

Gigaset significantly improves EBITDA and consolidated net income – The Company is free of financial liabilities

- **EBITDA from continuing operations in the third quarter: €4.4 million (Q3/2013: €3.8 million).**
- **Consolidated net income from continuing operations in the third quarter: minus €0.2 million (Q3/2013: minus €3.8 million).**
- **Consolidated revenue from continuing operations in the third quarter: €72.0 million (Q3/2013: €76.6 million).**
- **Free cash flow from continuing operations in the third quarter: €7.6 million (Q3/2013: minus €9.9 million).**
- **Initial revenue from the smart home system Gigaset elements has increased almost seven-fold year on year.**
- **Business Customers Business Unit grows revenue by 12% compared with the third quarter of 2013.**
- **CEO Charles Fränkl: “Gigaset is maintaining its leading position in a tough market. We've managed to improve our earnings and free cash flow significantly by means of strict cost management. The strategic alignment we initiated in 2012 and the related rollout of new products continues to bear fruit. The company is totally free of financial liabilities thanks to proceeds from capital measures. That opens up new leeway for financing our growth strategy.”**

Gigaset AG again improved its operating income (EBITDA) in continuing operations in the third quarter by €0.6 million to €4.4 million compared with €3.8 million in the same period of the previous year. The consolidated loss fell by €3.6 million to €0.2 million, mainly due to book profits as part of the equity method from the stake in the joint venture with the main investor Goldin aimed at establishing mobile business.

These books profits were €1.3 million. In addition, the now implemented and fully effective cost-cutting and efficiency program to save €30 million contributed to the improvement in earnings, as did the new efficiency program, which was largely implemented by September and aims to cut costs by €17.5 million.

Initial revenue with the smart home system Gigaset elements, which was launched in 2013, is developing positively. There has been an almost seven-fold increase in revenue from it year on year. However, it is not able to compensate for declining revenue in our core business as a result of the contracting market in it.

In a weak market, Gigaset was able to hold its share in its core business of digital cordless phones year on year in terms of units sold and so was again a winner from the continuing phase of market consolidation. Gigaset's share of market revenue in Europe was 34% in the third quarter of the year. As a result, Gigaset was able to maintain its market position in Europe. As a premium brand, Gigaset was also able to achieve prices that were 29% above the market average. However, the market as a whole remains under pressure. In the third quarter, it declined year on year by around 7% in terms of units sold and by 6% in terms of revenue.¹

Equity ratio increased – The Company is free of financial debt

The equity ratio rose to 21.3 percent thanks to the successful capital measures in July. The figure in the third quarter of the previous year was 3.6 percent. In addition, the company was able to repay all its financial liabilities totaling €25.0 million. That also included the syndicated loan that became due. Gigaset AG obtained net proceeds of €33.9 million from the capital measures in 2014. The Gigaset Group is now completely free of financial debt and so has a raft of new options to further ensure that its growth strategy can be financed. In addition, the company will save around €1.5 million a year in interest payments. The company has thus succeeded in extensively restructuring its funding base in the space of just twelve months.

Gigaset CEO Charles Fränkl commented on the quarterly figures: “Gigaset is maintaining its leading position in a tough market. We've managed to improve our earnings and free cash flow significantly by means of strict cost management.

¹ The data is taken from surveys by the Retail Panel for Cordless Phones of GfK Retail and Technology GmbH in Belgium, Germany, France, the UK, Italy, the Netherlands, Austria, Poland, Switzerland, Spain and Russia. Survey period: July to September 2014; the price premium is calculated from the average market price excluding Gigaset; base: GfK Panel Market.

The strategic alignment we initiated in 2012 and the related rollout of new products continues to bear fruit. The company is totally free of financial liabilities thanks to proceeds from capital measures. That opens up new leeway for financing our growth strategy.”

Gigaset AG’s figures in the third quarter of 2014 (continuing operations):

- Consolidated revenue: €72.0 million (Q3/2013: €76.6 million)
- EBITDA: €4.4 million (Q3/2013: €3.8 million)
- EBITDA margin: 6.1 percent (Q3/2013: 5.0 percent)
- Consolidated net loss: minus €0.2 million (Q3/2013: minus €3.8 million)
- Free cash flow: €7.6 million (Q3/2013: minus €9.9 million)

Reorganized management responsibilities

The Executive and Supervisory Boards have agreed to reorganize the management responsibilities of the Gigaset AG Executive Board members. CEO Charles Fränkl will take over the sales and marketing functions with immediate effect. Maik Brockmann, thus far CMO responsible for those areas, now assumes responsibility for the newly created Corporate Affairs. Thus he is responsible for settling subsidiaries acquired prior to January 1, 2011 by Gigaset AG or its subsidiaries. The CFO position, held by Dr. Alexander Blum, remains unchanged.

Rigorous implementation and further development of the “Gigaset 2015” strategy

The company is continuing to implement the “Gigaset 2015” strategy rigorously and successfully.

Home Networks – “Gigaset elements”

In September 2013, Gigaset began marketing the Gigaset elements starter kits through the network of specialty retailers and online in Germany and then in France shortly afterwards. The system has also been available in Switzerland, Austria, the Netherlands and Sweden since this April. Gigaset elements comprises intelligent sensors, the DECT ULE base station “base” and an app for smartphones. An intelligent, learning and secure cloud acts as an interface between the home and smartphone. The system can be expanded in a modular manner.

In September, Gigaset launched an innovative, HD-based camera for the elements system and it is now also available in Germany. “camera” enables real-time, WLAN-based video transfer in HD quality, even in night-vision mode. Audio data is recorded and transmitted thanks to the built-in microphone. For the first time, “camera” will enable users to choose additional options in the form of various packages as of December 2014. The Freemium package, which provides basic features, is already included with the product. To give users an overview of the different packages – ‘Safety,’

'Smart' and 'Director's Cut' – users have the option of testing all functions in a 'Welcome' package for the price of €0.89 within the first three months of purchase. After this test phase, users can then decide individually which package they would like to subscribe to. Users can buy the individual packages using in-app purchases billed via iTunes (iOS) or the Play Store (Google).

Consumer Products – “Gigaset”

Gigaset's sales strategy is geared toward maintaining the Gigaset brand's price premium in the market and further growing its market share in Europe. In what is overall a difficult environment for retailers and operators, Gigaset was again able to maintain its position over the competition in its core markets. That was assisted in particular by the company's participation in large invitations to tender by retailers and telecommunications providers.

In order to further strengthen the entry-level segment, Gigaset also launched the A540 in the third quarter. The A540 is a functional, yet low-cost phone with an appealing design and rich features.

Business Customers – “Gigaset pro”

Revenue at the Business Customers Business Unit grew by 12% over the same quarter of the previous year. The growth is spread equally over OEM business and direct trading under Gigaset's own “pro” brand. There were positive boosts to growth in particular in the regions Germany, Sweden, Italy and the UK. Regional expansion of sales activities is proceeding apace. A pilot project was launched in Russia and Turkey to evaluate the market opportunities for Gigaset business customer products there.

On the product side, the Business Unit launched a new software version for the multi-cell solution N720 IP Pro. It delivers new functionalities, such as full data backup of the entire configuration and the possibility of complete recovery. That boosts operational reliability, especially in large installations. A visualization tool for the entire installation was also put on the market. It is used in particular for monitoring the stability of the connection between the cells and for constantly improving operational stability.

Mobile Products

In December 2013, Gigaset entered the growing market for tablets with two Android-based models in an 8” and 10.1” format. That marked the completion of the next step in expansion of the Gigaset 2015 strategy. The main focus of their launch was Germany. Marketing of the tablets was then expanded successively to other European countries.

At the moment Gigaset is developing a smartphone portfolio in cooperation with Goldin Fund Pte. Ltd., Singapore.

Outlook confirmed

Gigaset AG sticks to the outlook it gave when the 2013 Annual Report was published on March 26, 2014.

The measures required to ensure long-term growth were initiated in 2012. To counter the continuing difficult trend in the company's core market, investments in establishing new, promising business segments and product groups are also still required. In 2014, the new business segments will make additional contributions to revenue, but these will not yet be able to compensate fully for the market-related decline in cordless phones. Gigaset therefore expects in the current fiscal year in the Business Units Consumer Products, Business Customers and Home Networks (excluding tablets and mobile):

- A decline in revenue from continuing operations in a high single-digit to low double-digit percentage range.
- EDITBA to improve sharply year on year and to be positive again and an EBITDA margin in the upper single-digit percentage range thanks to the positive impact expected from the efficiency programs.
- A negative free cash flow in the low double-digit million range, among other things due to the investments required in further establishment of the new business segments and restructuring of the company.

In addition, Gigaset expects additional revenues from tablet and smartphone business; however, they are difficult to predict due to the early stage of the joint activities with Goldin Fund Pte. Ltd., Singapore.

Gigaset AG, Munich, is an internationally operating company in the area of communications technology. The company is Europe's market leader in DECT telephones. The premium supplier is likewise the leader worldwide with around 1,400 employees and sales activities in around 70 countries. Under the name Gigaset pro, the company continues to develop and market innovative business telephony solutions for small and medium-sized enterprises. The company also operates in the smart home arena. Cutting-edge, cloud-based products and solutions for the smart home are developed and marketed under the name Gigaset elements.

Gigaset AG is listed on the Prime Standard of Deutsche Börse and is therefore subject to the highest requirements for transparency. Its shares are traded on the Frankfurt Stock Exchange under the symbol 'GGS' (ISIN: DE0005156004).

Gigaset Social Media: 

Gigaset blog: <http://blog.gigaset.com>

Gigaset homepage: <http://www.gigaset.com>

Overview of financial figures:

€ million	July 1 – September 30, 2014		July 1 – September 30, 2013	
	Continuing operations	Total	Continuing operations	Total
Consolidated revenue	72.0	72.0	76.6	77.5
Earnings before interest, taxes, depreciation and amortization (EBITDA)	4.4	4.4	3.8	2.8
Earnings before interest and taxes (EBIT)	-1.3	-1.3	-2.8	-3.4
Consolidated net income/loss	-0.2	-0.2	-3.8	-4.4
Diluted earnings per share in €	-0.00	-0.00	-0.08	-0.09
Free cash flow	7.6	7.6	-9.9	-10.5
	September 30, 2014		December 31, 2013	
Total assets	251.6		267.1	
Consolidated equity	53.6		38.7	
Equity ratio in %	21.3		14.5	