0	0	33,562
2	Consolidated loss 2014	0	0	0	-11,159	-11,159
3	Currency translation differences	0	0	0	541	541
4	Other income from investments accounted for by the equity method	0	0	0	1,557	1,557
5	Revaluation effects net debt from defined benefit obligations	0	0	0	-9,548	-9,548
6	Total changes not recognized in the income statement	0	0	0	-7,450	-7,450
7	Total net income (2+6)	0	0	0	-18,609	-18,609
	September 30, 2014	**132,456**	**86,076**	**69,979**	**-233,881**	**53,630**
	January 1, 2015	**132,456**	**86,076**	**68,979**	**-246,352**	**41,159**
1	Capital increase	0	0	0	0	0
2	Consolidated loss 2015	0	0	0	-439	-439
3	Currency translation differences	0	0	0	-2,083	-2,083
4	Other income from investments accounted for by the equity method	0	0	0	-2,183	-2,183
5	Revaluation effects net debt from defined benefit obligations	0	0	0	3,519	3,519
6	Total changes not recognized in the income statement	0	0	0	-747	-747
7	Total net income (2+6)	0	0	0	-1,186	-1,186
	September 30, 2015	**132,456**	**86,076**	**68,979**	**-247,538**	**39,973**

Consolidated cash flow statement for the period from January 1 to September 30, 2015

EUR'000	01/01/ - 09/30/2015	01/01/ - 09/30/2014
Result from ordinary activities before taxes on income (EBT)	**4,925**	**-11,322**
Depreciation of property, plant and equipment and amortization of intangible assets	15,578	17,972
Addition (+)/ decrease (-) in pension provisions	2,369	1,430
Gain (-)/ loss (+) from the sale of non-current assets	-20,985	-164
Gain (-)/ loss (+) from deconsolidations	-828	453
Gain (-)/ loss (+) from currency translation	-3,106	2,418
At equity valuation result	682	-1,036
Other non-cash items	-7,913	-8,787
Net interest income	1,146	1,472
Interest received	11	145
Interest paid	-639	-1,725
Income taxes paid	-1,609	-628
Increase (-)/ decrease (+) in inventories	-7,090	-2,365
Increase (-)/ decrease (+) in trade receivables and other receivables	15,441	21,163
Increase (+)/ decrease (-) in trade payables, other liabilities and other provisions	-30,825	-15,450
Increase (+)/ decrease (-) in other balance sheet items	3,622	-2,918
Cash inflow (+)/outflow (-) from continuing operations (net cash flow)	**-29,221**	**658**
Derecognized cash due to the change of consolidation method from full consolidation to the equity method	0	-18,000
Proceeds from the sale of shares from companies	25	0
Cash transferred with the sale of shares in companies and negative purchase price	-107	-130
Proceeds from the sale of non-current assets	384	179
Payments for investments in non-current assets	-1,732	-2,055
Cash inflow (+)/ outflow (-) from investing activities	**-1,430**	**-20,006**
Free cash flow	**-30,651**	**-19,348**

Consolidated cash flow statement for the period from January 1 to September 30, 2015

EUR'000	01/01/ - 09/30/2015	01/01/ - 09/30/2014
Cash flows from the borrowing (+)/ repayment (-) of current financial liabilities	4	-30,201
Convertible bond	-66	9,306
Capital increase	0	24,629
Cash inflow (+)/ outflow (-) from financing activities	**-62**	**3,734**
Net funds at beginning of period	45,697	55,532
Changes due to exchange rate differences	179	1,207
Net funds at beginning of period, measured at prior-year exchange rate	45,518	54,325
Increase (-)/ decrease (+) in restricted cash	-399	-1,503
Change in cash and cash equivalents	-30,713	-15,614
Net funds at end of period	**14,585**	**38,415**
Restricted cash	5,365	4,165
Cash and cash equivalents	**19,950**	**42,580**

NOTES TO THE INTERIM FINANCIAL STATEMENTS AS OF SEPTEMBER 30, 2015

1 General information regarding accounting policies

The preparation of Gigaset AG's consolidated financial statements as of September 30, 2015, and the presentation of comparative figures from the prior year was carried out in compliance with the International Accounting Standards (IASs) and International Financial Reporting Standards (IFRSs) adopted and published by the International Accounting Standards Board (IASB) and their interpretation by the Standard Interpretations Committee (SIC) and International Financial Reporting Standards Interpretations Committee (IFRIC) as they apply in the EU. Accordingly, this unaudited and unreviewed interim financial report as of September 30, 2015, was prepared in accordance with IAS 34. All standards applicable as of September 30, 2015, whose application is mandatory were taken into account and provide a true and fair view of the Gigaset Group's financial position, financial performance and cash flows.

The notes to the 2014 consolidated financial statements apply accordingly in particular with respect to the significant accounting policies adopted. The consolidated financial statements are prepared under the premise that the Company will continue as a going concern.

In addition, the following standards and interpretations, which were amended or newly issued by the IASB, had to be applied beginning with the 2015 fiscal year:

› Annual Improvements to IFRSs 2011–2013 Cycle

The Annual Improvements (2011–2013 Cycle) relate to clarifications within the following standards:

- IFRS 1 First-time Adoption of International Financial Reporting Standards (clarification on the meaning of the applicable standards – in particular in the case of new standards that can already be early applied)
- IFRS 3 Business Combinations (clarification on the scope on the exception for joint ventures)
- IFRS 13 Fair Value Measurement (clarification on the scope of the portfolio exception in the interplay with IAS 39)
- IAS 40 Investment Property (clarification that the rules set forth in IFRS 3 apply to answer the question of whether the acquisition of investment property represents a business combination)
  The new provisions apply for fiscal years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements.

The new provision apply for fiscal years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements

› IFRIC 21 Levies

The new interpretation, IFRIC 21 Levies, includes rules for the accounting treatment of obligations to pay public levies that do not represent levies as defined under IAS 12 Income Taxes. The interpretation includes further guidelines regarding the identification of the obligating event that leads to the recognition of a liability to pay a levy as well as the timing of the recognition of the liability. The new provisions apply for fiscal years beginning on or after January 1, 2015. The amendments had no effect on the consolidated financial statements.

The following standards and interpretations already adopted, revised, or newly issued by the IASB were not yet required to be applied in fiscal year 2015:

Standards		Application requirement for Gigaset starting	Adopted by EU Commission
Various	Annual Improvements to IFRSs 2010–2012 Cycle	1/1/2016	Yes
IAS 19	Employee Benefits – Defined Benefit Plans: Employee Contributions	1/1/2016	Yes
IFRS 11	IFRS 11 Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations	1/1/2016	No
IAS 16/ IAS 38	Clarification of acceptable methods of depreciation and amortization in IAS 16 Property, Plant and Equipment, and IAS 38 Intangible Assets	1/1/2016	No
IAS 16/ IAS 41	Recognition of certain biological assets based on IAS 41 Agriculture in accordance with provisions set forth under IAS 16 Property, Plant and Equipment	1/1/2016	No
IAS 27	Equity Method in Separate Financial Statements	1/1/2016	No
Various	Annual Improvements to IFRSs 2012–2014 Cycle	1/1/2016	No
IFRS 10/ IFRS 12/ IAS 28	Investment Entities: Applying the Consolidation Exception	1/1/2016	No
IAS 1	Adjustments IAS 1 Presentation of Financial Statements as a consequence of the initiative to improve disclosure requirements	1/1/2016	No
IFRS 10/ IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1/1/2016	No
IFRS 15	Revenue from Contracts with Customers	1/1/2018	No
IFRS 9	Financial Instruments	1/1/2018	No
IFRS 9/ IFRS 7	Amendments to Mandatory Effective Date and Transition Disclosures	1/1/2018	No
Interpretations			
-	-	-	-

IFRS 15 Revenue from Contracts with Customers was issued in May 2014. The Company is currently reviewing the effects of this new standard on the consolidated financial statements. However, the analysis was not yet completed when this report was published.

In October 2015, the EFRAG (European Financial Reporting Advisory Group) has announced that the European Commission will not propose to take over IFRS 14, Regulatory and accrued income, into EU law. Reason for non-adoption is the very limited circle of users for this interim standard. The planned adoption of IFRS 14 as of January 1st, 2016 would had no impact on Gigaset accounting.

The effects of the first-time application of the other revised and/or new standards and interpretations whose application is not required until fiscal year 2016 cannot be reliably estimated at this time. However, the Company assumes that these standards and interpretations will not have a material impact.

2 Seasonal effects

Gigaset's core business is subject to distinct seasonal fluctuations due to regularly varying consumer behavior over the course of a calendar year. The highest sales are realized during the Christmas shopping season, which is why the fourth quarter is traditionally very strong. In contrast, the first quarter serves the restocking of warehouses following the Christmas business and in our experience fluctuates around the same level as the third quarter. Sales for the Christmas season are already affecting inventory levels in the warehouses of distributors and retailers beginning in the third quarter; however, July and August count among the weak summer months with a typically low propensity to spend on the part of consumers. In light of this, the third quarter is normally weaker than the fourth. The second quarter is already characterized by seasonal consumer restraint in the early summer months of May and June; at the same time, distributors and retailers are adjusting their inventory levels to the weak summer months. Therefore, the second quarter is traditionally the weakest sales quarter of the entire fiscal year.

In addition to the traditional general seasonal fluctuations, there are country and region-specific seasonalities, such as sales promotions related to specific trade fairs (e.g. CEBIT, IFA), back-to-school activities, or the Chinese New Year.

3 Restructuring

The restructuring resolved in the fourth quarter of 2014 commenced as planned in the first quarter of 2015. These restructuring measures resulted in a cash outflow in the amount of EUR 1.7 million by the end of the third quarter 2015.

4 Entities accounted for based on the equity method

Gigaset Mobile Pte. Ltd., Singapore, was included in the consolidated financial statements of Gigaset as of December 31, 2014 Gigaset Mobile Pte. Ltd., Singapore, was included in Gigaset's consolidated financial statements as of December 31, 2014, using equity method accounting. Due to the conversion of a loan extended by Goldin Digital Pte. Ltd., Singapore, in the amount of USD 88.0 million into preference shares of the company effective at the beginning of fiscal year 2015, the shareholdings were further diluted. As a result, the economic ownership interest only amounts to 12.35% with a voting rights share of 14.98%. Due to this further reduction, the company will be recognized in the future in accordance with IAS 39 Financial Instruments: Recognition and Measurement as a non-current financial asset, which is assigned to the category of available-for-sale financial assets (AFS).

Since Gigaset Mobile Pte. Ltd., Singapore, is not listed and not enough other information was available, for example regarding reliably determinable future cash flows in order to measure the remaining interest, the fair value was determined with the share in equity and the share of net profit owed from fiscal year 2014 under consideration of the reduced equity interest. The fair value was determined to be approximately EUR 18,386 thousand using this method. This value also represents the cost of the financial asset as defined in IAS 39.

Due to the fact that equity method accounting is no longer applied, which explains the effects of fair value measurement on the one hand and also the transfer of items previous recognized directly in equity to profit or loss on the other hand, the resulting impact on profit or loss amounted to a total of EUR -682 thousand, which is reported under the item Share of profit or loss from entities accounted for based on the equity method.

Since the fair value cannot be derived from either a publicly quoted share price or by discounting reliably determinable future cash flows, this equity interest is measured at cost as of balance sheet date.

5 Financial assets and liabilities

The fair values of financial assets and liabilities as of September 30 essentially correspond to the carrying amounts. Compared to December 31 of the previous year, there were major changes in current financial assets and current financial liabilities. However, the fair values of these items do not differ materially from their carrying amounts. There were also no changes with respect to the measurement and fair value hierarchy of the financial assets and liabilities compared to the end of the year.

There were significant changes in financial assets in the second quarter compared to December 31, 2014, due to the following facts and circumstances:

› Discontinuance of the equity method as well as the recognition of a financial asset for Gigaset Mobile Pte. Ltd., Singapore (please refer to the comments in the preceding note for details on this).

› Entry into foreign currency hedging transactions in the current fiscal year.

Gigaset carried out extensive currency hedging transactions in the first months of 2015, since the last currency hedges expired in December 2014. As of the reporting date there are 28 foreign currency derivatives to hedge the U.S. dollar price against the euro over a nominal volume of USD 91.8 million.

On the reporting date, the foreign currency derivatives are measured at a fair value of EUR 1,010 thousand (December 31, 2014: EUR 0 thousand) and are reported under other current assets in the amount of EUR 2,556 thousand (December 31, 2014: EUR 0 thousand) and other current liabilities in the amount of EUR 1,546 thousand (December 31, 2014: EUR 0 thousand). The interest rate swap still included under current liabilities at the end of the year (December 31, 2014: EUR 108 thousand) was no longer present at the reporting date.

Other operating income in the reporting period includes income from the measurement of the aforementioned foreign currency derivatives in the amount of EUR 2,556 thousand as well as expenses in the amount of EUR 1,546 thousand. In the third quarter of the prior year, this item included expenses and income from foreign currency derivatives that led to a gain of EUR 989 thousand.

The following tables present the fair values determined for the financial assets and liabilities based on hierarchy levels for the reporting date as well as the third quarter of the prior year:

9/30/2015		Level		
EUR'000	1	2	3	Summe
Financial assets				
Derivative financial instruments	0	2,556	0	2,556
Financial liabilities				
Financial liabilities	0	418	0	418
Derivative financial instruments	0	1,546	0	1,546

12/31/2014		Level		
EUR'000	1	2	3	Summe
Financial assets				
Derivative financial instruments	0	0	0	0
Financial liabilities				
Financial liabilities	0	406	0	406
Derivative financial instruments	0	108	0	108

The fair value of derivative financial instruments was calculated using present value and option pricing models. To the extent possible, the relevant market prices and interest rates observed on the balance sheet date that were taken from generally accepted external sources were used as input parameters for these models. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

Cash and cash equivalents, trade receivables, and current financial assets have short remaining terms. Therefore, the carrying amounts as of the balance sheet date approximate the fair value.

Trade payables and current financial liabilities are due in full within one year. Therefore, the nominal value or repayment amount approximates the fair value.

Since the fair value of the equity interest in Gigaset Mobile Pte. Ltd., Singapore, cannot be derived from either a publicly quoted share price or by discounting reliably determinable future cash flows, this equity interest is measured at cost as of balance sheet date.

The fair values of other non-current financial assets and liabilities with remaining terms of more than one year correspond to the present values of the payments associated with the assets and liabilities under consideration of the respectively current interest parameters, which reflect the currency, interest rate, and partner-related changes in terms and conditions. In accordance with IFRS 13, the determination of fair value is to be categorized within Level 2 of the fair value hierarchy.

6 Pension obligations and deferred tax assets

The pension obligations were adjusted on the basis of the current relevant interest rate level as of September 30, 2015, using an approximation method. Due to a slight increase in the relevant interest rate level of around 0.25% (prior year: decrease of around 0.90%), there was a decrease in pension obligations from this effect in the amount of around EUR -5,100 thousand (prior year: increase from this effect in the amount of EUR 13,858 thousand) and a decrease in deferred tax assets in the amount of around EUR 1,581 thousand (prior year: increase in the amount of EUR 4,310 thousand).

7 Provisions

Other provisions as of December 31, 2014, included provisions in the amount of EUR 4.8 million for a legal dispute with Evonik Degussa GmbH with respect to the action brought to enforce the claim for the purchase price adjustment in the amount of EUR 12.0 million, which was paid on March 4, 2015.

8 Changes in the basis of consolidation

In addition to the parent company, 23 group companies were consolidated and included in Gigaset's consolidated financial statements as of September 30, 2015; 7 of which domestic and 16 of which foreign companies.

As of September 30, 2015, none (as of December 31, 2014: one) of the companies were included in the consolidated financial statements using equity method accounting. For more information, please refer to Section 4, Entities accounted for based on the equity method.

IVMP AG, Baar/Switzerland ceased to exist as a result of liquidation in the first quarter of 2015. Due to the currency translation effects accumulated in the consolidated financial statements until the liquidation date, there was a gain from the deconsolidation at the liquidation date in the amount of EUR 1,979 thousand that is reported under Other operating income.

On March 25, 2015, Gigaset Mobile Europe GmbH, Germany, was sold to Gigaset Mobile Pte. Ltd., Singapore. The purchase price was EUR 25 thousand. The disposed assets amounted to EUR 24 thousand, EUR 24 thousand of which cash and cash equivalents. The company had no liabilities at the time of the sale. The deconsolidation gain amounts to EUR 1 thousand under consideration of consolidation effects and other expenses related to the transaction and is presented under Other operating income.

Gigaset Communications Argentina S.R.L., Buenos Aires/Argentina, was sold to Argentinian investors for a symbolic purchase price with a purchase agreement dated March 30, 2015. The disposed assets amounted to EUR 1.7 million, of which EUR 0.1 million cash and cash equivalents; the disposed liabilities amounted to EUR 0.6 million. The deconsolidation loss amounts to EUR 1,152 thousand under consideration of consolidation effects and other expenses related to the transaction and is presented under Other operating expenses.

The disposed assets and liabilities for the companies sold in the first half of the year are shown below from the perspective of the Group:

EUR'000	
Assets	
Current receivables and other assets	1,690
Total	**1,690**
Liabilities	
Provisions	557
Liabilities	32
Total	**589**

9 Disposal of the brand and domain portfolio

On June 25, 2015, a contract over the disposal of Gigaset Communication GmbH's brand and domain portfolio was signed with Goldin Brand Ltd., Singapore, a subsidiary of Goldin Fund Pte. Ltd., Singapore. The brand portfolio included in particular the "Gigaset" brand and the "Gigaset Elements" brand. The terms for the closing of the contract were met at the beginning of July; consequently, the brand portfolio was transferred to the acquirer for a purchase price of EUR 29.0 million. Gigaset continues to enjoy the rights to use the brand permanently, free of charge, and largely exclusively in its core business. Gigaset and Goldin will also jointly manage the brand in the future, i.e. Gigaset will also play a key role in the future further development of the brand. Should Goldin Brand unexpectedly wish to separate itself from the brand, Gigaset has a right of preemption. The income from the sale of the trademark rights amounts to EUR 20,601 thousand and is presented under Other operating income. The payment, which had been planned for the end of September, did not take place until today. The obligation of Goldin Brand Ltd. regarding the transaction with Gigaset Communications GmbH is hedged by a guarantee of Goldin Fund Ltd. The management of Gigaset Communications GmbH is in discussion with Goldin Brand Ltd. and Goldin Fund Ltd. about a solution with regard to the payment delay. Currently the management evaluates their options and will decide in a short term about any necessary measures.

Effective January 8, 2016, Gigaset Communications GmbH will also sell and transfer a series of Internet domains to Goldin Brand Ltd., including the domain gigaset.com. The purchase price for the domains amounts to EUR 6.0 million. This transaction is subject to a separate agreement yet to be entered into between the parties regarding the joint use of domains and the joint management of the brand. This transaction is also considered in the evaluation of options, due to the payment delay of Goldin Brand Ltd..

10 Other operating income

Other operating income amounts to EUR 43,744 thousand (prior year: EUR 18,806 thousand) and is therefore EUR 24,938 thousand higher than in the third quarter of the previous year. The significant differences include the gains in the amount of EUR 20,601 thousand from the sale of the trademark rights, foreign exchange gains in the amount of EUR 10,319 thousand (prior year: EUR 4,923 thousand), income from cost transfers in the amount of EUR 3,276 thousand (prior year: EUR 543 thousand), income from derivatives in the amount of EUR 2,664 thousand (prior year: EUR 1,797 thousand), gains from deconsolidation in the amount of EUR 1,980 thousand (prior year: EUR 0 thousand), and income from the reversal of provisions in the amount of EUR 977 thousand (prior year: EUR 4,439 thousand) as well as the reversal of other impairment in the amount of EUR 206 thousand (prior year: EUR 2,206 thousand). With respect to the income from derivatives, please refer to Section 5, Financial assets and liabilities. For the gains from deconsolidation, please refer to our comments under Section 8, Changes in the basis of consolidation.

11 Segment reporting

Due to the ongoing optimizations in connection with operating activities, the segment reporting was adjusted based on the internal reporting in the first quarter of 2015. The holding company continues to be presented separately from Gigaset's operating activities. Within the operating activities, the geographic areas between the regions "Germany", "EU", and "Rest of World" will be differentiated in the future.

The geographic regions of Gigaset, whose main activities lie in the area of communications technology, include the following:

- Germany
  The geographic area "Germany" includes the operating activities in Germany.

- EU
  The geographic area "EU" includes the operating activities in Poland, United Kingdom, Austria, France, Italy, the Netherlands, Spain, and Sweden.

› Rest of World

The geographic area "Rest of World" includes the operating activities in Switzerland, Turkey, Argentina, Russia, the U.S.A., Brazil, and China.

The comparative figures of the third quarter of 2014 were correspondingly adjusted to the new structure.

Transfer pricing between the segments corresponds to the prices that are also realized with third parties. The cost of administrative services is passed on by means of cost allocation.

The allocation to the individual geographic regions is made based on the country of residence of the respective legal unit. Therefore, sales revenues and earnings are allocated in the segment reporting based on the legal units according to the internal segment reporting.

January 1 – September 30, 2015 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Sales revenue						
External sales	110,780	77,104	20,515	208,399	0	208,399
Internal sales	0	0	0	0	0	0
Total sales revenues	**110,780**	**77,104**	**20,515**	**208,399**	**0**	**208,399**
Net segment income/EBITDA	**23,614**	**-297**	**-282**	**23,035**	**-1,386**	**21,649**
Depreciation and amortization	-15,472	-93	-13	-15,578	0	-15,578
Net segment income/EBIT	**8,142**	**-390**	**-295**	**7,457**	**-1,386**	**6,071**
Net interest income						-1,146
Result from ordinary activities						**4,925**
Taxes on income						-5,364
Consolidated net profit for the fiscal year						**-439**

January 1 – September 30, 2014 in EUR'000	Germany	EU	Rest of World	Gigaset TOTAL	Holding	Group
Sales revenue						
External sales	103,814	86,491	28,632	218,937	0	218,937
Internal sales	0	0	0	0	0	0
Total sales revenues	**103,814**	**86,491**	**28,632**	**218,937**	**0**	**218,937**
Net segment income/EBITDA	**14,705**	**163**	**-1,050**	**13,818**	**-5,696**	**8,122**
Depreciation and amortization	-17,836	-121	-14	-17,971	-1	-17,972
Net segment income/EBIT	**-3,131**	**42**	**-1,064**	**-4,153**	**-5,697**	**-9,850**
Net interest income						-1,472
Result from ordinary activities						**-11,322**
Taxes on income						163
Consolidated net profit for the fiscal year						**-11,159**

12 Related party disclosures

In accordance with IAS 24, Related Party Disclosures, business relationships with Gigaset Mobile Pte. Ltd., Singapore, and its subsidiaries were to be shown as related party transactions starting in 2014. From the perspective of the Group, the transactions and/or net balances with Gigaset Mobile – Group comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 1/1-9/30/2015	Sales revenue/income 1/1-9/30/2015	Receivables 9/30/2015	Liabilities 9/30/2015
Gigaset	4,280	2,887	1,764	1,160
Gigaset Mobile	2,887	4,280	1,160	1,764

EUR'000	Expenses 1/1-9/30/2014	Sales revenue/income 1/1-9/30/2014	Receivables 9/30/2014	Liabilities 9/30/2014
Gigaset	5,080	543	1,886	5,914
Gigaset Mobile	543	5,080	5,914	1,886

In accordance with IAS 24, Related Party Disclosures, the business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou/China, are to be stated as business relationships with related parties starting in 2014. This company represents an Other related party in accordance with IAS 24.19 (g). From the perspective of the Group, the transactions and/or net balances comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 1/1-9/30/2015	Sales revenue/income 1/1-9/30/2015	Receivables 9/30/2015	Liabilities 9/30/2015
Gigaset	0	368	685	0
Guangzhou Cyber Digital Technology Company Limited	368	0	0	685

EUR'000	Expenses 1/1-9/30/2014	Sales revenue/income 1/1-9/30/2014	Receivables 9/30/2015	Liabilities 9/30/2015
Gigaset	0	623	623	306
Guangzhou Cyber Digital Technology Company Limited	623	0	306	623

Receivables include income from the sale of equipment in the amount of EUR 0.2 million.

In accordance with IAS 24, Related Party Disclosures, the business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou/China, are to be stated as business relationships with related parties starting in 2014. This company represents an Other related party in accordance with IAS 24.19 (g). From the perspective of the Group, the transactions and/or net balances comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 1/1-9/30/2015	Sales revenue/income 1/1-9/30/2015	Receivables 9/30/2015	Liabilities 9/30/2015
Gigaset	0	904	904	0
Goldin Fund Ltd	904	0	0	904

In accordance with IAS 24, Related Party Disclosures, the business relationships with Guangzhou Cyber Digital Technology Company Limited, Guangzhou/China, are to be stated as business relationships with related parties starting in 2014. This company represents an Other related party in accordance with IAS 24.19 (g). From the perspective of the Group, the transactions and/or net balances comprised the following for the reporting period and/or as of the reporting date:

EUR'000	Expenses 1/1-9/30/2015	Sales revenue/income 1/1-9/30/2015	Receivables 9/30/2015	Liabilities 9/30/2015
Gigaset	0	29,000	29,000	0
Goldin Brand Ltd	29,000	0	0	29,000

No value adjustments or expenses for uncollectible or doubtful receivables were recognized for existing receivables in the reporting period. Nor was there any collateral for the respective receivables.

There were no significant transactions between the Group and its related parties other than the facts and circumstances described.

13 Significant events after the reporting period

On November 18, 2015, Gigaset Mobile Pte. Ltd., Singapore, notified its shareholder GIG Holding GmbH that Goldin Digital Pte. Ltd., Singapore, has converted its 12,019,032 preference shares in Gigaset Mobile Pte. Ltd., Singapore, into ordinary shares by declaration of October 31, 2015. As a result of this conversion, Goldin Digital Pte. Ltd., Singapore, now holds 12,019,032 shares and voting rights in Gigaset Mobile Pte. Ltd., Singapore. GIG Holding GmbH, an affiliated company of Gigaset AG, continues to hold 1,800,000 shares and voting rights, as before. No changes to the accounting treatment of the investment in Gigaset Mobile Pte. Ltd., Singapore, need to be made as a result of this transaction because Gigaset AG has already treated this investment as a purely financial investment since the interim financial statements as of March 30, 2015.

Munich, November 17, 2015

The Executive Board of Gigaset AG

Kai Dorn　　Charles Fränkl　　Du Guoyu

IMPRINT

Published by
Gigaset AG
Seidlstr. 23
80335 Munich

Phone: +49 (0) 89 / 444456-928
Fax: +49 (0) 89 / 444456-930
info@gigaset.com, www. gigaset.ag

Edited by
Gigaset AG
Investor Relations & Unternehmenskommunikation

Concept, Layout, Production
The Growth Group AG
Phone: +49 (0) 89 / 21557680-0
Fax: +49 (0) 89 / 21557680-9
info@growth-group.com

Gigaset

Report for the
3rd Quarter 2015

Gigaset AG • Seidlstr. 23, 80335 Munich, Germany
Phone.: +49.89.444456.928 • Fax: +49.89.444456.930 • info@gigaset.com • www.gigaset.ag